

UNOFFICIAL ENGLISH TRANSLATION

**EXTRACTION AREAS**

**CONTRACT FOR THE EXTRACTION OF  
HYDROCARBONS UNDER PRODUCTION SHARING  
MODALITY**

**ENTERED INTO BY**

**THE NATIONAL HYDROCARBONS COMMISSION**

**AND**

**XYZ<sup>1</sup>**

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<sup>1</sup> This model is for use when the winning Bidder is a company acting individually, not a Consortium. This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L02/2015, 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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**CONTRACT FOR THE EXTRACTION OF HYDROCARBONS UNDER PRODUCTION  
SHARING MODALITY**

This Contract for the Extraction of Hydrocarbons under Production Sharing Modality (the “Contract”) is entered into on \_\_\_\_\_, 2015, 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, by, 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, and that it has legal personality and technical and operational autonomy, in accordance with article 28, paragraph 8, 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 7, 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 jurisdictions, on 27 February, 2015 it published in the Official Gazette of the Federation the public invitation No. CNH-R01-C02/2015 for the international public bidding process for a Contract for the Extraction under Shared Production Modality relating to the Contract Area described in Annex 1 hereto, and in accordance with the procedure established in the bidding guidelines issued for such bidding process, it issued the award on [XX, 2015] pursuant to which XYZ was declared the winner of the bidding process, and

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.

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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 referred to 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 technical, financial and implementation capacity to comply with its obligations under this Contract;

V. It has taken 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 proven 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:

## **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 limiting, the permanent plugging and abandonment of Wells, the dismantling and removal of all plants, platforms, facilities, machinery and equipment supplied or used by the Contractor for conducting the Petroleum Activities, as well as the environmental restoration of the affected Contract Area by the Contractor, in accordance with the terms of this Contract, Industry Best Practices, the Applicable Laws and the Management System.

“**Abandonment Trust**” shall have the meaning set forth in Article 17.3.

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“**Accounting Procedures**” shall mean the Procedures for Accounting, Reporting and Recovery of Costs attached hereto as Annex 4.

“**Additional Appraisal Period**” shall mean the period of one (1) Year beginning upon termination of the Initial Appraisal Period, by which CNH may grant the Contractor permission to continue conducting Appraisal activities in the Contract Area in accordance with Article 4.3.

“**Additional Period Guarantee**” shall have the meaning set forth in Article 16.1 (b).

“**Adjustment Mechanism**” shall mean the mechanism established in Annex 3, which based on the measurement of the Contractor’s operating result in each Period, modifies the parameters that determine the State Consideration and the Contractor Consideration, in order for the State’s participation in the results of the Contract Area to be progressive.

“**Affiliate**” shall mean, with regard to any Person, any other Person that directly or indirectly Controls, 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 17.4.

“**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 force at the relevant time.

“**Appraisal**” shall mean all activities and operations carried out by the Contractor to determine the limits, characteristics and production capacity of the Fields, including, without limiting: (i) geological and geophysical surveys; (ii) drilling of test Wells; (iii) studies of Reserves and other studies, and (iv) all ancillary operations and activities required or advisable that must be carried out in order to optimize the performance or results of the foregoing activities.

“**Appraisal Period**” shall mean the period granted to the Contractor to conduct Appraisal activities and that comprises the Initial Appraisal Period and the Additional Appraisal Period (if any).

“**Appraisal Plan**” shall mean a program specifying the Appraisal activities to be carried out in the Contract Area, which should include at least the Minimum Work Program and the Minimum Program Increase.

“**Asset Inventory**” shall mean the inventory of Wells and Materials described in Annex 5.

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“**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.

“**Bid**” shall mean the bid which CNH declared to be the winning bid for this Contract in accordance with the Bidding Guidelines.

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

“**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.

“**Budget**” shall mean an estimate of the Costs of all items included in a Work Program, which includes at a minimum a breakdown of the budgetary items associated with each category of Petroleum Activities.

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

“**Commercialization 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.

“**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.

“**Continuation of Activities Notice**” shall have the meaning set forth in Article 5.1(a).

“**Contract**” shall mean this Contract for the Extraction of Hydrocarbons under Production Sharing Modality, 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.

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“**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 the natural resources in its subsurface, and (ii) the Contract Area shall be reduced in accordance with the terms of this Contract.

“**Contract Fee for the Exploratory Phase**” shall have the meaning set forth in Annex 3.

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

“**Contract Year**” shall mean a period of twelve (12) consecutive Months from the Effective Date or from any anniversary thereof.

“**Contractor**” shall mean XYZ.

“**Contractor Consideration**” shall mean, with respect to any Month beginning with the Month in which Regular Commercial Production commences, the share of Hydrocarbon production from the Contract Area that the Contractor is entitled to receive in such Month in accordance with Article 15.3 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 in Barrels at the Measurement Points in the Contract Area determined as provided in Annex 3.

“**Contractual Value of the 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 in Barrels at the Measurement Points 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) the volume in millions of BTU of Natural Gas at the Measurement Points 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 allow, directly or indirectly, the exercise of voting rights to more than fifty percent of

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the Contractor's capital stock, or (iii) to direct, directly or indirectly, the Contractor's management, strategy or main 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 Performance Guarantees, or given the case, prior execution of the insurances policies referred to in Article 19. The Corporate Guarantee will be executed by the Guarantor in accordance with Article 16.2 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.

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

**“Development Plan”** shall mean the optimal Development Plan for Extraction containing a time schedule specifying the Petroleum Activities in the Contract 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 which during drilling activities show to contain Hydrocarbons that may be extracted at a measurable flow rate using Industry Best Practices, regardless of whether the extraction of such detected 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.

**“Eligible Costs”** shall mean Costs which are strictly indispensable for the conduction of the Petroleum Activities, incurred from the Effective Date until the termination of this Contract, provided that they comply with the requirements indicated in Annexes 4, 10 and 11, and with the guidelines issued by the Ministry of Finance in force as of the award date of the Contract.

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

**“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.

**“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 within the same structure, geological body or stratigraphic condition.

**“Final Transition Stage”** shall mean the stage carried out in accordance with the article 17.7 and the Applicable Law.

**“First Additional Term”** shall have the meaning set forth in Article 3.3(a).

**“Force Majeure”** shall mean any fact or circumstance which prevents the affected Party from performing its obligations set forth in this Contract if such fact or circumstance is beyond the reasonable 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 limiting, 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.

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“**Gathering**” shall mean the collection of Hydrocarbons from each Well of the reservoir once they have been extracted from the subsoil using a system of discharge lines running from the wellhead to the first separation batteries or, as applicable, to the transportation systems.

“**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 Hydrocarbons.

“**Governmental Authority**” shall mean any governmental entity 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 is executing the Corporate Guarantee simultaneously with the Parties’ execution of this Contract, subject to approval by CNH.

“**Hydrocarbons**” shall mean Crude Oil, Natural Gas, Condensates, Natural Gas liquids 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.

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

“**Hydrocarbon 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 best practices, methods, standards and procedures generally accepted and followed by diligent, expert and prudent operators with experience in 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 Appraisal Period**” shall mean the period of two (2) Years from the Effective Date during which the Contractor shall be required to complete at least all corresponding Work Units in accordance with Article 4.

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“**Initial Performance Guarantee**” shall have the meaning set forth in Article 16.1

(a).

“**Invitation to Bid**” shall mean the international public invitation to bid number CNH-R01-C02/2015 published in the Official Gazette of the Federation by CNH on February 27, 2015.

“**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 that the Contractor shall carry out when performing the Petroleum Activities and which shall comply with the requirements set forth in articles 13, 14 and 16 of the Law of the National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector and the other Applicable Laws.

“**Marketer**” shall mean the company appointed by CNH in accordance with the Hydrocarbons Law, to provide services to the Nation for the marketing of the Hydrocarbons received by the Nation as a result of this Contract.

“**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 the 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 by the Applicable Laws.

“**Methodology**” shall mean the provisions established by the Ministry of Economy 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 referenced in Annex 6 which the Contractor agreed to carry out through the percentage increase in the Minimum Work Program as part of the economic bid based on which this Contract was awarded.

“**Minimum Work Program**” shall mean the Work Units set forth in Annex 6, which the Contractor shall carry out during the Appraisal Period, it being understood that the Minimum Work Program is only a minimum work program and that the Contractor may carry out additional Appraisal activities during the Appraisal Period.

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

“**Natural Gas Processing**” shall mean the separation of Natural Gas from other gases and liquids for its transformation or marketing.

“**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 as required by the relevant Work Program: (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 resulting from 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.

“**Operating Profit**” shall have the meaning set forth in Annex 3.

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

“**Performance Guarantee**” shall mean, individually or collectively, as the context may require, the Initial Performance Guarantee and the Additional Period Guarantee.

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“**Period**” shall mean a Month, provided that when Petroleum 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 Appraisal, Extraction and Abandonment activities carried out within the Contract Area by the Contractor in accordance with this Contract.

“**Preexisting Damage**” shall mean all the environmental liabilities identified in the environmental base line within the Contract Area identified in accordance to Articles 3.4 and 13.4.

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

“**Quarter**” shall mean any period of three (3) consecutive Months commencing on January 1, April 1, July 1 or October 1 of any Year.

“**Recoverable Costs**” shall mean Eligible Costs, included in the Budgets and Work Programs approved by CNH, provided they must be effectively paid and its determination and registration must comply with the requirements established in Annexes 4, 10 and 11 attached herein, and the guidelines issued for such effect by the Ministry of Finance in force as of the date of the award of the Contract.

“**Recoverable Costs Limit**” shall mean the result of multiplying the Recoverable Costs Percentage by the Contractual Value of the Hydrocarbons in any Period, which determines the maximum proportion of the Contractual Value of the Hydrocarbons that may be allocated to the recovery of Costs during such Period, in accordance with the terms of Annex 3 of this Contract.

“**Recoverable Costs Percentage**” shall mean the percentage set forth in Annex 3.

“**Recoverable Costs Reimbursement**” shall mean reimbursement of the aggregate amount of the Recoverable Costs, subject to the Recoverable Costs Limit, as provided in Article 15.4 and Annex 4.

“**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 it is estimated will be technically and economically produced under the applicable tax regime, by any of the Extraction methods and systems applicable at the date of Appraisal.

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**“Risk Management Program”** shall mean the actions and measures undertaken for the prevention, monitoring and mitigation of identified, analyzed and evaluated risks, as well as of improvement in the performance of a facility or group of facilities, pursuant to the Management System. This program is derived from the Management System and shall be submitted to CNH and in turn forwarded by it to the Agency for approval.

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

**“Second Additional Term”** shall have the meaning set forth in Article 3.3 (b).

**“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 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 correspondent social management plans.

**“State Consideration”** shall mean, for any Month beginning with the Month in which Regular Commercial Production commences, the share of Hydrocarbon production from the Contract Area and the other consideration that the Nation is entitled to in accordance with Article 15.2 and Annex 3.

**“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 of the Contractor pursuant to Article 18.2.

**“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.

**“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.

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“**Technical Information**” shall mean all of the data and information obtained as a result of the Petroleum Activities, including, without limiting: 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 carried out in accordance with Article 3.4 and the Applicable Laws.

“**UNCITRAL Regulations**” shall have the meaning set forth in Article 25.2.

“**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 Program**” shall mean a detailed program specifying the Petroleum Activities to be carried out by the Contractor during the applicable period, including the time required to carry out each activity described in such program.

“**Work Unit**” shall mean the unitary magnitude used as reference to establish and evaluate compliance with the activities listed in the Minimum Work Program as provided in Annex 6.

“**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. Unless otherwise indicated, all references herein to “Articles” or “Annexes” are to the Articles and Annexes of this Contract.

## **ARTICLE 2.** **PURPOSE OF CONTRACT**

**2.1 Production Sharing Modality.** The purpose of this Contract is to provide for the execution of Petroleum Activities under a production sharing modality 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, in exchange for the Considerations payable to the Contractor as provided by the Hydrocarbon Revenues Law.

The Contractor shall be solely responsible for and will pay all Costs and provide all personnel, technology, Materials and financing necessary to carry out the Petroleum Activities.

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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 assurance or warranty of any kind regarding the Contract Area, and the Contractor acknowledges that it has received no guarantee from any Governmental Authority that the exploitation of Hydrocarbons in the Contract Area will be commercial, or the Contractor will receive sufficient Hydrocarbons to cover the Costs it may incur in carrying out the 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, under no circumstances 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 this Contract to exploit or use such resources. In case that while conducting Petroleum Activities the Contractor shall discover 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.** **TERM OF CONTRACT**

**3.1 Effective Date.** This Contract shall come into force on the Effective Date.

**3.2 Term.** Subject to the other terms and conditions hereof, the duration of this Contract shall be twenty-five (25) Contract Years commencing on the Effective Date, it being understood that the provisions which by their nature must be performed after the termination of this Contract, including those related to Abandonment, indemnification and industrial safety and environmental protection, shall subsist its termination.

**3.3 Extension.** If the Contractor has met all of its obligations under this Contract, it may request from CNH:

(a) Beginning on the twenty-fifth anniversary of the Effective Date, an extension of this Contract for an additional five (5) Years (the "First Additional Term") provided it agrees to maintain the Regular Commercial Production in the Development Area, under the

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understanding that the Contractor shall submit such request at least eighteen (18) Months prior to the termination date of the original term of this Contract;

(b) During the First Additional Term (if any), a second extension of this Contract for an additional five (5) Years (the “Second Additional Term”), provided it agrees to maintain the Regular Commercial Production in the Development Area, under the understanding that the Contractor shall submit such request at least eighteen (18) Months prior to the termination date of the First Additional Term.

The Contractor shall provide the following items to CNH, along with the requests for a First Additional Term and Second Additional Term: (i) a proposal for modification of the applicable Development Plans that will include a proposal for the Risk Management Program that will include the reservoir maturity degree; (ii) a Work Program for implementation of the proposed project; (iii) a Budget for the proposed Work Program, and (iv) the production profile anticipated as a result of the proposed Work Program. 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.

**3.4 Transition Stage for Startup.** 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 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 base line 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 conduction of the Petroleum Activities conducted prior to the Effective Date;

(d) The Contractor must carry out the assessments that allow for the identification, characterization and prediction of environmental liabilities through a third party authorized by the Mexican Entity of Accreditation, with authorization from CNH, with the purpose

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of establishing an environmental base line prior to the beginning of the Petroleum Activities. The Contractor shall conclude the studies and present a detailed report of the environmental base line in accordance with Article 13.4. 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 settlement, cleaning and remediation of the preexisting environmental liabilities;

(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) At the end of the Transition Stage for Startup, the Contractor shall assume full responsibility over the Contract Area and over their Wells and Materials, except for such liabilities identified in accordance with subparagraphs (b), (c) and (d) above, and

(g) Once the responsibility over the Contract Area is assumed, Preexisting Damages may only proceed if they were determined in the environmental base line in accordance with the Article 14.4.

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

**3.5 Relinquishment by Contractor.** Without prejudice to the provisions in Article 17, the Contractor may at any time relinquish all or any portion(s) of the Contract Area, thereby terminating this Contract related 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 such relinquishment. Such relinquishment shall not affect the Contractor's obligations regarding (i) completion of the Minimum Work Program and Minimum Program Increase and, if applicable, payment of the related liquidated damages; (ii) Abandonment and the delivery of the area in accordance with Article 17, and (iii) relinquishment and return of the Contract Area in accordance with Article 6. In the case of early termination of this Contract by the Contractor pursuant to this Article 3.5, the Contractor shall not be entitled to receive any indemnification of any kind.

#### **ARTICLE 4.** **APPRAISAL PERIOD**

**4.1 Appraisal Plan.** Within ninety (90) Days following the Effective Date, the Contractor shall submit the Appraisal Plan to CNH for its approval. The Appraisal Plan shall cover the full extension of the Contract Area and must contain the information stated in Annex 7 (including the Risk Management Program). CNH will decide on the proposed Appraisal Plan within a period not to exceed sixty (60) Days following its submission of the necessary information pursuant to the terms of the Applicable Laws. CNH may not deny its approval without just cause.

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Without prejudice of its ability to approve the Appraisal Plan within the period indicated in this Article 4.1, CNH may issue observations regarding such Appraisal Plan, when it was not drafted as provided by the Industry Best Practices regarding the evaluation of the Hydrocarbons potential, including environmental, industrial security and health standards within the work place. The Contractor must provide the operative solutions and the correspondent adjustments to the Appraisal Plan in response to the observations issued by CNH. Hearings or attendances may be held in order to resolve in good faith any technical difference that may exist regarding the observations of the Appraisal Plan, in accordance with the Industry Best Practices and the Applicable Law.

**4.2 Initial Appraisal Period.** The Initial Appraisal Period shall last two (2) Years beginning at the Effective Date. The Contractor shall be required to complete at least the Minimum Work Program during the Initial Appraisal Period. The Contractor shall be required to complete at least the Minimum Work Program during the Initial Appraisal Period. The Contractor may carry out during the Initial Appraisal Period, a fraction or all of the Petroleum Activities provided in the Minimum Program Increase. Likewise, he may carry out additional Work Units pursuant to the terms of the Work Programs and Budgets approved by CNH. Such additional Work Units would be credited if CNH grants the Additional Appraisal Period as provided in Article 4.3.

**4.3 Additional Appraisal Period.** Subject to this Article 4.3, by written notice to CNH at least forty-five (45) Days prior to the termination of the Initial Appraisal Period, the Contractor may request an extension of the Appraisal Period for an additional one (1) Year following the termination of the Initial Appraisal Period. The Contractor may request such extension only if it: (i) agrees to comply with the Minimum Work Program or the Minimum Program Increase not carried out during the Initial Appraisal Period, and (ii) agrees in addition to perform at least the Work Units equivalent to a Well in accordance with Annex 6. CNH will approve such extension if the two foregoing conditions are satisfied, if it receives the Additional Period Guarantee within ten (10) Business Days after CNH approves the extension and the Contractor has complied with all of its other obligations under this Contract.

In case that during the Initial Appraisal Period the Contractor has carried out Work Units in addition to those established in the Minimum Work Program and the Minimum Program Increase, the Contractor may request that those additional Work Units be accredited in order to be considered part of the Additional Appraisal Period commitment. Such request shall be included in the request for extension of the Appraisal Period in accordance with this Article 4.3

**4.4 Delay in the Submission of the Appraisal Plan.** In case that the Contractor presents the Appraisal Plan or the first Work Program for the Appraisal Period for the approval of CNH after the deadline without just cause, the Contractor shall pay to the Fund as liquidated damages for the entire period of the delay calculated according to the following formula:

$$Penalty = DP * \frac{MWP}{730}$$

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Where:

*DP* is the delay period (in Days) and

*MWP* is the estimated cost of the Minimum Work Program.

**4.5 Failure to Comply with the Minimum Work Program or Additional Commitments.** If the Contractor fails to comply with the Minimum Work Program, with the Minimum Program Increase or with the additional commitments made for the Additional Appraisal Period, the Contractor shall pay to the Fund on behalf of the Nation as liquidated damages:

(a) The amount required to carry out the Work Units of the Minimum Work Program not completed at the end of the Initial Appraisal Period, or the Work Units not completed in the Increase in the Minimum Program if the Contractor has not been granted an Additional Appraisal Period at the end of the Initial Appraisal Period in accordance with this Article 4, calculated as provided in Article 16.1 (a) and in Annex 6, up to the amount of the Initial Performance Guarantee.

(b) The amount required to carry out the additional Work Units agreed upon during the Additional Appraisal Period pursuant to Article 4.3 and that have not been completed at the end of the Additional Appraisal Period, up to the amount of the Additional Period Guarantee, calculated in accordance with Article 16.1(b) and Annex 6.

(c) If the Contractor relinquishes the entire Contract Area pursuant to Article 3.5, the date of relinquishment will be deemed to be the end of the Initial Appraisal Period or the Additional Appraisal Period, as the case may be, and the related liquidated damages pursuant to subparagraphs (a) and (b) of this Article 4.4 will be applicable.

(d) CNH may draw on the Performance Guarantee in the amount of the corresponding liquidated damages if the Contractor fails to pay such amounts to the Fund within fifteen (15) Days following the end of the Appraisal Period.

Without prejudice of the provisions of this Contract, once the Contractor pays the amounts described in subparagraphs (a) and (b), or in case the Performance Guarantee is cashed as pursuant to subparagraph (d) of this Article 4.4, the breach of the Minimum Work Program, the Increase of the Minimum Work Program or the additional commitments acquired for the Additional Exploration Period shall be considered as amended.

**4.6 Formation Tests.** If the Contractor conducts a formation test in any Well, it shall notify CNH at least ten (10) Days prior to the commencement of the formation test. The Contractor shall submit the data derived directly from the test to the National Hydrocarbons Information Center within fifteen (15) Days following completion of the test. Within ninety (90)

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Days from completion of the formation test, the Contractor shall submit the relevant information to CNH, along with technical studies and reports conducted after the formation test.

**4.7 Hydrocarbons Extracted During Tests.** Hydrocarbons obtained from performance of any test to determine the characteristics of a reservoir and its production flows shall be delivered to the Marketer at the location established in the Work Program approved by CNH for the Appraisal activities. The Fund shall receive from the Marketer the revenues resulting from marketing and will transfer to the Contractor the corresponding amounts in accordance with the mechanisms indicated in Annex 3.

**4.8 Appraisal Report.** No later than thirty (30) Days following the end of the Appraisal Period, 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 8.

## **ARTICLE 5.** **DEVELOPMENT PLAN**

### **5.1 Continuation of Activities Notice.**

(a) No later than thirty (30) Days following the end of the Appraisal Period, the Contractor shall inform CNH whether it wishes to carry out the Petroleum Activities in the Contract Area (the “Continuation of Activities Notice”). If the Contractor does not submit the Continuation of Activities Notice within the period indicated herein this Contract shall be terminated and the Contractor shall discontinue all Petroleum Activities and return the Contract Area to the Nation through CNH.

(b) If the Contractor submits the Continuation of Activities Notice on a timely basis, the Contractor shall present the Development Plan in accordance with Article 5.2.

**5.2 Development Plan.** Within the Year following the submission of the Continuation of Activities Notice, the Contractor shall submit the corresponding Development Plan to CNH for its approval. The Development Plan shall cover the entire Contract Area, including at least the information required by Annex 9 and the use of adequate methods and processes to obtain the maximum ultimate recovery factor for the Reserves complying with Industry Best Practices, and shall be designed to allow for the optimization of the economic benefit of the Fields, avoiding excessive rates of decline of production or loss of pressure, has the correspondent 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 case CNH does not issue a decision during this period, it will be deemed to have made a favorable decision.

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**5.3 Observations of Development Plan by CNH.** Without prejudice of the entitlement of CNH to approve the Development Plan in terms of Article 5.2, 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; (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 environmental, industrial safety 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 project of Development Plan breaches any other provision of this Contract; (viii) that there would be a violation of the Applicable Laws, including environmental standards and standards for industrial safety and health standards within the work place; (ix) the degree of environmental risk assumed would be unacceptable pursuant to the Applicable Laws; (x) the Risk Management Program is not effective to manage risks within acceptable levels or is not derived from a correct application of the Management System, 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 correspondent adjustments to the Development Plan in order to attend the observations from CNH. Hearings or attendances may be held 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 legal attributions

**5.4 Compliance with Development Plan and Modifications.** The Contractor shall develop the Fields in accordance with the approved Development Plan. The Contractor from time to time may propose changes to the Development Plan 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.

**5.5 Exploration Activities.** In case that during the Petroleum Activities, the Contractor determines the possibility to achieve a Discovery outside the appraised areas, the Contractor may submit a request to CNH in order to carry out Exploration activities in accordance with the terms of this Contract.

## **ARTICLE 6.** **RETURN OF THE AREA**

**6.1 Return.** The Contractor shall relinquish and return the Contract Area as set forth below:

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(a) If the Contractor does not submit the Continuation of Activities Notice on a timely basis, the Contractor must relinquish and return one hundred per cent (100%) of the Contract Area to CNH;

(b) Once the Development Plan has been approved, the Contractor must relinquish and return one hundred per cent (100%) of the Contract Area not contemplated by such plan, and

(c) Upon termination of this Contract for any reason, including rescission, the Contractor must relinquish and return one hundred per cent (100%) of the Contract Area.

**6.2 No Reduction of Other Obligations.** The provisions of Article 6.1 must not be deemed to diminish the Contractor's obligations to comply with its obligations regarding Abandonment activities.

## **ARTICLE 7.** **PRODUCTION ACTIVITIES**

**7.1 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 accordance with Industry Best Practices.

**7.2 Facilities.** The Contractor shall be obligated to carry out all construction, installation, repair and reconditioning of the Wells, Gathering Facilities and any other facilities necessary for the production activities, in accordance with the Work Programs approved by CNH and in compliance with the Risk Management Program. The Contractor shall maintain all Materials used in the Petroleum Activities in working condition in accordance with the Management System, Industry Best Practices and the recommendations of the manufacturers of the Materials.

## **ARTICLE 8.** **UNITIZATION**

### **8.1 Unitization Procedure.**

The Contractor shall notify the Ministry of Energy and CNH within no more than (60) Business Days upon gathering the sufficient elements by which the existence of a shared reservoir is inferred. 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

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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 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 Applicable Laws, the Ministry of Energy shall establish the terms and conditions under which the unitization shall be conducted. The aforementioned, 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 the Appraisal or Extraction 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 the compliance with the Minimum Work Program, the Increase in the Minimum Program or, in such case, the additional commitments acquired for the Additional Exploration Period.

**8.2 Nonexistence of Contractor or Assignee.** As provided by Article 8.1 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 Appraisal Plan and in the Development Plan approved by CNH. On the other hand, the Ministry of Energy will determine

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the juridical 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 aforementioned, 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 grant preferential rights with regard to the award of the resulting contracts for Exploration and Extraction.

## **ARTICLE 9.** **WORK PROGRAMS**

**9.1 Work Programs.** The Contractor shall submit to CNH for its approval the annual Work Programs for each of the Petroleum Activities, including Abandonment. CNH will decide on the proposed Work Programs in a period no longer than thirty (30) Days following its receipt of the necessary information. The Work Programs shall contain a detailed list of the individual activities that should be conducted and the estimated time for each. During the Appraisal Period, the Work Programs shall comply with the Minimum Work Program, the Minimum Program Increase and the Appraisal Plan, while during any Development Period; the Work Programs shall comply with the relevant Development Plan. All Work Programs shall comply with Industry Best Practices, the Applicable Laws, the Management System and the other terms and conditions in this Contract.

In case of the first Work Program for the Appraisal Period or Development Period, their approval shall be granted simultaneously with that of the Appraisal Plan or Development Plan, as the case might be, in accordance with Articles 4.1 and 5.2.

CNH may deny approval of the Work Program if the Contractor: (i) does not comply with the Minimum Work Program, the Minimum Program Increase, or the additional commitments made for the Additional Appraisal Period; (ii) with the Work Programs submitted during the Development Period modify the approved Development Plan, or (iii) with the Work Program does not comply with Industry Best Practices.

**9.2 Work Programs in the Appraisal Period.** The first Work Program in the Appraisal Period shall be presented simultaneously with the Appraisal Plan for the approval of CNH. Such first Work Program shall cover the Petroleum Activities to be conducted during the first Contract Year and throughout the rest of the Year in which the first Contract Year ends. Thereafter, the Contractor shall submit a Work Program for each Year no later than September 30 of the immediate preceding Year.

**9.3 Work Programs in the Development Period.** The first Work Program for each Development Period shall be submitted along with the Development Plan and must include the Petroleum Activities to be conducted during the rest of the Contract Year in which the Continuation of Activities Notice is submitted and the Petroleum Activities to be carried out during the rest of the Year in which such Contract Year ends. The Contractor shall submit the Work

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Program for each subsequent Year, or its update, no later than September 30 of the immediately preceding Year. All Work Programs submitted in the Development Period shall contain a monthly production estimate for the applicable Year, as well as a forecast of total production of the Fields during the full term of the Contract.

**9.4 Observations by CNH.** CNH shall communicate to the Contractor any observation it may have regarding any Work Program. CNH shall approve the Work Programs if they comply with: (i) the Minimum Work Program, the Minimum Program Increase, the Appraisal Plan and the Development Plan, as applicable; (ii) the terms of the Accounting Procedures and the other terms and conditions of this Contract; (iii) Industry Best Practices; (iv) the Management System, and (v) the Applicable Laws. The Contractor shall modify and resubmit for written approval any Work Program that may have been observed by CNH. The Contractor may not conduct any activities that are not included in an approved Work Program, except in the case of an emergency pursuant to Article 21.5.

The Contractor must provide the operative solutions and the according adjustments to the Work Program attending the observations from CNH. Hearings or attendances may be held in order to resolve in good faith any technical difference that may exist regarding the observations to the Work Program following the Industry Best Practices and the Applicable Laws.

**9.5 Modifications by the Contractor.** If useful for the Petroleum Activities, the Contractor may request approval from CNH to modify an approved Work Program in accordance with the Applicable Laws. Such request shall describe the rationale and benefits of the proposed changes and shall contain a comparison of the new Work Program to the Work Program approved by CNH, as well as any other information required pursuant to the Applicable Laws. CNH will inform the Contractor on any objection or comment it may have regarding the proposed modifications, it being understood that CNH shall approve them if the Contractor demonstrates that the proposed changes comply with the terms and conditions of this Contract (including the Minimum Work Program, the Minimum Program Increase, the Appraisal Plan and, as the case may be, the Development Plan), Industry Best Practices, the Management System and the Applicable Laws.

**9.6 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 authorization and the required technical specifications in the approved Work Program, unless there are Obstacles to the Continuation of Drilling.

**9.7 Drilling and Geophysical Reports.**

(a) During the drilling of any Well and until the termination of drilling activities, the Contractor shall submit to CNH the drilling reports required by the Applicable Laws. The Contractor shall maintain a digital record, in original form and available in a quality copy, of

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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.

(b) Upon completion of any Well, the Contractor shall submit a final Well completion report containing at a minimum the information required by the Applicable Laws.

**9.8 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 advances of the Petroleum Activities during the immediately preceding Quarter, in terms of the approved Development Plan, including at least the following reports:

(a) A report of performance in industrial safety, operational safety and environmental protection, 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 with procedures regarding operating reliability, safety, health and environmental protection.

**9.9 Activities Not Requiring Approval.** Except as provided by the Applicable Laws, once CNH approves the Petroleum Activities to be conducted by the Contractor under each Work Program, the Contractor will not be required to obtain the approval from CNH for details of the design, engineering and construction of the facilities contemplated by the approved Work Program, nor the details of the manner in which they will be operated.

## **ARTICLE 10.** **BUDGETS AND RECOVERABLE COSTS**

**10.1 Budgets.** Along with each Work Program submitted, the Contractor shall submit to CNH for its approval, in accordance with the Accounting Procedures, a Budget of the Costs to be incurred in implementation of such Work Programs. CNH will decide on the proposal of Budgets simultaneously with the approval of the related Work Program. All proposed Budgets shall be commercially viable, reasonable and consistent with the requirements of this Contract, with its Annexes and with the Industry Best Practices. The draft Budgets shall: (i) be denominated in Dollars; (ii) include a detailed estimate of the Costs that must be incurred in order to implement the Petroleum Activities set forth in the Work Program corresponding to the Budget; (iii) include a schedule of estimated expenditures of the Costs; (iv) specify any assumption or premise on which it is based, and (v) provide a scope broad enough so as to allow CNH to adequately evaluate the Costs based on the Accounting Procedures and the Costs catalogue included in Annex 4. The Contractor shall also provide supporting documents for all its Cost estimates. The draft Budgets must be consistent with the relevant Appraisal Plan or Development Plan, as the case may be, and with the relevant Work Program.

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**10.2 Appraisal Budgets.** The first Budget for any Appraisal Period shall be submitted simultaneously with the Appraisal Plan. Such first Budget must include the Costs that will be incurred during the first Contract Year and the Costs that will be incurred during the remaining portion of the Year in which the first Contract Year ends. The Contractor shall submit the Budget for each subsequent Year no later than September 30 of the immediately preceding Year.

**10.3 Development Budgets.** The first Budget for any Development Period shall be submitted along with the related Development Plan. Such first Budget shall include the Costs that will be incurred during the remaining portion of the Contract Year in which the Continuation of Activities Notice is submitted, and during the remaining portion of the Year in which such Contract Year ends. The Contractor shall submit the Budget for each subsequent Year no later than September 30 of the immediately preceding Year.

**10.4 Modifications.** The Contractor may not modify an approved Budget without the approval of CNH. Any request must be consistent with Article 9.5 and, if applicable, shall contain the reasons for deviations from the Costs in the original Budget.

**10.5 Accounting of Contractor's Costs.** Any accounting of the Contractor's Costs relating to the performance of its obligations under this Contract must be recorded in the Operating Account, regardless of the currency used or the place of payment, as provided in the Accounting Procedures.

**10.6 Recoverable Costs.** Costs incurred for carrying out the Petroleum Activities will be considered Recoverable Costs under this Contract only if they meet the terms of the guidelines issued by the Ministry of Finance in force as of the date of the award of the Contract and the Accounting Procedures. Approval of the Work Programs and Budgets by CNH means only that the Contractor has the technical approval to conduct the activities established in the approved Work Programs and to incur in Costs and expenses related to such activities. Once the Costs associated with the Work Programs are incurred, any Cost actually incurred may be considered a Recoverable Cost only if it complies with all of the requirements set forth in the guidelines issued by the Ministry of Finance in force as of the date of the award of the Contract and the Accounting Procedures.

**10.7 Procurement of Goods and Services.** All procurement of goods and services relating to the Petroleum Activities shall be subject to principles of transparency, economy and efficiency and shall comply with Annex 11.

**10.8 Recordkeeping Requirement.** The Contractor shall keep within 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 for inspection, review and audit by any Person designated by the Ministry of Finance or any other

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competent Governmental Authority. Records showing transactions in the Operating Account shall be kept starting from the Effective Date until five (5) Years after termination of this Contract.

**10.9 Contractor's Transactions with Third Parties.** The Contractor agrees to include in all of its transactions with third parties related 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, and such third party shall be required to deliver directly to the requesting party information regarding its transactions with the Contractor under the Contract.

**ARTICLE 11.**  
**MEASUREMENT AND RECEPTION OF NET HYDROCARBONS**

**11.1 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 relating to the measurement of the Hydrocarbons under this Contract shall be reported to CNH in accordance with the Applicable Laws.

**11.2 Procedures for Reception.** No later than one hundred eighty (180) Days prior to the commencement of Regular Commercial Production, the Contractor shall propose to CNH procedures for the delivery and receipt of Net Hydrocarbons. Such procedures shall govern the scheduling, Storage, measurement and quality monitoring of the Net Hydrocarbons delivered 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 must cover the following, among others: (i) the measurement systems; (ii) short-term production delivery forecasts; (iii) scheduling of delivery/receipt; (iv) environmental protection measures, and (v) 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 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 delivering and reception procedures for Net Hydrocarbons, the Contractor shall attend 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 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.

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**11.3 Installation, Operation, Maintenance and Calibration of 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, its operation and its management are suitable and that it is measuring the volumes and quality of the Hydrocarbons within the parameters for uncertainty and tolerance set by CNH.

**11.4 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 are entitled to inspect and examine the measurement systems, their operation and management, and to witness, 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.

**11.5 Measurement System 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, is malfunctioning or is incorrectly calibrated, the Contractor shall repair it immediately and ensure that it is in 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 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, as the case may be, was discovered, 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 delivery period for which the State Consideration or the Contractor Consideration has been paid, measurements adjusted pursuant to this Article 11.5 shall be used to recalculate the amount due for the period of inaccuracy

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as provided in Annex 3. If as a result of applying the adjusted measurements, adjustments for the paid balance of the State and Contractor Considerations are required, such adjustments shall be made as provided by in Annex 3

**11.6 Replacement of Measurement System.** If for duly justified reasons the Contractor decides to replace any measurement system or any related elements or software, it will proceed as provided by the Applicable Laws, and will give CNH notice in order to allow its representatives to be present during the replacement if they consider it appropriate.

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

**11.8 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, operated by third parties, the Contractors shall present, for the approval of CNH, a draft agreement for the share use of facilities. CNH will approve the agreement between the parties in terms of the Applicable Laws and Industry Best Practices.

## **ARTICLE 12.** **MATERIALS**

**12.1 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. The transfer of Materials pursuant to this Article 12.1 shall exclude Materials leased by the Contractor and Materials owned by Subcontractors, provided that the lessors and Subcontractors are not Affiliates of the Contractor.

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**12.2 Materials Exempt from Transfer.** All Movable Property whose Cost has not been recovered will be exempt from the provisions in Article 12.1. Movable Property which Cost has been partially recovered will be subject to the provisions set forth in section IX of Annex 4.

**12.3 Leases.** The Contractor may lease assets to conduct the Petroleum Activities, provided that the lease agreements shall expressly indicate that in case of an early termination of this Contract for any reason, CNH will have the option of requesting that the lease agreements be 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.

**12.4 Purchase Option.** In cases where the Contractor has the right to acquire leased assets, it shall exercise the purchase option, unless it has prior approval from CNH to do otherwise. The Contractor shall ensure that all agreements containing purchase options shall provide that such option may be exercised by the Contractor or by CNH on the same conditions. In addition, where the agreement is for the use of drilling equipment, the Contractor shall use 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.

**12.5 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 13.**

### **ADDITIONAL OBLIGATIONS OF THE PARTIES**

**13.1 Additional Obligations of the Contractor.** In addition to its other obligations hereunder, the Contractor shall:

- (a) Conduct the Petroleum Activities continuously and efficiently in accordance with the Appraisal Plan, the Development Plan, the Work Programs approved by CNH and Industry Best Practices, as well as all other terms and conditions of this Contract, the Management System and the Applicable Laws;
- (b) Carry out, under 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;

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- (e) Obtain on a timely basis all Materials required for the Petroleum Activities and ensure that they are adequate for their purpose;
- (f) Be up to date regarding 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 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 of all Petroleum Activities conducted under this Contract;
- (i) Provide CNH with all the information on the existence of mineral, hydrological and other resources discovered as a result of the Petroleum Activities;
- (j) 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 in accordance with instructions issued by the Ministry of Energy;
- (k) 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;
- (l) Adequately plug Wells prior to their abandonment so as to avoid pollution, damage to the environment or possible damage to Hydrocarbon deposits;
- (m) Facilitate inspections by representatives of the Agency, CNH, the Ministry of Finance and by 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, free of charge, 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;
- (n) Comply with information requests from the related authorities, including CNH, the Agency, the Ministry of Energy, the Ministry of Finance and the Fund;
- (o) Ensure that Hydrocarbons in the Fields are not spilled or otherwise wasted in any other manner, and avoid damage to strata containing Hydrocarbons and those containing water deposits;

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(p) Use qualified personnel and state-of-the-art Materials and technology in accordance with Industry Best Practices;

(q) 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;

(r) Implement the emergency response plans provided in the Management System in order 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;

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

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

(u) 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 credited during the prequalification stage in the Bidding Process.

**13.2 Approvals by CNH.** Provided that the Contractor has delivered all of the applicable information to CNH on a timely basis, in all circumstances under this Contract where CNH is required to review, comment on and approve plans, Work Programs or Budgets, CNH shall do so during the period provided 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, Work Programs or Budgets if they: (i) do not comply with the Minimum Work Program or the Minimum Program Increase, in such case, or (ii) do not conform to Industry Best Practices. The foregoing is without prejudice to the provisions of the Applicable Laws.

**13.3 Environmental Liability and Industrial Safety.** The Contractor shall be responsible for: (i) the performance of all environmental obligations, commitments and conditions prescribed by the Applicable Laws, Industry Best Practices and environmental permits, and (ii) the environmental damage caused by the Contractor when carrying out the Petroleum Activities. The Contractor shall comply with all controls and preventive measures regarding environmental or

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industrial safety matters required by the Agency or the Applicable Laws or provided by the Risk Management Program or by the Management System. Without limiting the environmental liability of the Contractor and its Subcontractors under this Article 13.3 and the Applicable Laws, the Contractor and its Subcontractors shall:

(a) Conduct the Petroleum Activities in an environmentally sustainable manner, preserving and maintaining the environment, without causing damage to public or private property and in compliance with the Management System;

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

(c) Comply with all environmental permits and maintain the Fields in the best conditions possible so as to allow for a sustainable development;

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

(e) Be liable for any environmental impact and its related remediation during the term of this Contract, and accordingly perform any remediation work in case of contamination caused by the Petroleum Activities. In case of environmental damage caused by the Petroleum Activities, the Contractor and Subcontractors shall immediately carry out the work needed to control the resulting pollution, such as clean-up, repair and restoration of the affected areas on the terms provided by the Applicable Laws;

(f) Cooperate with the Agency and the Governmental Authorities responsible for sustainable development of the Contract Area, it being understood that the Contractor shall: (i) provide the Agency's personnel 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, and (iii) appear before the Agency when required pursuant to the Applicable Laws;

(g) 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

(h) As part of Abandonment activities, remediate and rehabilitate the Contract Area being abandoned and comply with all environmental obligations that may exist as a result of the Petroleum Activities.

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Notwithstanding the foregoing, the Contractor shall not be responsible for environmental damage existing in the Contract Area prior to the Effective Date in accordance with Article 13.4 and with the Applicable Laws.

**13.4 Preexisting Damage.** The Contractor shall initiate the assessments for the determination of the environmental base line during the Transition Stage for Startup as provided in Article 3.4 and the Applicable Laws. Upon one hundred and eighty (180) Days after the Effective Date, the Contractor shall submit a detailed report of the environmental base line and shall notify CNH and the Agency about the existence of any Preexisting Damage. An extension may be granted only once, 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. The Contractor may only be excused from its environmental liability regarding Preexisting Damages notified on a timely basis pursuant to the terms of this Article 13.4 and of the Applicable Law. During such period of sixty (60) Days, hearings and attendances may take place to resolve in good faith any technical difference that may exist regarding the Preexisting Damages as provided by the Industry Best Practices and Applicable Law. Once CNH and the Agency approve the Preexisting Damages, a record that identifies such approved Preexisting Damages as well as the necessary activities of Abandonment will be presented to the Contractor in accordance with Article 3.4. In case that the Parties do not reach an agreement with respect to the Preexisting Damages, the differences shall be resolved in terms of the processes established in Article 25.2.

**13.5 Right of Access 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 allow holder the use of or right of way over any portion of the Contract Area, free of charge, provided the foregoing does not interfere with the Petroleum Activities conducted by the Contractor, that it is technically possible and does not cause the Contractor unreasonable inconvenience, in accordance with the Applicable Laws.

## **ARTICLE 14.** **DISPOSAL OF PRODUCTION**

**14.1 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, free of charge, up to the 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 Agency or to the extent necessary to prevent or mitigate an emergency, subject to the environmental requirements established by the Applicable Laws.

**14.2 Measurement Points.** Net Hydrocarbons shall be measured and analyzed at the Measurement Points in accordance with Article 11 and the Applicable Laws.

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**14.3 Commercialization of Production of the Contractor.** The Contractor may market the portion of the Net Hydrocarbons corresponding to the Contractor Consideration on its own behalf or through any other registered marketer, provided that if the Contractor commercializes its share of the production to which it is entitled within Mexico, the marketer must be registered with the Energy Regulatory Commission of Mexico in accordance with the Applicable Laws.

**14.4 Commercialization of Production of the State.** The Contractor shall deliver to the Marketer at the Measurement Points the portion of the Net Hydrocarbons owned due to the State Consideration. CNH may change such Marketer at any time by written notice to the Contractor.

**14.5 Disposal of Sub-Products.** 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 the ways in which they will be gathered, transported, stored, disposed, processed or marketed.

The revenues and Costs derived from the disposal or marketing of the Sub-Products will be subject to the provisions stated in Annexes 3 and 4.

**14.6 Commercialization Facilities.** If Commercialization Facilities are constructed by the Contractor, the Contractor shall offer the Marketer equal access to the Commercialization Facilities at a reasonable Cost for the portion of the Hydrocarbon production corresponding to the State Consideration, it being understood that the Cost of Commercialization Facilities will not be considered as a Recoverable Cost. The design of the Commercialization Facilities shall consider the total volume of the Net Hydrocarbons, unless otherwise agreed by the Parties.

## **ARTICLE 15.** **CONSIDERATIONS**

**15.1 Monthly Payments.** Beginning upon the Contractor's commencement of Regular Commercial Production and delivery of Net Hydrocarbons at the Measurement Points, the Fund, in accordance with Annexes 3, 4 and 12, will calculate the Considerations for each Month during the term of this Contract based on the information received in terms of such Annexes and it will deliver via CNH the payment in the same Measurement Point than those Contractor Considerations that result from these calculations.

**15.2 State Consideration.** In accordance with Annex 3 and the applicable adjustments pursuant thereto, the State Consideration for any Month shall consist of:

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

**15.3 Contractor Consideration.** The Contractor Consideration for any given Month shall consist of:

- (a) The Costs reimbursement (subject to the Recoverable Costs Limit), and
- (b) The remaining percentage of the Operating Profit for such Month after the payment of the percentage of the Operating Profit allocated to the State, as provided in subparagraph (c) of Article 15.2.

**15.4 Recoverable Costs Limit.** The portion of the Contractor Consideration regarding the Recoverable Costs Reimbursement shall not exceed the Recoverable Costs Limit, as provided by the provisions of Annex 3, in any Month during the term of this Contract.

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

**15.6 Calculation of Considerations.** The Fund shall calculate the State Consideration and the Contractor Consideration for each Month in accordance with this Contract with regard to the 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 based on the information relating to production, quality and other data it receives from the Contractor and CNH in accordance with Annexes 3, 4 and 12. The foregoing is without prejudice to the power of the Ministry of Finance to verify and audit such information and calculations in accordance with the Applicable Laws, and in such case, to determine adjustments as provided by the provisions of the Applicable Laws and this Contract and its Annexes.

## **ARTICLE 16.** **GUARANTEES**

### **16.1 Performance Guarantee.**

- (a) To guarantee the due, proper and full performance by the Contractor of its obligations during the Initial Appraisal Period, the Contractor shall submit to CNH, simultaneously with the execution of this Contract, an unconditional and irrevocable letter of credit issued on

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behalf 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 10 (the “Initial Performance Guarantee”). The Initial Performance Guarantee shall cover the Minimum Work Program and the Minimum Program Increase. Such guarantee shall remain in force until sixty (60) Days following the end of the Initial Appraisal 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 liquidated damages specified in Article 4 for failure to perform the Minimum Work Program and the Minimum Program Increase.

(b) At previous request from the Contractor, the amount of the Initial Performance Guarantee may be proportionally reduced according progress towards fulfillment of the guaranteed obligations prior verification and authorization of CNH. Upon termination of the Initial Appraisal Period, the Contractor may request the return of the Initial Performance Guarantee once the Contractor has submitted the Additional Period Guarantee in accordance with this Article 16.1.

(c) To guarantee the due, proper and full performance by the Contractor of the Minimum Work Program, the Minimum Program Increase not completed during the Initial Appraisal Period and its additional work commitment for the Additional Appraisal Period, (if any), the Contractor shall submit to CNH, no later than ten (10) Days after CNH approves the granting of the Additional Appraisal Period to the Contractor, but in any case before the beginning of the Additional Appraisal Period, an unconditional and irrevocable letter of credit issued for the benefit of CNH by an authorized Mexican banking institution or 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 10 (the “Additional Period Guarantee”). The Additional Period Guarantee shall remain valid up to sixty (60) Days following the end of the Additional Appraisal Period prior verification of full compliance with the obligations related to this period. CNH shall be entitled to draw on the Additional Period Guarantee in order to collect any liquidated damages specified in Article 4.4 for failure to perform the Minimum Work Program, the Minimum Program Increase and the additional commitments for the Additional Appraisal Period.

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

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

**16.2 Corporate Guarantee.** Simultaneously with the execution of this Contract, the Contractor shall deliver to CNH the Corporate Guarantee as set in Annex 2, duly executed by the Guarantor on the terms provided in Annex 2 and in accordance with the following:

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

(b) In case the Guarantor is not the ultimate parent company of the Contractor, such Guarantor shall submit CNH its duly audited consolidated financial statements which prove a minimum net worth equivalent to eighteen (18) times the value of the Minimum Work Program, estimated in accordance with Annex 6.

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

[NOTE: In case the Contractor is awarded with more than one contract as a result of the Bidding Process CNH-R01-L02, the minimum net worth required will be equivalent to the amount resulting from the awarded contract in such Bidding Process with the highest number of Work Units, according to the foresaid concept.]

(c) In case the Guarantor is unable to comply with the net worth required in terms of subparagraph (b) above, the Contractor shall notify CNH within the following five (5) Days and present a Corporate Guarantee in terms of subparagraph (a) of this Article 16.2 or, in such case, credit the requirement foresaid in subparagraph (b) above by a duly capitalized Guarantor.

**ARTICLE 17.**  
**ABANDONMENT AND DELIVERY OF THE CONTRACT AREA**

**17.1 Program Requirements.** The Contractor shall be obligated to conduct all activities related to Abandonment of the Contract Area. The Development Plan and each Work Program and Budget submitted for approval by CNH shall contain a section on Abandonment, which must include all activities necessary for the permanent plugging of Wells, clean-up, restoring the area to its natural state, uninstalling machinery and equipment and returning the Contract Area in an orderly fashion, free from debris and waste, all in accordance with Industry Best Practices and the Management System and the Applicable Laws.

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

**17.3 Abandonment Trust.** The Contractor shall set 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

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Abandonment activities in the Contract Area, and shall not be entitled to pledge, assign or otherwise dispose of the Abandonment Trust. The foregoing is without prejudice to any other requirement imposed by the Agency in accordance with the Applicable Laws.

**17.4 Funding of 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:

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

Where:

AA<sub>t</sub> = Annual Contribution.

PAE<sub>t</sub> = 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 based on the methodology established by CNH. These shall be consistent with the volume of Hydrocarbons to be recovered since the beginning of the Year of calculation, until whatever happens first: (i) the natural termination of the Contract or (ii) the Year in which it is estimated that Abandonment activities will be finalized 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 for the Field since the Year of calculation until 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 finalized in the Field, according to technical studies conducted by the Contractor and approved by CNH, minus the accumulated balance in the Abandonment Trust at the beginning of the Year of Calculation (AAA<sub>t-1</sub>).

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$IA_t$  = The interest generated in the Trust in the Year of calculation, using the following formula:

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

Where:

$r_t$  = Is the interest rate applicable to the balance in the Abandonment Trust.

$AAA_t$  = 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:

$S_{t-1}$  = Is the total amount withdrawn from the Abandonment Trust during the Year of calculation to finance the Abandonment activities performed in the same Year.

**17.5 Insufficient Funds.** The Contractor shall be responsible for performing the Abandonment work regardless of whether sufficient funds are available in the Abandonment Trust. When Petroleum Activities under this Contract cease, the Contractor shall transfer the remaining balance in the Abandonment Trust to the Fund. In case that the remaining balance in the Abandonment Trust is insufficient, the Contractor will be obligated to cover any existing difference with the total Costs of Abandonment for the Field.

**17.6 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 relating to Abandonment of such facilities.

**17.7 Final Transition Stage.** In case that the termination of this Contract due to 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 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.

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(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 base line determined in accordance with Article 3.4, to identify the existing social liabilities derived from the Petroleum Activities in part of or in the whole Contract Area.

(f) The Contractor shall update the environmental base line determined in accordance with Article 3.4 in order to identify the existing environmental liabilities derived from the Petroleum Activities in part of or in the whole Contract Area.

(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, the Final Transition Stage shall begin simultaneously with the notification of relinquishment issued as provided in Article 3.5.

The Final Transition Stage shall be conducted in terms of the Applicable Laws.

**ARTICLE 18.**

**LABOR RESPONSIBILITY; SUBCONTRACTORS AND NATIONAL CONTENT**

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

**18.2 Subcontractors.** The Contractor may hire 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 the services of companies disqualified by the Governmental Authorities in accordance with the

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Applicable Laws. Regardless of any subcontracting by the Contractor, the Contractor shall remain responsible for all obligations of the Contractor under this Contract.

**18.3 National Content.** The Contractor will have the following obligations:

- (a) During the Appraisal Period:
  - (1) To comply with a minimum percentage of national content of seventeen percent (17%) of the value of the items indicated in the Methodology purchased or contracted for Petroleum Activities during the Appraisal Period, which shall be verified annually by the Ministry of Economy in accordance with such Methodology and the Applicable Laws, and
  - (2) To include in its proposed Appraisal Plan a compliance program for the minimum percentage of national content, including the applicable periods and stages, in order for CNH in consultation with the Ministry of Economy, to grant or deny its approval pursuant to Article 4.1, it being understood that once approved it will become an integral part of this Contract and shall be considered an obligation of the Contractor. The Contractor's obligations regarding national content will commence upon approval of the Appraisal Plan;
  
- (b) During the Development Period:
  - (1) To comply each Year with a minimum percentage of national content of the value of all the items indicated in the Methodology which have been purchased or contracted for Petroleum Activities during the Development Period, which shall constitute at least twenty-five percent (25%) in the first Year of the Development Period, and shall increase annually at a constant rate until the Year 2025 when it will amount to at least thirty-five percent (35%). Compliance will be verified annually by the Ministry of Economy in accordance with such Methodology and the Applicable Laws;
  - (2) To include in its proposed Development Plan a compliance program for the minimum percentage of national content, as well as a program for technology transfer, including the applicable periods and stages in order for CNH in consultation with the Ministry of Economy, to grant or deny its approval pursuant to Article 5.2, it being understood that once approved it will become part of this Contract and considered an obligation of the Contractor. The

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obligations relating to national content will commence upon approval of the Development Plan, and

- (3) Beginning in the Year 2025, the items indicated in the Methodology shall constitute at least thirty-five percent (35%) of the value of all the of the items which have been purchased or contracted for the Petroleum Activities, without prejudice to the fact that this minimum average percentage of national content will be revised pursuant to transitory article twenty-four of the Hydrocarbons Law.

(c) The Contractor shall submit to the Ministry of Economy when requested, a report indicating information on national content in the form and pursuant to the procedure provided in the provisions issued by such Ministry to carry out its verification. If the Contractor fails to satisfy the minimum percentage of national content stated in the referenced compliance programs, the Contractor shall pay liquidated damages to the Nation, through the Fund, a percentage of the value of the items outlined in the methodology established by the Ministry of Economy for the measurement of national content that were acquired in violation of the required minimum percentages of national content, as verified by the Ministry of Economy, pursuant to the following:

- (1) The equivalent of fifteen percent (15%) for the Appraisal Period;
- (2) The equivalent of twenty percent (20%) for the first Year of the Development Period;
- (3) The equivalent of forty percent (40%) for the second Year of the Development Period;
- (4) The equivalent of sixty percent (60%) for the third Year of the Development Period;
- (5) The equivalent of eighty percent (80%) for the fourth Year of the Development Period, and
- (6) The equivalent of one hundred percent (100%) as of the fifth Year of the Development Period.

Failure to comply with other national content provisions in this Article 18.3 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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(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.

**18.4 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.

**18.5 Training and Transfer of Technology.** The Contractor shall comply with the programs for training and transfer of technology approved by CNH in the Appraisal Plan and in 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 19.** **INSURANCE**

**19.1 General Provision.** The Contractor's obligations, liabilities and risks under this Contract are independent of the requirements to obtain insurance coverage under this Article 19 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.

**19.2 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: (i) that the acquired coverages for the concepts (a) and (b) above add to a sum insured of at least one thousand million Dollars per event or occurrence and in the annual aggregate, and (ii) that it is a member of a society which provides services for Well control in the Gulf of Mexico, or proof it has an undergoing contract with a company specialized in the providing of such services. The

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minimum required amounts for the concepts (a) and (b) above will be 700 and 300 million Dollars, each. The amounts of the concepts (a) and (b) above may be adjusted downwards based on the Applicable Law issued by the Agency.

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

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.

**19.3 Insurers and Conditions.** Prior to the beginning of the Petroleum Activities, the Contractor shall exhibit the required insurance policies to the Agency and CNH which shall remain valid during the validity of this Contract.

Each insurance policy shall be obtained under the terms and conditions approved by the Agency and CNH. 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. Approvals will not be denied without justification.

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.

**19.4 Modification or 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.

**19.5 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 and a waiver of any right of the insurers to assert any set-off or counterclaim, in each case regarding any liability of any Persons insured under any of such policies.

**19.6 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.

**19.7 Currency.** Benefits payable under the policies required by this Article 19 shall be denominated and payable in Dollars.

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**19.8 Compliance with Applicable Laws.** In purchasing insurance, the Contractor shall comply with the Applicable Laws regarding insurance and securities.

**ARTICLE 20.**  
**TAX OBLIGATIONS**

**20.1 Tax Obligations.** The Contractor shall pay all Tax Obligations payable in accordance with the Applicable Laws.

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

**ARTICLE 21.**  
**FORCE MAJEURE**

**21.1 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.

**21.2 Burden of Proof.** The Party invoking Force Majeure shall have the burden of proof with regard thereto.

**21.3 Extension of Work Program; Extension of Term of Contract.** If the Contractor is unable to comply with any Work Program as a result of Force Majeure, it shall be extended for a period which will not to exceed the length of such delay in performance and only to the extent the Work Program 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 of how the relevant event actually prevents the Contractor from performing the Work Program), no later than five (5) Days after the Contractor knows or should have known of the occurrence of the relevant event of Force Majeure in exception of the provisions in Annex 13. The Party that receives notice of Force Majeure shall inform the other Party whether or not it accepts the declaration of Force Majeure within no more than thirty (30) Days from receipt of the notice containing complete information. Except as provided in this Contract, the Parties shall resume performance of their obligations as soon as it ceases. The Appraisal Period shall be extended pursuant to this Article 21.3 only when the relevant Force Majeure affects the Appraisal activities 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 21.3 or during the three (3) successive Quarters, only in cases when Force Majeure has not ceased. CNH will resolve on the

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extension request in a period not exceeding (15) Business Days upon receipt of the request under the terms of this Contract. In case CNH does not issue a decision during the provided period, it will be deemed as positive.

**21.4 Right of Termination.** If, as a result of Force Majeure, the performance of the Petroleum Activities has been interrupted for a continuous period of two (2) Years or more, any Party shall have the right to terminate this Contract without liability by giving written notice to the other Party.

**21.5 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, in the understanding that in case the Agency or CNH is not satisfied with the actions taken by the Contractor, the Agency or CNH may require the Contractor to take further actions or incur additional expenses 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 Governmental Authorities under the Applicable Laws.

## **ARTICLE 22.**

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

**22.1 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 22.2, CNH may administratively rescind this Contract prior to the initiation of the procedure for administrative rescission provided in Article 22.3 and the Applicable Laws:

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

(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 23.1 and 23.2;

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

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(e) The Contractor repeatedly, willfully or without 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 to the State as provided for in the periods and terms established in this Contract.

For the purposes of this Article 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 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 22.1, 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

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(v) False or Incomplete Information or Reports: such information or reports relative to price logs, Costs and production of Hydrocarbons; 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.

**22.2 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 22.3. In terms of Article 22.1 subparagraph d), the prior investigation will be conducted to determine the existence of Willful Misconduct or Fault attributable to the Contractor.

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

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 22.1 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 22.2 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 25.3. The opinions of such independent expert will not be binding for CNH or any other Governmental Authority.

**22.3 Procedure for Administrative Rescission.** Once CNH has determined the existence of an administrative rescission cause as provided by Article 22.1, 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 the next 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.

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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 22.5 and 22.6.

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 25.4.

**22.4 Contractual Rescission.** In addition to the causes for administrative rescission provided in Article 22.1 and early termination under Article 3.5, 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 corresponding infringement within the following thirty (30) Days after having received notification of such infringement:

(a) The Contractor is delayed 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 Performance Guarantee or does not keep it in force in accordance with Article 16.1 or does not keep the Corporate Guarantee in force in accordance with Article 16.2 or its own terms;

(c) The Contractor or the Guarantor is liquidated or otherwise ceases to exist as a corporate or legal entity, or 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 becomes insolvent or unable to pay its debts when due, or requests or consents to the appointment of an administrator, liquidator or receiver for any of its properties or revenues, or institutes any proceeding under any law for the readjustment or deferral of its obligations or any portion thereof, or files for bankruptcy, reorganization, suspension of payments, dissolution or liquidation, or 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;

(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 23;

(g) The Contractor violates any provision set forth on Article 31, or

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(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 25, except for Article 25.4.

**22.5 Effects of the Administrative or Contractual Rescission.** In case that CNH rescinds this Contract pursuant to Article 22.1 or 22.4 the following shall apply:

(a) The Contractor shall pay the Nation, through the Fund, all liquidated damages referred to in Articles 4.4 and 4.5 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 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 12.1 and 12.2;

(c) The Parties will subscribe the settlement referred to in Article 22.6. The Contractor will only be entitled to receive as payment from the Nation the settlement established in such Article 22.6 in case this generates a favorable balance to the Contractor, and

(d) The Contractor shall comply with all obligations applicable to the return of the Contract Area, including those related to Abandonment and delivery of the Contract Area in accordance with Article 17.

**22.6 Settlement.** Without prejudice of the provisions of Article 22.5, 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 25.5.

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 23.** **ASSIGNMENT AND CHANGE OF CONTROL**

**23.1 Assignment.** The Contractor must obtain the prior written approval of CNH in order to sell, assign, transfer, convey or otherwise dispose of all or any part of its rights or

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obligations under this Contract. For such purposes, CNH will take into account, among other factors, the prequalification criteria established during the Bidding Process for this Contract.

**23.2 Indirect Transfers; Change of Control.** The Contractor shall ensure that it does not undergo, directly or indirectly, a change of Control during the term of this Contract without consent from CNH. The Contractor shall notify CNH of any other change in the Contractor's capital structure that does not result in a change of Control of the Contractor pursuant to this Article 23.2 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 be sufficient.

**23.3 Application to CNH.** In connection with the submission of request for approval of a proposed Assignment under Article 23.1 or a change of Control of the Contractor under Article 23.2, the Contractor shall provide CNH with all information (including as to the assignee or Person that will exercise Control over the Contractor) required by CNH pursuant to the Applicable Laws.

**23.4 Effect of Assignment or Change of Control.** In the case of an Assignment under Article 23.1:

(a) If the assignment is for the Contractor's entire interest in this Contract, 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 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 less than all of the Contractor's entire 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, and

(c) If the Assignment is for less than the Contractor's entire interest in this Contract or is to more than one transferee, this Contract shall be amended to reflect that the interest of the Contractor in this Contract will be held thereafter by more than one Person. Such amendment shall be based on the form of contract for the Extraction of Hydrocarbons under Production Sharing Modality that was used for bidders that were organized in the form of a consortium in the international bidding process pursuant to which this Contract was awarded to the Contractor.

As a condition to obtaining CNH approval under this Article 23, the Contractor shall deliver to CNH: (i) in the case of an Assignment under Article 23.1, 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

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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, that is under the common Control of the Person that exercises Control over the assignee, or by the Guarantor of the Contractor which experienced the change of Control. Each such company shall be deemed a Guarantor for purposes of this Contract and its successor contract.

The Corporate Guarantee submitted by the assignor shall remain in force until the assignee submits the Corporate Guarantee as provided by this Article 23.4 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.

**23.5 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 consent of CNH.

**23.6 Invalidity.** Any Assignment or change of control of the Contractor effected in contravention of the provisions of this Article 23 shall not be valid and shall have no effect as between the Parties.

## **ARTICLE 24.** **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 this Contract) from and against any and all actions, claims, lawsuits, complaints, losses, damages, harm, proceedings, taxes, Costs and expenses, 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 a Subcontractor (including any damage or harm caused by their representatives, officers, 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;

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(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 marine 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 25.**  
**APPLICABLE LAW AND DISPUTE RESOLUTION**

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

**25.2 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 within the next fifteen (15) Days following such invitation. In the event 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 Regulations for conciliation of the United Nations Commission on International Trade Law (“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 the 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 25.5. The foregoing, without prejudice that any Party may terminate conciliation and appear before arbitration at any moment.

The procedure established in article 25.2 shall not apply to administrative rescission as provided in this Contract and in the Applicable Laws.

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**25.3 Conciliator and Independent Expert Requirements.** The individual appointed as conciliator as provided by Article 25.2, or that is appointed as an independent expert as provided by Article 22.2, shall comply with the following requirements:

(a) The conciliator must have at least five (5) Years of experience in conciliation with the knowledge, experience and skills to facilitate the communication among the Parties regarding the dispute;

(b) The independent expert must have at least five (5) Years of experience in the matter corresponding to the possible administrative rescission cause;

(c) Be independent, impartial and neutral. Likewise, the conciliator or independent expert shall disclose any interest or obligation that may be substantially in conflict with his appointment and or may prejudice his actions regarding the controversy;

(d) Shall 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 conciliator or independent expert fees shall be covered in equal amounts by the Parties.

Notwithstanding, any individual in full compliance of all the requirements provided by Article 25.3 may be appointed as conciliator or independent expert more than once

**25.4 Federal Courts.** All disputes between the Parties in any way arising from or related to the events of administrative rescission provided in Article 22.1, without prejudice of the provisions in Article 22.6, first paragraph of the Contract, shall be resolved exclusively by the Federal Courts of Mexico.

The Contractor may initiate proceedings before an arbitration tribunal in terms of Article 25.5, when the cause or causes of administrative rescission are considered as definitely unfounded by the Federal Courts, for the only purpose of determining the existence of claims or damages arising as a direct consequence of such rescission and in such case, its quantification.

**25.5 Arbitration.** Subject to Article 25.4, 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 25.2, it shall be resolved by arbitration pursuant to the UNCITRAL Regulations. The Parties agree that the

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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 25.1, and disputes shall be resolved strictly according to law. The arbitral tribunal shall consist of three members, one named by CNH, another named 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.

**25.6 Consolidation.** In the case that arbitration instituted under Article 25.4 and an arbitration instituted under the Corporate Guarantee involves the same subject matter, such arbitrations shall, at the request of CNH, be consolidated and treated as one. In such case, the arbitrator appointed by the Contractor shall also be deemed to have been appointed by the Guarantor.

**25.7 No Suspension of Petroleum Activities.** Unless CNH terminates this Contract or consents otherwise, the Contractor shall not suspend the Petroleum Activities pending resolution of a dispute.

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

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

**ARTICLE 26.**  
**AMENDMENTS AND WAIVERS**

Any amendment of this Contract shall be by written agreement of both the Parties, and any waiver of any provision of this Contract by either Party shall be express and in writing.

**ARTICLE 27.**  
**CAPACITY AND REPRESENTATIONS OF THE PARTIES**

**27.1 Representations and Warranties.** Each Party acknowledges that the other Party is entering into this Contract in its own name and in its own capacity as a legal entity empowered to contract on its own behalf, and that no other Person shall have any liability or responsibility for the performance of such Party's obligations hereunder, except for the

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responsibility of 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) it has obtained the necessary governmental, corporate and other authorizations to enter into and perform this Contract, (iv) this Contract constitutes the legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, and (v) its representations in the Declarations at the outset of this Contract are true and correct.

**27.2 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. No provision of this Contract shall constitute the Contractor or its employees, agents, representatives or Subcontractors as representatives of CNH. The Contractor shall be considered at all times an independent contractor and shall be responsible for its own actions, which shall at all times be subject to the provisions of this Contract and to the Applicable Laws.

## **ARTICLE 28.** **DATA AND CONFIDENTIALITY**

**28.1 Ownership of Information.** The Contractor shall provide the Technical Information to CNH at no cost whatsoever, and the Technical Information shall be owned by 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 within the period indicated in 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 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, except as provided in this Contract, CNH may not sell or disclose to any third Persons any information constituting intellectual property of the Contractor.

**28.2 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 consideration paid 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

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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.

**28.3 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 this Contract. The provisions of this Article 28.3 shall survive and remain in force after the termination of this Contract for any reason or in case CNH rescinds this Contract, as they constitute continuing and permanent obligations.

**28.4 Exception to Confidentiality.** Notwithstanding the provisions of Article 28.3, 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 29.**  
**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:

.....

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

**ARTICLE 30.**  
**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 Section 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 the terms of this Contract. 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 and Contractor Considerations
- Annex 4: Procedures for Accounting, Reporting and Recovery of Costs
- Annex 5: Asset Inventory
- Annex 6: Minimum Work Program
- Annex 7: Minimum Scope of the Appraisal Activities
- Annex 8: Appraisal Report
- Annex 9: Minimum Content of the Development Plan
- Annex 10: Form of Performance Guarantee
- Annex 11: Procurement of Goods and Services
- Annex 12: Procedure for Delivery of Information of Considerations to the Mexican Petroleum Fund for Stabilization and Development and their Payment

**ARTICLE 31.**  
**ANTI-BRIBERY AND CONFLICTS OF INTEREST**

**31.1 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 28.2 through the means that CNH determines for such effects. The Contractor shall cooperate with the competent Governmental Authorities in the event such information may require to be disclosed under the terms of the Applicable Laws.

**31.2 Conduct of the Contractor and its Affiliates.** The Contractor represents and warrants 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,

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for the 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, (iii) approving any Recoverable Cost, or (iv) ensuring any other illegal benefit or advantage for the Contractor, its Affiliates, its 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 31.1.

**31.3 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 31.1 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 31. In addition, the Contractor shall keep CNH informed of the progress of the investigation and process through its conclusion.

**31.4 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 32.**  
**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 33.**  
**LANGUAGE**

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 34.**  
**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.

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

**COMISIÓN NACIONAL DE  
HIDROCARBUROS ON BEHALF OF THE  
UNITED MEXICAN STATES**

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C. Juan Carlos Zepeda Molina

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Name:

Title:

**XYZ**

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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:

Points	Northern Latitude	Western Longitude

2. Map:

3. Depth: []

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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 and between [], 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 Contract for Extraction of Hydrocarbons under Production Sharing Modality, dated \_\_\_\_\_, \_\_\_ among the Beneficiary and XYZ (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 [] shall owe the Beneficiary under the Contract, as well as the due and timely performance of any and all obligations of [] 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 [] 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 Petroleum 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 [], (ii) the insolvency, bankruptcy, reorganization or any other similar proceeding affecting [] or its respective assets, or (iii) any other act or omission or delay of any kind by [], 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 [] guaranteed hereunder may be from time to time, pursuant to the Contract, be renewed, extended, increased, accelerated, modified, amended, settled, waived, 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 [] 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 [] 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 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.

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**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:

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

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.

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**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.

[],  
as Guarantor

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

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

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

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## ANNEX 3

# PROCEDURES TO DETERMINE STATE AND CONTRACTOR CONSIDERATIONS

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## PROCEDURES TO DETERMINE

### STATE AND CONTRACTOR 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 indicated in Articles 15.2 paragraphs (b) and (c), and 15.3 paragraphs (a) and (b), based on the Contractual Price of each type of Hydrocarbon, that shall be determined based on 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 force.

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 delivered to it 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 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 that 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.

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- (b) In case that during the Period the Contractor does not market under Market Rules at least fifty per cent (50%) of the Crude Oil volume delivered to it in the Period, but the Marketer has registered marketing of the Crude Oil corresponding to the Contract Area based on Market Rules, the Contractual Price of Crude Oil shall be equal to the weighted average price for the corresponding volume, reported by the Marketer.
- (c) If at the end of the Period the Contractor has not registered marketing under Market Rules of at least fifty per cent (50%) of the Crude Oil volume delivered to the Contractor 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 delivered to it 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 Louisiana Light Sweet Crude (LLS) in Period $t$ .
$Brent_t$	=	Average market price of Brent Crude [ICE] in Period $t$ .
$S$	=	Adjustment parameter 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 a Crude Oil in the market has the same quality characteristics (same API degrees and sulfur content) than that of the Crude Oil produced in the Contract Area during the corresponding Period, the Contractual Price of Crude Oil will be the one according to subparagraph (c), 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 degrees 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.

- (d) 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 (c) 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) and (b) 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

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

$$PC_{P,t} = \frac{Price_{marketing_t} \times \sum_{i=0}^{1or2} VP_{P,t-i} - \sum_{j=1}^{1or2} VC_{P,t-j}}{VP_{P,t}}$$

Where:

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

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

$\sum_{i=0}^{1or2} VP_{P,t-i}$  = Sum of Volume of Production of Crude Oil registered at Measurement Point in Periods  $t$ ,  $t - 1$  and if applicable,  $t - 2$ .

$\sum_{j=1}^{1or2} VC_{P,t-j}$  = 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:

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

- 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 (d) 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 8.4 of this Annex 3.

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- (e) 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 closing 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 allocated to it as Considerations.
- 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 delivered to it 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 that 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.
- (b) In case that during the Period the Contractor does not market under Market Rules at least fifty per cent (50%) of the Condensates volume delivered to it in the Period, but the Marketer has registered marketing of the Condensates corresponding to the Contract Area based on Market Rules, the Contractual Price of Condensates shall be equal to the weighted average price for the corresponding volume, reported by the Marketer.
- (c) 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 delivered to the Contractor during 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 delivered to it in the Period, or if marketing was carried out by the Contractor with Related Parties, the Contractual Price of the Condensates will be the average of the prices calculated using the formula at the date of each

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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:

$PC_{C,t}$  = Contractual Price of Condensates in Period  $t$ .  
 $Brent_{P,t}$  = Price of Brent Crude [ICE] in Period  $t$ .

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.

In the event 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.

- (d) In the 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 (c) of this subsection, and that during the relevant Period there is marketing of Condensates by the Contractor or the Marketer in accordance with subparagraphs (a) and (b) 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:

$$PC_{C,t} = \frac{Price_{marketing_t} \times \sum_{i=0}^{1or2} VP_{C,t-i} - \sum_{j=1}^{1or2} VC_{C,t-j}}{VP_{C,t}}$$

Where:

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

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

$\sum_{i=0}^{1or2} VP_{C,t-i}$  = Sum of Volume of Production of Condensates registered at Measurement Point in Periods  $t$ ,  $t - 1$ , and if applicable,  $t - 2$ .

$\sum_{j=1}^{1or2} VC_{C,t-j}$  = 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  $t$ .

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 (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 part of its verifications functions, in accordance with subsection 8.4 of this Annex 3.

- (e) 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. Independently 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 allocated to it as Consideration.

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

- (a) The Contractual Price of Natural Gas will consider, in the relevant proportion, the per unit value and volume corresponding to the marketing of Natural Gas (methane) and each one of its other components (ethane, propane and butane).
- (b) In case that during the Period the Contractor markets under Market Rules at least fifty percent (50%) of the Natural Gas volume delivered to it 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 marketed to a third party without any intermediate treatment or processing, the sale price and volume corresponding to such Affiliate or related party transaction with the third party may be considered for 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 per cent (50%) of Natural Gas volume delivered to it in the Period, but the Marketer has registered marketing of Natural Gas corresponding to the Contract Area based on Market Rules, the Contractual Price of Natural Gas shall be equal to the weighted average price for the corresponding volume, reported by the Marketer.
- (d) In case that during the Period the Contractor does not market under Market Rules at least fifty percent (50%) of the Natural Gas volume delivered to it in the Period based on Market Rules, or if marketing was carried out by the Contractor or the Marketer with related parties, 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.
- (e) 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 (d) of this subsection, and that during the

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relevant Period there is marketing of Natural Gas under Market Rules by the Contractor or the Marketer in accordance with subparagraphs (b) and (c) 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 marketing of Natural Gas based on Market Rules in Period  $t$  is less or equal than fifty per cent (50%) of the observed price:

$$PC_{G,t} = \frac{Price_{marketing_t} \times \sum_{i=0}^{1or2} VP_{G,t-i} - \sum_{j=1}^{1or2} VC_{G,t-j}}{VP_{G,t}}$$

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  $t$ .

$\sum_{i=0}^{1or2} VP_{G,t-i}$  = Sum of the Volume of Production of Natural Gas registered at the Measurement Point in Periods  $t$ ,  $t - 1$  and if applicable,  $t - 2$ .

$\sum_{j=1}^{1or2} VC_{G,t-j}$  = 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 components (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

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subsection (e) 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 8.4 of this Annex 3.

- (f) 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 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 allocated to it as Consideration

- 1.7 In each Period, in the case of Hydrocarbon sales by the Contractor or the Marketer 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 any case costs incurred for transportation, Storage and logistics shall conform to Market Rules and to the applicable published regulated rate. 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.

- 1.9 The following costs will not be included among the necessary Costs of Transportation, Storage and logistics referenced in subsection 1.7:

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- (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 Contractual Prices must be presented and registered through an IT system that the Fund will make available to the Contractor.

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

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:

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$VC_{P,t}$  = 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  $t$ .

(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  $t$ , in Dollars per million BTU, determined each Period at the Measurement Point, in accordance with subsection 1.6 of this Annex 3.

$VP_{G,t,i}$  = Net volume of 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 components (ethane, propane and butane).

### 3. Recovery of Costs

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- 3.1 The Cost Recovery Percentage for each Period applicable for this Contract during its full term will be sixty percent (60%).
- 3.2 The Recoverable Costs Limit shall be the product of multiplying the Recoverable Costs Percentage by the sum of the Contractual Value of the Hydrocarbons and the other revenues indicated in subsection 8.5 of this Annex 3 in the relevant Month.
- 3.3 The Consideration regarding Reimbursement of Recoverable Costs will be the smaller between the following the Recoverable Costs Limit applicable in the Period and an amount equal to the recognized Costs that are Recoverable Costs in the Period pursuant to Annex 4 of this Contract and to the related guidelines issued by the Ministry of Finance prevailing at the time of the award of this Contract. The resulting amount will be the Recoverable Costs recognized as recovered by the Contractor in the Period.
- 3.4 In the case that, in any Month, the aggregate amount of all outstanding Recoverable Costs is greater than the Recoverable Costs Limit, in such Month the Contractor will only have the right to receive an amount equal to the Recoverable Costs Limit for such Month. The portion of recognized Recoverable Costs not recovered in a specific Period will be credited as a Recoverable Cost in subsequent Periods, without accruing any type of interest.
- 3.5 Any remaining unpaid balance of the Recoverable Costs upon termination of this Contract will be deemed extinguished, and the Contractor will not have any right to receive, claim or request payment of such unpaid balance.
- 3.6 The Fund will determine the recognized Costs that are recoverable in the Period based on the information related to the Costs that the Contractor registers through an IT system that the Fund will make available to the Contractor for such purposes, and on the information related to the Budgets and Work Programs approved by CNH.

#### **4. Operating Profit**

- 4.1 The Operating Profit will be determined for each Period and will be obtained by subtracting the value that results from the sum of the Contractual Value of Hydrocarbons and other revenues indicated in subsection 8.5 of this Annex 3 in the relevant Month, Recoverable Costs Reimbursement and the Royalties actually paid to the State, in accordance with the following formula:

$$UO_t = VPC_t + IA_t - CR_t - R_t$$

Where:

$UO_t$	=	Operating Profit in Period $t$ .
$IA_t$	=	Additional revenues indicated in subsection 8.5 of this Annex 3.

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$VCH_t$  = Contractual Value of the Hydrocarbons in Period  $t$ .  
 $CR_t$  = Recovery of Costs in Period  $t$ .  
 $R_t$  = Royalties actually paid to the State in Period  $t$ .

**5. Consideration as Percentage of Operating Profit**

- 5.1 The State will receive \_\_\_\_\_ percent (\_\_\_%) of the Operating Profit for the relevant Month.
- 5.2 The Contractor will receive the remaining percentage of the Operating Profit in such Month, after the share of the Operating Profit allocated to the State is paid in kind and delivered to the Marketer.
- 5.3 The percentages established in subsections 5.1 and 5.2 will be adjusted pursuant to the Adjustment Mechanism established in section 8.3 of this Annex.

**6. Operating Result of the Contractor**

- 6.1 The operating result of the Contractor for each Period will consist of the sum of the Considerations to which the Contractor is entitled pursuant to this Contract in the Period, including those derived from the revenues indicated in subsection 8.5 of this Annex 3, minus an amount equal to the Eligible Costs recorded during the same Period in accordance with Annex 4.
- 6.2 The operating result of the Contractor will be calculated in accordance with the following formula:

$$ROC_t = UO_t \times SCA_t + CR_t - C_t,$$

Where:

$ROC_t$  = Operating result of Contractor in Period  $t$

$UO_t$  = Operating Profit in Period  $t$ .

$SCA_t$  = Contractor's Share in Period  $t$  determined based on the Adjustment Mechanism.

$CR_t$  = Recoverable Costs in Period  $t$ .

$C_t$  = Costs recorded in the same Period pursuant to Annex

**7. Metrics of Operating Result before Taxes of the Contractor (MRO)**

- 7.1 The monthly index of operating results before taxes for Period  $t$  ( $r_t$ ) will be calculated in accordance with the following equation:

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$$0 = \sum_{i=1}^t \frac{ROC_i}{(1 + r_t)^{i-1}}$$

Where:

$r_t$  = Monthly index of operating results before taxes of Contractor for Period  $t$   
 $i$  = Index of the sum indicating the Period running from the initial Month of the Effective Date through the last reference Period.  
 $ROC_i$  = Operating result of the Contractor for Period  $i$ .  
 $\Sigma$  = Indicates the sum of the indexed elements  $i$ .

- 7.2 The Metrics of the operating result of the Contractor before taxes for the Period  $t$  ( $MRO_t$ ) will be calculated as the annualized rate of the monthly index of the operating result before taxes for the Period  $t$ , in accordance with the following expression:

$$MRO_t = (1 + r_t)^{12} - 1$$

- 7.3 In the case that in one or more Periods there are multiple results for the MRO, the value which represents the smallest variation from the value assigned to the MRO during the immediately preceding Period will be used. In the case that in one or more Periods it is not possible to define a value for the MRO, zero shall be used as the applicable value.

## **8. Procedures to Calculate Considerations**

### **8.1 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 one of its other components (ethane, propane and butane) considering the rate and the Contract Value for each, determined based on the Contractual 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 2015 as the base Year, and making the first adjustment in the second half of the month of January of 2016. The process to determine the amounts payable will be the following:

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(a) The following rate will be applied to the Contractual Value of the Crude Oil:

i. When the Contractual Price of Crude Oil is less than  $A_n$ , the following will be applied:

$$Rate = 7.5\%$$

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.

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

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- 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 in accordance with the following formula:

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

To adjust for inflation, the 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  $E_n$ :

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

To adjust for inflation, the parameter  $F_n$  is updated annually in accordance with the following formula:

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

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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:

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

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  $G_n$ :

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

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 section will correspond to the first index published by the Bureau of Labor Statistics of the United States of America, identified as WPU00000000 without seasonal adjustment, which represents the index of all merchandise, 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 announce the new reference.

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8.2 Contract Fee for the Exploratory Phase

Monthly payment of the Contract Fee for the Exploratory Phase to the State for the share 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:

- (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, in January 1<sup>st</sup>, considering the Period starting from the thirteenth immediately preceding Month and until the last Month in which the update is made, applying the update factor that results from dividing the National Consumer Price Index in the immediately preceding Month to that of the most recent Period from the National Consumer Price Index in the immediately preceding Month to that of the furthestmost Period, published by the National Institute of Statistics and Geography or if applicable its substitute index.

8.3 Adjustment Mechanism

The Consideration as a percentage of the Operating Profit to be received by the State, shall be adjusted in accordance with the following formula:

$$SG_t = 100\% - SCA_t$$

Where:

$SG_t$  = Percentage of Operating Profit received by the State in Period  $t$ .  
 $SCA_t$  = Adjusted percentage of Operating Profit received by the Contractor in Period  $t$ .

The adjusted percentage of Operating Profit received by the Contractor in Period  $t$  ( $SCA_t$ ) will be calculated as follows:

- (a) When the metrics of operating result before taxes of the Contractor for the Period immediately preceding the relevant Period ( $MRO_{t-1}$ ) is less than the value  $U_1$ , the percentage of the Operating Profit received by the Contractor will be  $SC_1$ .

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- (b) When the value of the metrics of the operating result before Taxes of the Contractor for the Period immediately preceding the relevant Period ( $MRO_{t-1}$ ) is between  $U_1$  and  $U_2$ , the percentage of Operating Profit received by the Contractor,  $SCA_t$ , will be determined in accordance with the following formula:

$$SCA_t = SC_1 - (SC_1 - SC_2) \left( \frac{MRO_{t-1} - U_1}{U_2 - U_1} \right)$$

Where:

- $SCA_t$  = Adjusted percentage of Operating Profit received by the Contractor in Period  $t$ .
- $SC_1$  = Percentage of Operating Profit received by the Contractor at commencement of the term of the Contract = \_\_\_ percent (\_\_\_%).
- $SC_2$  = Minimum percentage of Operating Profit received by the Contractor, equivalent to  $SC_1$  multiplied by a factor of 0.25.
- $MRO_{t-1}$  = Metrics of the operating result before taxes of the Contractor in Period  $t-1$ .
- $U_1$  = 25%
- $U_2$  = 40%

- (c) When the metrics of operating result before taxes of the Contractor for the Period immediately preceding the relevant Period ( $MRO_{t-1}$ ) is greater than the value  $U_2$ , the percentage of Operating Profit received by the Contractor shall be  $SC_2$ .

#### 8.4 Other adjustments of the Considerations

In accordance with Chapter III of Title Second of the Hydrocarbon Revenues Law, the Ministry of Finance has verification powers which may result in adjustments of the Considerations in case of variations, during the preceding Period or Periods, in the determination of the Contractual Prices or the measurement of net volume produced, or as a result of the procedures for recording and recognizing Costs and for auditing established in this Contract.

#### 8.5 Other Income

- (a) The additional revenues received by the Contractor for the provision of services to third parties in accordance with Annex 13 or derived from the sale or disposal of Sub-Products, shall be deemed as Contract revenues.

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- (b) The Contractor will be responsible for the registry of the information and documentation related to the additional revenues indicated in this subsection.

**9. Procedures for payment and verification of Considerations**

- 9.1 The Considerations established in this Contract will be distributed in kind to the State and the Contractor at the Measurement Point or will be paid in cash, as applicable, no later than the 15<sup>th</sup> Business Day of the subsequent Period.
- 9.2 The Hydrocarbons within the Contract Area and up to the Measurement Point are property of the State, with respect to those Hydrocarbons that correspond to the Contractor, as a payment of the Considerations of the Contractor, in accordance with this Contract. The State shall maintain such property until the delivery of the corresponding Hydrocarbons as a payment of the Considerations executed by the Fund, through CNH, at the Measurement Point. To these effects, the delivery of those Hydrocarbons registered in accordance with this Annex 3 and Annex 11 at the Measurement Point shall lead to the immediate legal delivery to the Fund, in order to be delivered to the Contractor, through CNH, at that specific time, without prejudice of any additional verification that the Fund may conduct. The Hydrocarbons that CNH delivers to the Marketer shall remain property of the State until their disposal and the Fund will not conduct any verification.
- 9.3 In order for the Fund to make the calculations of the Considerations, the Contractor must have registered, within the first ten (10) Business Days of the Month, the information and documentation relative to Contractual Prices, to the corresponding volume of production, the Contractual Value of Hydrocarbons, the Costs and other necessary elements for the determination of the Considerations in the IT system that the Fund will make available to the Contractor with such purposes.
- 9.4 The net volume of each Hydrocarbon produced in the Period shall be determined at the end of the Period, in accordance with the measurement made in the Measurement Point, provided that the Contractor reports within the first ten (10) Business Days of the Month. Furthermore, CNH shall deliver to the Fund, within the first ten (10) Business Days of every Month, the information relative to the Contract production of the immediately preceding Month, including such information relative to the volumes delivered to the Contractor and to the Marketer, following the temporary distribution indicated in subsection 9.7, as well as the information of the Hydrocarbons delivered during the Period, in terms of the payment certificate issued by the Fund in accordance with subsection 9.8 of this Annex 3.

In the case that the Contractor does not report the corresponding measurement in the term indicated in the preceding paragraph or that discrepancies exist between the information

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presented by the Contractor and such information presented by CNH, the Fund will calculate the Considerations based on the measurement registered by CNH.

9.5 The Parties will distribute the net volume of each Hydrocarbon produced in the Contract Area, in accordance with the measurement made, and the Contractual Prices determined pursuant to subsection 1 of this Annex 3 and under conditions of quality required for their commercialization in the market, contemplating the following:

- (a) The State will receive:
  - i. The volume of each type of Hydrocarbon equivalent to the total amount of the Royalties for the Period.
  - ii. The volume of each type of Hydrocarbon corresponding to the percentage of the Operating Profit share for the State, determined taking into account the applicable adjustments established in subsections 8.3 and 8.4 of this Annex 3.
  - iii. The payment in cash of the Contract Fee for the Exploratory Phase for each Period no later than the 17th Day of the subsequent Period.

The proportion of the net volume of each Hydrocarbon received by the State will be equal to the percentage which results from dividing the sum of the monetary value of the Royalties and the percentage of the Operating Profit corresponding to the State by the Contractual Value of the Hydrocarbons in the Period ( $VCH_t$ ). The volume of each Hydrocarbon corresponding to the State will be delivered to the Marketer.

- (b) The Contractor will receive:
  - i. The volume of each type of Hydrocarbon that is allocated to the recovery of Eligible Costs in the Period, as well as costs the recovery of which is pending from prior Periods.
  - ii. The volume of each type of Hydrocarbon corresponding to the percentage of the Operating Profit for the Contractor, determined taking into account the applicable adjustments established in subsections 8.3 and 8.4.

As payment of Consideration, the Contractor will receive the remaining net volume of each Hydrocarbon produced in the Period once the Considerations corresponding to the State have been covered.

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Whenever there exist other revenues as those indicated in subsection 8.5 of this Annex 3, the volume corresponding to the Contractor shall consider as a discount the volume equivalent to the amount of additional revenues received in the Period, taking in account the proportion and Contractual Price of each type of Hydrocarbon registered in the Period.

In case that the volume corresponding to the State is higher than the volume produced in the Period, the Contractor shall transfer to the Fund, within five (5) Business Days immediately following the determination of Considerations, the amount of cash equivalent to the observed difference.

- 9.6 The volumes of Hydrocarbons corresponding to the Contractor as payment of Considerations will be delivered to it at the Measurement Point, place where title to such Hydrocarbons will be transferred to the Contractor, without prejudice to the adjustments and liquidation of the payment executed by the Fund in terms of subsection 9.8 of this Annex 3.
- 9.7 The distribution of Net Hydrocarbons between the Parties will be continuous, taking into account the needs for the respective conditioning and treatment, and there will be daily recordings at the Measurement Point in accordance with the procedures established in this Contract. For the foregoing, during the term between the final determination of the Considerations for each Month and the corresponding preceding Month, the net volume of each Hydrocarbon will be distributed between the parties on a temporary basis considering the distribution determined based on the most recent calculation of the Considerations made by the Fund. From the beginning of the Regular Commercial Production and until the first determination of the Considerations corresponding to the initial Period, the temporary distribution will be determined considering the conditions established for the calculation of the Considerations in favor of the State and the Contractor to the date of the signature of this Contract, including the determination of the Contractual Price through the formulae established in subsections 1.4, 1.5 and 1.6, considering, in such case, the simple average of the reference prices observed during the twenty (20) Business Days previous to the beginning of the Regular Commercial Production. In any case, the delivery to the Contractor of the Hydrocarbons indicated in this subsection, implies its material and legal delivery to the Contractor at the immediately subsequent moment onto which the corresponding registry is made on the Measurement Point, without prejudice that the definite payment is executed through the granting of the corresponding payment certificate to the Contractor, by CNH, issued by the Fund in terms

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of subsection 9.8. The Contractor may market the net volume of each Hydrocarbon it receives during the Month in accordance with this subsection.

The payment of the corresponding Considerations through the delivery of produced Hydrocarbons shall be executed in accordance with subsection 9.8 of this Annex 3.

- 9.8 At the end of the Period, once the Considerations have been determined for the corresponding Month and based on the record of Hydrocarbon volumes in the Measurement Points distributed between the Parties:
- (a) The applicable volume adjustments will be made in the event there are differences between the temporary distribution of Net Hydrocarbons volume for the Period and the distribution corresponding to the Considerations for the Period.
  - (b) Based on calculations made by the Fund, CNH and the Contractor will sign a final production distribution order that shall establish the volume of the Net Hydrocarbons for the Period by type of Hydrocarbon, the Contractual Value of the Hydrocarbons, the ownership of the volume of Net Hydrocarbons for the Period that has been distributed between the Parties pursuant to the records provided in subsection 9.7 of this Annex 3 and the volume adjustments that are applicable. Such order will be signed separately for each type of Hydrocarbon produced and distributed. A copy of the order shall be delivered to the Fund for its records.
  - (c) Based on the information set in the production distribution order indicated in the preceding subparagraph, the Fund will issue a certificate of payment corresponding to the Contractor through CNH. CNH will be responsible for delivering, on behalf of the Fund, the respective certificate to the Contractor and for delivering to the Marketer the Hydrocarbons that correspond to the State.
- 9.9 The volume adjustments which are applicable in accordance with the terms of subsection 9.8 of this Annex 3 will be made beginning in the Period following the Period for which the adjustment was determined. In such Period, the volume of Net Hydrocarbons distributed will be allocated first to cover the respective compensation until it is fulfilled. After that, distribution will resume pursuant to subsection 9.7 of this Annex 3.
- 9.10 The Considerations in favor of the Contractor will be paid once the Contractor begins production of Hydrocarbons in accordance with this Contract, and thus, as long as contractual production is not reached, in no case will there be an obligation to pay

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Considerations in favor of the Contractor, nor will the Contractor be granted any advances.

- 9.11 In any case, the receipt procedure established in Article 11.2 of this Contract shall contain the mechanisms to guarantee that each Party receives the Hydrocarbons that correspond to it at the Measurement Point in accordance with this Contract.
- 9.12 Without prejudice to the right of the Parties to receive Considerations established in the Contract, the movement of Hydrocarbon production beyond the Measurement Point, and if applicable, the use of transportation and Storage infrastructure may be the subject of agreements with the Marketer, for the purpose of establishing criteria to establish the logistics of movement of Hydrocarbon production outside the Contract Area in order for each of the Parties to receive the Hydrocarbons corresponding to it in accordance with this Contract following industry practice and customs for these types of transactions.
- 9.13 If the Contractor offers the State better marketing conditions that those offered by the Marketer, the Parties may, in consultation with the Ministry of Finance, reach an agreement whereby the Contractor markets the percentage of the production allocated to the State obtained with respect to this Contract in accordance with the rules established in this Contract.

## **10. Procedures for the verification of Considerations**

- 10.1 The Fund:
- (a) Will be in charge of administration of the financial aspects of the Contract and the calculation of the Considerations and other elements provided by the Law of the Mexican Petroleum Fund, without prejudice to the powers allocated to CNH.
  - (b) Will receive the Royalties, Contract Fees for the Exploratory Phase and other Considerations in favor of the State established in the Contracts. In case of those Considerations received in kind, the Fund will receive the proceeds of the sale by the Marketer.
  - (c) Will keep the information records required to calculate and determine the Considerations established in this Contract and to carry out other functions it is charged with.

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- (d) Will carry out the calculation and payment of the Considerations based on the information registered in the IT system which, as applicable and in accordance with this Contract, are payable to the Contractors.
- (e) Is obligated to notify the Ministry of Finance and CNH regarding irregularities it may detect in the exercise of its functions for the purpose of enforcing the State's rights under this Contract, or in the event respective penalties or sanctions are applied, without prejudice to other legal, judicial or criminal actions that may be applicable.
- (f) Will receive information and documentation from the Contractors related to Costs, as well as the deduction of such investments, required for the execution of this Contract, and it will keep a record of such items and, if applicable, their recognition.

10.2 The Ministry of Finance:

- (a) Will carry out verification of 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 Royalties, Contract Fees for the Exploratory Phase and other Considerations payable to the State and the Contractor.
- (c) May request from the Contractors and third parties the information it requires for the proper exercise of its functions in accordance with this Contract.
- (d) Will verify the operations and accounting records arising from this Contract, even by conducting audits or visits of the Contractors itself or through the Tax Administration Service in accordance with Annex 4.

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## ANNEX 4

# PROCEDURES FOR ACCOUNTING, REPORTING AND RECOVERY OF COSTS, EXPENSES AND INVESTMENTS

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**PROCEDURES FOR ACCOUNTING, REPORTING AND RECOVERY OF COSTS**

**1. Procedures for Accounting, Reporting and Recovery of Costs**

**Section I. Accounting.**

- 1.1 The purpose of these procedures for accounting, reporting and recovery of Costs is to establish the manner in which the Operator 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 force 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 Functional Currency 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 records, information and documentation related to the Costs, in its tax residence for a period of five (5) Years after the termination of the Contract.

**Section II. The Operating Account**

- 1.4 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 classifications of Costs published by the Fund and in accordance with the provisions of subsection 1.7 of this Annex 4.
- 1.5 For purposes of the payment of Considerations, the amounts of the items referenced in the subsection above will not be adjusted for inflation for purposes of their recovery.
- 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, it 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 incurred for the performance of activities under this Contract.

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1.7 The Contractor must record the Costs by category under, Activity, 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 Work Program and Budget authorized by CNH.

With respect to the Petroleum Activities, Petroleum Sub-activities and Tasks, the following categories should be included, as applicable:

<b>Petroleum Activity</b>	<b>Petroleum Sub-activity</b>	<b>Task</b>
Appraisal	General	Technical economic evaluations.
		Development plan with basic engineering.
		Administration, management of activities and project expenses.
	Production Tests	Well equipment.
		Performance of production tests.
	Engineering of Reservoirs	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	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.	
	Performance of formation tests.	
	Supplies and Materials.	
	Well completion.	
Safety, Health and Environment	Environmental impact studies.	
	Fire and gas leak prevention and detection.	
	Treatment and disposal of residues.	
	Environmental restoration.	
	Safety audits.	
		Environmental audit.

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<b>Petroleum Activity</b>	<b>Petroleum Sub-activity</b>	<b>Task</b>
Development	General	Technical economic evaluations.
		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.
		Petrophysical studies.
	Drilling of Wells	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.
		Supplies and Materials.
		Well completion.
	Production Tests	Well equipment.
		Performance of production tests.
	Engineering of Reservoirs	Calculation of Reserves and production estimates.
		Reservoir modelling and simulation.
		Pressure, volume and temperature studies (PVT).
		Characterization of Reservoirs.
		Well completion design.
	Well Intervention	Well intervention for restoration.
		Other specific Well interventions.
	Other Engineering	Detailed engineering.
		Conceptual engineering.
		Surface facilities design.
		Seafloor studies.
	Construction of Facilities	Pipeline design.
		Construction of onshore and offshore facilities.
	Safety, Health and Environment	Pipeline construction and laying.
		Preparation of safety and environment plan.
		Fire and gas leak prevention and detection.
		Environmental audit.
		Treatment and elimination of residues.
		Environmental restoration.

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Petroleum Activity	Petroleum Sub-activity	Task
		Implementation and follow-up.
		Safety audits.

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	Geological and petrophysical characterization of Reservoirs.
		Geochemical analysis of samples.
		Petrophysical studies.
	Production Tests	Well equipment.
		Performance of production tests.
	Engineering of Reservoirs	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	Well intervention for maintenance and rehabilitation.
		Other specific Well interventions.
	Operation of Production Facilities	Maintenance of production facilities.
		Production engineering.
		Operation of production facilities.
	Pipelines	Pipeline maintenance.
		Pipeline operation.
	Safety, Health and Environment	Updating the safety and environment plan.
Fire and gas leak prevention and detection.		
Environmental audit.		
Treatment and disposal of residues.		
		Environmental restoration.

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		Implementation and follow-up.
		Safety audits.

Petroleum Activity	Petroleum Sub-activity	Task
Aban- donment	General	Technical 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 plan of 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 or Allocation Area	Field <sub>(1)</sub>	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>

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		Reservoir <sub>(1,b)</sub>	Well <sub>(1,.....)</sub>
			Well <sub>(1,....h)</sub>
		Reservoir <sub>(1,b)</sub>	Well <sub>(1,b,1)</sub>
			Well <sub>(1,b,2)</sub>
			Well <sub>(1,b,....)</sub>
			Well <sub>(1,b,i)</sub>

Area	Field	Reservoir	Well
	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>		

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		Well(...,d,q)
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Area	Field	Reservoir	Well	
Contract Area or Allocation 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 of 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 accounting logs issued 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 Costs of 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. The electronic system of the Contractor shall include, but it should not be limited to the following:

- (a) Capacity, flexibility and effectiveness in generating reports;

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- (b) Annual comparisons;
- (c) Quarterly comparisons of observed Budget against scheduled Budget;
- (d) Expenditures per fiscal year by activity, Cost Center and cost category;
- (e) Multiple date entry categories such as accounts payable invoices, cash disbursements, accounts receivable invoices, cash receipts, records, transfers of Materials, return of invoices, canceled checks, adjustments, inventories, and allocation of indirect costs, among others;
- (f) Ability to report cash management and analysis of obsolescence;
- (g) Ability to manage accounts payable, and
- (h) Effective auditing mechanisms for transactions, including access to all logs used as the basis for each allocation of Costs, in particular Recoverable Costs as defined under this Annex.

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 force in Mexico;
- (f) Additionally, for the recovery of Abandonment reserves:

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- 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 Appraisal Plan, the Development Plan, and the Financial Reporting Standard C-18 (NIF).

**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 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. Eligible Costs.**

- 1.11 Costs deemed Eligible Costs are those Costs that are strictly indispensable for the performance of the Petroleum Activities incurred from the Effective Date until the termination of the Contract, provided that they comply with the requirements indicated in Annexes 4, 11, and 12, and in the Guidelines issued for such purpose by the Ministry of Finance in force as of the date of the award of the Contract.
- 1.12 Costs not deemed Eligible Costs are those Costs that are not strictly indispensable, nor inherent to the purpose of the Contract; do not comply with Annexes 4, 11 and 12, and the Guidelines issued for such purpose by the Ministry of Finance in force as of the date of the award of the Contract; Costs incurred prior to the Effective Date, beyond the Measurement Point; those that lack the required supporting documentation or were not recorded in the Operating Account and those indicated in subsection 1.17 of this Annex 4.

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**Section VII. Recoverable Costs in Contracts**

1.13 Eligible Costs shall be considered Recoverable Costs included in the Budgets and Work Programs approved by CNH as long as they have been actually paid and that their determination and registry comply with Annexes 4, 11 and 12 and with the Guidelines issued for such purposes by the Ministry of Finance in force on the date of the award of the Contract.

For the application of Recoverable Costs, operating expenses will be considered first and investments second. Within each of the foregoing categories the order of priority applied will be a function of their exercise.

The recovery of Costs in favor of the Contractor will be paid after the Contractor starts Hydrocarbon production under this Contract. Under no circumstances will there be an obligation to pay Consideration nor will the Contractor be granted any advances, as long as there has not been any production.

1.14 The contractor may recover the rights and benefits established through the administration and supervision of the Contract or the supervision and monitoring of the activities conducted pursuant thereto, carried out by CNH and the Agency.

1.15 The Contractor may recover any indirect or other similar administrative cost and expense, generated as a consequence of performing activities outside the Mexican territory, regardless of denomination up to one point five percent (1.5%) of the authorized Budget. The payment of these costs up to the percentage indicated will include full compensation of related Persons wherever they are located and whatever their participation. The direct administrative costs and expenses generated within the Mexican territory shall be recognized as an element of the catalogue of accounts.

1.16 The following items shall be considered Recoverable Costs, in terms of this Annex 4:

(a) Tariffs incurred by the Contractor due to the use of share infrastructure in terms of Annex 13, as long as they do not exceed the maximum tariff as indicated in Annex 13;

(b) Additional Costs incurred by the Contractor due to the provision of services to third parties in accordance with Annex 13;

(c) Additional Costs incurred by the Contractor, required for the marketing or disposal of Sub-Products, and

(d) Insurance premiums required by the Agency.

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All Costs considered in this subsection must be included in the corresponding Budgets and Work Programs authorized by CNH.

- 1.17 The following items shall not be considered Eligible Costs and thus they shall not be considered Recoverable Costs, even if they relate directly or indirectly to the activities inherent to the Contract:
- (a) Any Cost other than Eligible Costs;
  - (b) Costs pertaining to categories or activities not included in the Budgets and Work Programs approved by 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 catalog of accounts by more than ten per cent (10%) of the Budget in accordance with the provisions of this Annex 4 and the Guidelines issued for such purpose by the Ministry of Finance in force on the date of the award of the Contract;
  - (c) Financial costs;
  - (d) Costs incurred by negligence or fraudulent conduct, criminal act, bad faith or fault of the Contractor, its Subcontractors or their respective Affiliates;
  - (e) Any donation or gift;
  - (f) 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;
  - (g) Costs and expenses incurred for any type of legal services and advice, except those that derive from geological studies for the Appraisal and Extraction of Hydrocarbons approved in the Work Program and its corresponding Budget;
  - (h) Any cost, expense or investment incurred by breach, whether directly or indirectly, of the Contract, in accordance with the Industry Best Practices and experience, or of the applicable laws;
  - (i) Costs and expenses arising from a breach of the Applicable Laws and Industry Best Practices, including those related to risk management;
  - (j) Costs related to training activities and programs which are not indispensable for the efficient operation of the project, and which are not implemented generally;

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- (k) Any cost and expense related to long-term incentive plans for the Contractor's personnel;
- (l) Costs and expenses 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 defects in accordance with generally accepted practices in the petroleum industry;
- (m) 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 purposes of transactions entered into with Related Parties residing in national territory or abroad, they were determined using the prices and amount of consideration that would have been used with or between independent parties in comparable transactions;
- (n) Amounts reported as provisions and reserves of funds, except those for the Abandonment of the facilities in accordance with the Appraisal Plan, the Development Plan and the Financial Reporting Standard (NIF) C-18;
- (o) Costs associated with the Abandonment activities in accordance with the Appraisal Plan and the Development Plan, which are funded by the reserve constituted in the Abandonment Trust Fund.
- (p) Legal costs and expenses incurred in any arbitration, conciliation or dispute that involves the Contractor, its contractors or subcontractors;
- (q) Commissions paid to brokers, agents or commission agents;
- (r) Payments for purposes of Contract Fees for the Exploratory Phase pursuant to the Contract;
- (s) Considerations in favor of the State, as well as any other consideration, cost, expense, investment corresponding to other contract;
- (t) Costs which exceed benchmarks or Market Prices according to what is stated in subsection 1.21 of this Annex 4 and 1.5 of Annex 11;
- (u) Those that are not strictly indispensable for the activity under the Contract;
- (v) Payments to holders of mining concessions as a result of interference with their mining activities;
- (w) Costs related to the marketing or transportation of Crude Oil, Natural Gas and Condensates and/or their delivery beyond the Measurement Points;

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- (x) Fines or financial penalties incurred for breach of legal or contractual obligations;
  - (y) Costs and expenses related to the employment of an independent expert for the purpose of resolving legal disputes;
  - (z) Any retention associated with taxes relating to the Contractor's employees, as well as the payment of employee participation in corporate profits;
  - (aa) Decreases in the value of assets not used in the oil industry;
  - (bb) Any cost and expense related to public relations and/or Costs and expenses relating to the representation of the Contractor and its Related Parties, including lobbying, promotion or advertising;
  - (cc) Any cost and expense relating to activities arising from emergency situations that require immediate action and have not been subsequently authorized by CNH or the Agency;
  - (dd) Payments for insurance premiums that are not authorized by the Agency, and
  - (ee) Tax Obligations paid by the Contractor, except for specific taxes applicable to the Exploration and Extraction of Hydrocarbons industry which are different from those in force at the time of the award of the Contract, and in such case, an amount may be recovered that will permit the Contractor to restore its economic balance with respect to such taxes had the economic conditions relating to tax aspects prevailing at the time of the award of the Contract continued to exist. The Ministry of Finance will establish a corresponding mechanism for this purpose.
- 1.18 Once the Appraisal Plan and/or 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.
- 1.19 The Contractor shall establish as the purpose of the Abandonment Trust the creation of a reserve to fund Abandonment activities in the Contract Area. 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 this 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.

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If funds from the Abandonment account are insufficient to cover all Costs and expenses of Abandonment, the Contractor shall be responsible for covering the deficiency; in that case, such Costs shall be explicitly indicated in the corresponding Budget in order to be considered as Recoverable Costs. The Abandonment Trust contract shall provide that in the event any amount remains in the fund after all costs and expenses of Abandonment have been covered, such resources shall be remitted to the Fund.

**Section VIII. Transactions with Related Parties.**

- 1.20 The Contractor will be deemed to have conducted 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 with Related Parties, the Contractor will be required to determine its revenues and Costs, 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.
- 1.21 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 11 of the Contract 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, to show that the transaction was agreed at Market Prices.

For transactions valued less than US\$20,000,000 (twenty million Dollars), or the equivalent in national currency, the Contractor shall preserve such information, documentation and/or evidence in accordance with this Annex 4 and Annex 11 of the Contract, and

For transactions valued at more than US\$20,000,000 (twenty million Dollars), or the equivalent in national currency, the Contractor shall preserve and deliver such information, documentation and/or evidence in accordance with the Guidelines issued for such purpose by the Ministry of Finance in force as of the date of the award of the Contract, through the information system established for such purpose by the Fund, as well as all information necessary for its delivery to the Ministry of Finance, if required, to replicate the analysis or analyses conducted.

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**Section IX. Fixed Assets.**

- 1.22 When the Contractor intends to transfer property as to which the Cost has been partially or completely recovered, it must obtain a technical opinion from CNH to justify that the asset to be transferred is no longer indispensable for the purpose of the Contract.

To determine the value of the asset transferred, the remaining book value or scrap value of the asset will be considered, provided that it is not less than the Market Price in accordance with subsections 1.20 and 1.21 of this Annex 4.

As a result of the verification work by the Ministry of Finance, and if it is not demonstrated that the sale was conducted at Market Prices, the difference identified between the median of the range of Market Prices and the agreed upon sale price, in accordance with the interquartile method procedure pursuant to the Applicable Laws, shall be delivered to the Fund or deducted from the Considerations that correspond to the Contractor.

With respect to the restitution of partially or totally damaged goods, the corresponding insurance compensation shall be deducted from the Recoverable Costs.

- 1.23 When the Cost has been recovered in its entirety the asset transferred, subsection 1.22 of this Annex 4 must be complied with and the amount derived from the sale must be delivered to the Fund no later than ten (10) Business Days after the consummation of the sale or, subject to authorization from the Ministry of Finance, an equivalent amount will be deducted from the Consideration corresponding to the Contractor.
- 1.24 In the case that the Cost of the asset assigned has been partially recovered, the amount generated by such transaction will be distributed according to the percentage actually recovered at the time of the sale as between the State and the Contractor as provided in the Contract.
- 1.25 The Contractor may request authorization from the Ministry of Finance that the Considerations that correspond to it be discounted by an amount equal to the value of the transfer determined in accordance with subsection 1.22 of this Annex 4, attaching to its request the technical opinion provided by CNH, as well as the accounting record and support relating to the transferred asset. The Ministry of Finance will have a period of five (5) Business Days to grant the referenced authorization by informing the Contractor and the Fund of the authorization or denial.
- 1.26 The Contractor shall notify the Ministry of Finance when it rents, leases or provides services with assets recorded as Recoverable Costs, and, as applicable, recovered under the Contract. The Fund will deduct from the Recoverable Costs the revenues which the Contractor receives as a result of the rental or lease of goods. In case of the revenues that

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the Contractor receives for the provision of services in accordance with Annex 13, along with other costs associated with such services, they will be treated as indicated in subsection 1.16 and in Annex 13.

- 1.27 For the acquisition of goods whose Costs have been partially or completely recovered under another Contract, subject to approval by CNH, the book value, remaining or scrap value of the asset shall be considered, provided that it does not exceed the Market Price, adjusted for its useful life. In the case that the price of such assets exceeds the Market Price, the difference between the agreed upon price and the median range of Market Price, in accordance with the interquartile method procedure pursuant to the applicable tax laws, will not be considered a Recoverable Cost.

#### **Section X. Inventories.**

- 1.28 The Contractor shall keep a record of all Materials indicating their specification, value and location. 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.
- 1.29 At least once a Year and upon termination of the Contract, the Contractor shall take a physical inventory of all Materials acquired for the Contract. The Contractor shall send CNH written notice at least thirty (30) Days in advance of the date on which the Contractor will commence such inventory. At its option, CNH may be present while the physical inventory is taken. The Contractor shall make the corresponding reconciliations in the records of the Materials which result from the physical inventory.

To the extent possible, all Materials shall be capable of being easily identified by simple inspection by their respective codes.

- 1.30 The Inventory shall be subject to articles 59, section VIII and 60, and section II, third paragraph of the Tax Code of the Federation (CFF); to article 41 of the Income Tax Law, and to Bulletin (NIF) C-4 of the Financial Reporting Standards.

#### **Section XI. Reports.**

- 1.31 All reports the Contractor is required to make relating to transactions constituting Eligible 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 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.

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- 1.32 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.
- 1.33 The Contractor shall submit to the Fund, within the ten (10) Business Days following the end of the relevant Month, the information it is required to report on a monthly basis, through the electronic system made available by the Fund for such purpose.
- 1.34 The Fund shall pay the Considerations in accordance with the relevant Contract, once the Contractual Value of Hydrocarbons and the Costs have been recorded, and such information has been validated, in accordance with the requirements of the Contract in the information system provided for such purpose by the Fund.
- 1.35 If the Contractor changes tax residence, 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 through 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
  - f) The Contractor's response regarding actions to be implemented as a result of the internal control recommendations proposed by the external independent auditor.

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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.
- 2.4 The costs of the annual external audit referred to in subsection 2.1 of this Annex 4 shall be paid by the Contractor and shall be considered Recoverable Costs.

### **3. Verification.**

- 3.1 The Ministry of Finance will verify that the Contractor complies with the accounting and financial aspects provided in Annexes 3, 4, 11 and 12, by performing:
  - (a) Audits, and
  - (b) Visits.

The verification work will be performed with respect to the Operating Account, the Costs, as well as the originals of the supporting documents related to the Operating Account, and the Recoverable Costs, in the course of any Year or part thereof.

Similarly, the verification work will be undertaken with respect to the procurement of goods and/or services performed by the Contractor.

### **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;
  - (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.

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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 3.18 of this Annex 4, and will proceed pursuant to subsections 3.19 to 3.23 of this Annex 4.
- 3.6 The Ministry of Finance may, at any time, instruct that audits be performed by the Tax Administration Service.

**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
  - (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 (2) witnesses and, if these witnesses are not designated or the designees do

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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 processable 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 force 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 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 force on the date it was awarded.

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- 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 subsection 3.18 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, the Contractor 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 case 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.
- 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.

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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 case 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.
- 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 discounts and/or adjustments that should be made to the Considerations of the Contractor corresponding to the immediately following Period, 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.

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- 3.26 In addition to the information and documentation requirements that the Contractor must comply with, in accordance with Annexes 3, 4, 11 and 12, 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 force 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 the Contract, for the purposes of complementing, supporting, and enhancing the verification work with which it is charged.

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. Notices.**

- 3.29 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 as indicated in Annex 11, 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 protocolled. The removal will be effective from the Day following receipt of notice.

- 3.30 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.
- 3.31 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.
- 3.32 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.

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- 3.33 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 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 VI. The Verification Work.**

- 3.34 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.

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**ANNEX 5**  
**ASSET INVENTORY**

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**Asset Inventory**

**General description of the facilities**

**1. Inventory as of \_\_\_\_ \_\_ 20\_\_.**

**Wells**

Location	Well	Position (geographic coordinates)	Depth	Type	Drilling Year	Status

**Pipelines**

Type	Origin	Destination	Diameter (in)	Length (km)	Pipeline Description	Construction Year	Status

**Discharge Lines**

Origin	Destination	Diameter (in)	Length (km)	Pipeline Description	Construction Year	Status

**Facilities**

Type	Name	Location	Process Type	Capacity (mbpd, mmcfpd)	Construction Year	Status

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**ANNEX 6**  
**MINIMUM WORK PROGRAM**

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**Minimum Work Program**

1. The Minimum Work Program, the Minimum Program Increase and, if applicable, the additional commitments made during the Additional Appraisal Period are expressed in Work Units.
2. For purposes of this Contract, the amount of Work Units agreed to as the Minimum Work Program to be performed during the Appraisal Period of this Contract is defined in the following table:

Contract/Field	Work Units (Number)

3. For purposes of this Contract, the amount of Work Units agreed to as the Minimum Work Program Increase is XXXX Work Units, to be performed during the Appraisal Period.
4. The performance of the Minimum Work Program, the Minimum Program Increase and, if applicable, the additional commitments will be evaluated based on the execution of Appraisal activities within the Contract Area, according to their value in Work Units and independently of the Costs incurred in their execution.
5. For purposes of penalty fees to be paid for nonperformance of the Minimum Work Program, the Minimum Program Increase and, if applicable, the additional commitments made during the Additional Appraisal Period, the reference value for each Work Unit not carried out will be indexed to the price of Hydrocarbons in accordance with the following table:

**Reference Value per Work Unit**

Price of Brent Crude (Dollars per Barrel) <sup>2</sup>	Value of one (1) Work Unit (Dollars)
Less than 45	767
Between 45 and 50	796
Between 50 and 55	852
Between 55 and 60	905
Between 60 and 65	954

<sup>2</sup> The price of Brent Crude will be the simple average of the daily quotations of ICE Brent Crude observed during the prior ninety (90) Days to the date in which the corresponding penalty is determined, published by an international company, specialized in the publishing of price reference information.

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Price of Brent Crude (Dollars per Barrel) <sup>2</sup>	Value of one (1) Work Unit (Dollars)
Between 65 and 70	1,000
Between 70 and 75	1,044
Between 75 and 80	1,086
Between 80 and 85	1,127
Between 85 and 90	1,165
Between 90 and 95	1,203
Between 95 and 100	1,239
Between 100 and 105	1,274
Between 105 and 110	1,308
Greater than 110	1,341

6. For purposes of calculating the penalty fees for nonperformance of the Minimum Work Program, the Minimum Program Increase and the additional commitments made during the Additional Appraisal Period, the reference value for each Work Unit defined in this Annex 6 which is applicable upon termination of the Initial Appraisal Period or Additional Appraisal Period, as the case may be, or at termination of the Contract during the Appraisal Period for any reason, without prejudice to provisions of the Contract and the Applicable Laws. The penalty fee amounts for nonperformance will be calculated as the minimum of: (i) the product of multiplying the applicable reference value by the number of Work Units not carried out during the Appraisal Period, and (ii) the amount of the corresponding Performance Guarantee in accordance with Article 4.5.
7. The amounts of the Performance Guarantee shall be calculated by multiplying the reference value for each Work Unit as defined in this Annex 6 applicable on the date of the award of the Contract by fifty per cent (50%) of the number of Work Units corresponding to the Minimum Work Program and the Minimum Program Increase or the Minimum Program Increase not completed during the Initial Appraisal Period and the Contractor's additional work commitment for the Additional Appraisal Period, respectively, in accordance with Article 16.1.
8. In order to accredit performance of the Minimum Work Program, the Minimum Program Increase and, if applicable, the additional commitments, the Contractor shall carry out the Appraisal Plan activities. These activities will satisfy Work Units in accordance with the following conversion table:

Minimum work requirement	Unit	Work Units (number)
Delimiting well	Per well	45,000
Geophysical records: 3D Resistivity, density, neutron, dipole sonic	Per study	1,500
Gamma Ray records	Per study	1,500
Formation Studies (MDT)	Per study	1,500

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Reprocessing or Interpretation of 3D seismic data	Per Km <sup>2</sup>	3.0
Nuclei analysis	Per study	300
PVT Studies	Per study	50
Extended range production test	Per test	15,000

- 8.1 The Contractor may accumulate Work Units per perforated Well within the framework of the Contract.
- 8.2 Only studies, records and tests that correspond to the perforated Wells within the framework of this Contract will be accredited. The accreditation of such studies, records and tests shall be subject to the delivery of the related information to CNH.
- 8.3 Only the reprocessing and interpretation of seismic data limited to the Contract Area will be accredited. Similarly, the square kilometers (km<sup>2</sup>) accredited may not exceed 100% of the surface area of the Contract Area.

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**ANNEX 7**

**MINIMUM SCOPE OF THE APPRAISAL ACTIVITIES**

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### **Minimum Scope of the Appraisal Activities**

The Appraisal Plan shall cover at least the Minimum Work Program and the Minimum Program Increase and contain and develop at least the following items:

1. 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.
2. Possible location of the Appraisal Wells to be drilled.
3. Preliminary drilling programs for the Appraisal Wells.
4. A detailed estimate of the Costs of conducting the Appraisal activities.
5. Proposal for the duration of the Appraisal Period.
6. Safety and environmental protection measures, including the Risk Management Program.
7. Schedule for performance of the Appraisal activities.
8. Location at which Hydrocarbons obtained during any production test shall be delivered to the Marketer.
9. A chapter containing the applicable periods and stages to guarantee that the goal for the minimum percentage of national content indicated in Article 18.3 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 8**  
**APPRAISAL REPORT**

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### **Appraisal Report**

The Appraisal Report shall include at a minimum the following information:

1. A report describing all Appraisal activities carried out by the Contractor in the Contract Area during the Appraisal Period;
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 petrophysical 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 7.1;
5. A study of the feasibility of development of the Contract 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 Fields;
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.

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**ANNEX 9**  
**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 Fields 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:
    - i) General description of expected activities for the relevant Development Period;

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- 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;
  - 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 Plan, including the total estimated Cost the Contractor expects with respect to Abandonment activities.
- (b) Main 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 necessary for Hydrocarbon conditioning into commercially accepted conditions with respect to sulfur, water and other elements in accordance with the Applicable Laws and the Industry Best Practices.
- (c) Alternative approaches to development considered and 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. The Contractor shall include the first Work Program and Budget in accordance with Articles 9.3 and 10.3.
- (e) If the Fields extend beyond the Contract Area, a proposed program for unitization of the Fields.
- (f) In case that shared use of infrastructure is foreseen, a proposal for the corresponding agreement, in accordance with Annex 13 and the Applicable Laws.
4. Budget and Economics.
- (a) An estimate of the Recoverable Costs for each Year. Such estimate shall be prepared for each case of proven, probable and possible Reserves. Such estimates shall be submitted in constant Dollars without adjustment for expected inflation;

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- (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. Risk Management Programs. The Risk Management Programs shall be derived from the Management System and 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 the 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;
  - (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 case 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 18.3. In addition, the Contractor shall include a chapter containing a transfer of technology program. Such

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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 10**  
**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 or the applicable additional commitment under the Contract for Extraction Under Production Sharing Modality dated \_\_\_\_\_, between the National Hydrocarbons Commission of Mexico and [NAME OF CONTRACTOR] (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 Practices for Letters of Credit - ISP98, ICC publication 590. This Letter of Credit shall be automatically extended for additional periods of one (1) Year following the Expiration Date and each subsequent expiration date, unless the ISSUING/CONFIRMING BANK notifies the BENEFICIARY at least thirty (30) 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.

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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].

The BENEFICIARY may present Drawing demands for all or a portion of the Drawings.

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**ANNEX 11**  
**PROCUREMENT**  
**OF GOODS AND SERVICES**

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## **PROCUREMENT OF GOODS AND SERVICES**

### **1. Procedures for the Procurement of Goods and Services**

#### **Section I. Procurement of goods and services.**

- 1.1. For the procurement of goods and services, the Contractor shall observe the rules and guidelines on the procurement of goods and services for the activities carried out under this Contract, subject to principles of transparency, economy and efficiency.

For purposes of this Annex 11, in addition to the definitions 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 of their goods 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 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.

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- 1.4. The goods or services that are linked to joint processes shall be agreed upon on an integrated basis, if this represents a greater guarantee of supply and greater associated economic benefit.

The guidelines or bidding requirements for the terms of reference for 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 companies or violate the equality of applicants.

- 1.5. In any event, the contest or bidding processes shall be carried out under principles of transparency, maximum publicity, equality, competitiveness and simplicity. The Contractor may provide different award mechanisms. In the contest or bidding processes, tiebreaker criteria shall be stipulated, which should be included in the corresponding contest or bidding guidelines.

The Contractor shall observe the following:

- I. For contracts or acquisitions valued at less than or equal to US\$1,000,000 (one million Dollars) or the equivalent in national currency, the Contractor shall be free to determine the procedures and methods to choose the supplier it considers appropriate. The Contractor shall retain the information, documentation and/or evidence to demonstrate, for purposes of transactions related to such subcontracting or acquisition entered into with related parties, both residents in national territory and abroad, that they were determined considering the prices and amounts of consideration that would have been used with or between independent parties in comparable transactions. With respect to transactions with third parties subject to procurement or supply agreements on a regional or global basis, the Contractor shall retain information, documentation and/or evidence that such transactions were carried out pursuant to market benchmarks and, if applicable, that the benefits derived from these contracts are reflected in lower Costs to recover.
- II. For contracts and acquisitions with a value greater than US\$1,000,000 (one million Dollars) and less than or equal to US\$20,000,000 (twenty million Dollars) or its equivalent in national currency, the Contractor shall obtain at least three (3) quotes for the goods or services contracted. If the value of the quote selected exceeds by five percent (5%) the lowest priced quote found in benchmarks or market prices, the Contractor shall justify why it selected such quote and the technical and economic criteria considered. If, as a result of conducting the process previously described, the selected supplier is a related party, the Contractor shall deliver the contract relating to the transaction and the

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corresponding Transfer Price Study to the Ministry of Finance and to CNH through the Fund's systems, and

- III. For contracts or acquisitions with a value higher than US\$20,000,000 (twenty million Dollars) or its equivalent in national currency, the Contractor shall conduct an international public contest or bidding process in which all participants are treated equally and it shall select the participant which offers the best economic conditions. If the Contractor selects a proposal that does not offer the lowest price, it shall justify the reason for such choice and the technical and economic criteria considered.

An international public contest or bidding process shall be considered as the first method for awarding a contract, with the purpose of promoting the participation of the greatest number of qualified bidders to obtain the best market conditions.

Similarly, the Contractor shall ensure the same treatment to all participants so that effective competition exists, avoiding all types of preference or discrimination that favor or prejudice some to the benefit or detriment of others. The Contractor shall also clearly identify the subject of the contest or bidding process, the conditions of the service or delivery of the goods and/or services in order to determine the terms of the future contract. To the extent that goods and/or services are the subject of a contest or bidding process, unnecessary restrictions that reduce the number of qualified contestants or bidders should be avoided.

The method for the contest or bidding process shall preferably be one in which offers be submitted in writing and in sealed envelopes within the established time limits, be signed by the legal representatives of the bidders and meet the requirements indicated in the contest or bidding documents.

Such contests or bidding processes shall provide the procedures for the selection of the winner and for the resolution of disputes permitting defense or challenge by the bidders.

Once the procedure for the corresponding contest or bidding process has been completed, the Contractor shall submit a detailed report on the conditions of the development of the contest or bidding process, the evaluation and comparison of the bids, and the grounds for awarding the contract. Also, a certified copy of the contract and the corresponding report of the contest or bidding process shall be provided to the Ministry of Finance through the Fund's systems. If applicable, the Contractor shall provide a comparative analysis of the proposals from the participants with the reasons on why the winner was selected, as well as the technical, commercial and contractual terms of the proposals.

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The Contractor shall not unnecessarily divide the acquisition and contracting processes in order to avoid the thresholds indicated in this subsection.

The thresholds referred to in this subsection shall be updated in the month of January based on the changes in the United States Producer Price Index, as published by the Bureau of Labor Statistics of the United States of America, with identification number WPU00000000, without seasonal adjustment, which represents an index of all merchandise or, if applicable, its substitute index by decision of the issuing institution. In case such price index changes or is revised, the first published version of the index will prevail. If the reference Index changes, the Ministry of Finance will announce a new reference that is representative for such purposes.

- 1.6. In the case that, in any contracting conducted under the procedures referred to in sections II and III of the preceding subsection, the Costs increase due to unforeseen circumstances, the Contractor shall observe the following:
  - I. If the Costs increase by an amount equal to or lower than five percent (5%), but are not higher than the benchmarks or market prices, in accordance with the analyses previously performed, it will not be necessary to justify such an increase;
  - II. If the Costs, expenses and investments increase by an amount greater than 5% (five percent), but are not higher than the benchmarks or market prices, in accordance with the analyses previously performed, it will be necessary to justify such increase, and
  - III. If the increase in Costs is higher than the benchmarks or market prices, the portion of the Costs beyond the range shall not be considered as Recoverable Costs.
- 1.7. The Contractor may directly assign the contract or acquisition to a related party or a third party, without the need for a contest or bidding process, so long as it is first demonstrated that the bid submitted by the related party or third party offers a price or consideration that is not higher than the benchmarks or market prices, amounts of consideration or profit margins found in reasonable markets, in accordance with the interquartile method procedure under the Applicable Laws and, if applicable, the benefits arising from such contracts are reflected in lower Costs to recover.

If under an accounting and financial verification it is identified that the value of the price is higher than the market benchmark or price, the difference will not be considered as a Recoverable Cost.

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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 a contest or bidding process and without conducting preceding studies.

- 1.8. If, instead of choosing to conduct any contracting under procedures II and III of subsection 1.5, the Contractor instead directly assigns the procurement of goods and/or services to a related party or third party, the criteria in subsection 1.6 of this Annex will apply if there are increases in Costs.

Any analysis or study with the purpose of showing that an acquisition or contract is at reference values for transactions with third parties or at market prices for related parties must be accompanied by all information to permit replication of the results obtained, as well as the criteria followed in its preparation. If the information that the Contractor provides is insufficient for the Ministry to replicate the results, the difference above the median value of the Cost of the relevant good or service, in accordance with the interquartile method procedure under the Applicable Laws, shall not be considered as a Recoverable Cost.

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## ANNEX 12

# PROCEDURES FOR DELIVERY OF INFORMATION OF CONSIDERATIONS TO THE MEXICAN PETROLEUM FUND FOR STABILIZATION AND DEVELOPMENT AND THEIR PAYMENT

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**Procedures for Delivery of Information and Considerations of the Mexican Fund of Petroleum for Stabilization and Development and its Payment**

1. Procedures.
  - 1.1 The Fund shall establish and administer a registry in which every Contract for the Exploration and Extraction of Hydrocarbons 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;
    - (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 made available by the Fund in accordance with the guidelines it issues.
  - 1.2 No later than three (3) Business Days after the Contractor has complied with all the requirements to register the Contract in the registry, 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 accordance with the respective contracts and to carry out its objectives. 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.
  - 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, Costs, and of the other elements necessary to determine the Considerations. Based on the information provided by the Contractors and CNH, the Fund shall calculate the State Considerations.

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The foregoing shall be without prejudice to: (i) the verification powers of the Ministry of Finance, and (ii) the authority of CNH to manage and supervise the Contracts, within the scope of its respective authority, regarding compliance by the Contractors with their contractual obligations. Prior to the calculation, the Fund may consult with CNH or the Ministry of Finance to the extent it deems relevant, in order to verify actual performance by the Contractors of their contractual obligations.

- 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, and considerations, among other items, may be consulted in such portal.
- 1.7 The Fund will calculate the Considerations based on the information that the Contractor registered by the end of the term in accordance with the procedures related to information receipt established by the Fund, without prejudice of any validation or verification done with respect to such information, thus, such calculation does not limit revision, validation and verification functions regarding such information and its supporting documentation as provided in this Contract. The Ministry of Finance, in exercise of its verification rights, might review the registered information and the supporting documentation, and, in such case, determine the adjustments in favor of the State or the Contractor, in accordance with this Contract. Any information that has not been registered with the Fund during the receipt period shall be deemed as absent. In exceptional cases, the Contractor might register and in such case, present the corresponding supporting information up until sixty (60) Business Days after the delivery of the corresponding receipt from the Contractor, regarding the calculation of the foregoing Considerations in accordance with the procedures of information receipt established by the Fund.
- 1.8 The Contractor may review, and in such case, submit observations to the calculation of the Considerations made by the Fund, through the IT system developed by the Fund. The Fund shall receive such observations starting from the seventeenth Working Day of the Month and during the next two (2) Periods through the means provided by the Fund to the Contractor for such purpose. From the analyses of the observations submitted by the Contractor, the Fund may determine that the Considerations did not consider all of the available information for their determination and shall notify the Ministry of Finance, so that it exercises its verification function and, in such case, so that it determines the corresponding adjustments in favor of the State or the Contractor, in accordance with the Contract.

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- 1.9 The Fund shall issue a certificate of payment of the Considerations to which the Contractor is entitled under the terms of this Contract, in accordance with the procedure established in subsection 9.8 of Annex 3
  - 1.10 The Fund shall issue the schedules for reception, notifications and prior notices. The delivery of resources and payment of State Considerations in kind shall be effected exclusively by electronic means, using the relevant payment systems, in the accounts and through the means published for such effects by the Fund.
  - 1.11 The Contractor shall transfer to the account of the Fund all revenues from asset disposal for those assets whose Costs had been recovered in terms of the Contract within ten (10) Business Days after their liquidation or sale.
  - 1.12 In cases of Force Majeure determined by CNH, the terms shall be suspended until the Force Majeure ceases.
  - 1.13 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.

**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;

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(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

NAME	SIGNATURE	PHONE NUMBER	E-MAIL

(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/Assignee]

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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 13**  
**SHARED USE OF FACILITIES**

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**ANNEX 13**  
**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 has developed facilities in terms of the Contract and uses such infrastructure 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 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 accordance with the applicable regulations for transportation and Storage, the Contractor may not conduct such activities directly with respect to its corporate purpose.

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.

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This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L02/2015, 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).

**3. Shared Use of Facilities Developed in Accordance with the Contract**

3.1 The 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 its facilities.

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.

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- 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 the 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 the 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 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.

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- (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:

$$M_t = \left[ \frac{I_0}{Q_0 \times (1 - \tau)} \times \left( \frac{1}{a_{N_0|r}} - \frac{\tau}{N_0} \right) \right] + \left[ \frac{I_A}{Q_A \times (1 - \tau)} \times \left( \frac{1}{a_{N_A|r}} - \frac{\tau}{N_A} \right) \right] + O_t + A_t$$

Where:

$M_t$  = Maximum unitary fee in Dollars per unit of volume, for the use of facilities in Period  $t$ .

$I_0$  = 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.

$Q_0$  = Annual installed capacity of the infrastructure associated with  $I_0$ .

$N_0$  = Contractual life in Years that the facilities associated with  $I_0$  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  $I_0$ .

$N_A$  = 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  $I_0$ , 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%.