



**REGIME FOR THE SELECTION OF OIL OPERATING
COMPANIES FOR THE EXPLORATION AND
EXPLOITATION OF HYDROCARBONS OF *REPÚBLICA
ORIENTAL DEL URUGUAY* (OPEN URUGUAY ROUND)**

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Administración Nacional de Combustibles, Alcohol y Portland (hereinafter ANCAP), Autonomous Entity of the industrial and commercial domain of the State, domiciled in the intersection of Paysandú and Avenida Libertador Brigadier General Lavalleja, in the framework of a continuously Open Regime: “Open Uruguay Round”, convenes for the presentation of proposals to Oil Operations Companies interested in carrying out activities of exploration and exploitation of Hydrocarbons in continental areas (onshore) and in offshore areas of *República Oriental del Uruguay*, under Production Sharing Contracts.

1. OBJECT

The purpose of this Regime is to select, for each of the Areas defined in each Instance, the Petroleum Operations Company (ies) that submit the best proposal according to the terms established in the terms herein, in order to enter into a Hydrocarbons Exploration and Exploitation Contract with such Petroleum Operations Company (ies), concerning each of the abovementioned Areas.

2. SCHEDULE

The possibility of requesting the qualification for the Selection Process, as well as the submission of proposals, which will be evaluated in two Instances per year, is permanently enabled. Once each Instance is completed, ANCAP will consider the proposals that have been submitted in the Instance in question, analyzing the feasibility of the same in accordance with the legal provisions in force and these Terms and Conditions, as well as their convenience.

Activity	Proposals in the 1 st Instance	Proposals in the 2 nd Instance
Presentation of Letter of Interest and documents for the qualification of Oil Operations Companies	Until the last business day of April	Until the last business day of October
Notification of Oil Operations Companies Qualification	Until the second to last business day of May	Until the second to last business day of November
Submission of proposals	Until the last business day of May at 2:00 p.m., local time	Until the last business day of November at 2:00 p.m., local time
Opening of proposals	Last business day of May at 2:30 p.m., local time	Last business day of November at 2:30 p.m., local time
Definition by ANCAP of the winning proposal of each Area (*)	No later than the last business day of August	No later than the last business day of February
(*) Notes: The signature of the Contract is subject to the approval of the Executive Power.		

TABLE 1: “OPEN URUGUAY ROUND” SCHEDULE

3. AVAILABLE AREAS

ANCAP will delimit the areas to be offered, both onshore and offshore, subject to the directives of the Executive Power, in that the Areas:

- Do not interfere with other Areas with hydrocarbons exploration-exploitation contract
- Do not exceed 20.000 km² offshore and 10.000 km² onshore

Regarding the technical aspects of the definition of Areas, it is established that:

- The Areas must be made up of whole lots, of 5 minutes of degree of Latitude by 5 minutes of degree of length, joined by their sides or their diagonal, unless common limits with other states or other circumstances prevent it
- The nodes will be defined in Latitude – Longitude coordinates and will be joined by line segments in Mercator projection
- The DATUM WGS84 will be used for both offshore and onshore areas
- For the calculation of the surfaces of onshore Areas the UTM21 Projection will be used
- For the calculation of the surfaces of offshore Areas the UTM22 Projection will be used
- Shallow Offshore Areas are considered those whose water depth does not exceed 1000m in more than 90% of the Area. The rest of the Offshore Areas are considered Deep Offshore Areas.

In case there is a change in the delimitation of areas with respect to the last one accepted by the Executive Power through the MIEM, ANCAP would communicate the areas it proposes to offer for each Instance. The Executive Power through the MIEM will have a term of sixty (60) days to approve or reject the delimitation of areas proposed by ANCAP. In case of not receiving communication, it will be understood that the Executive Power rejects the new delimitation of areas proposed by ANCAP, maintaining in force the last delimitation of areas accepted by the Executive Power through the MIEM.

Prior to each instance, ANCAP will provide the widest distribution in the petroleum industry of the areas offered.

4. CONTRACT MODEL

Annex M presents the "Contract Model for the Allocation of Areas for the Exploration and Exploitation of Hydrocarbons in Onshore Areas of *República Oriental del Uruguay*".

Annex N presents the "Contract Model for the Allocation of Areas for the Exploration and Exploitation of Hydrocarbons in Offshore Areas of *República Oriental del Uruguay*".

For the same ANCAP commends the Contractor to perform, exclusively and on behalf of ANCAP or the state body that could eventually replace it in the future, the work corresponding to the Exploration and eventual Exploitation of Hydrocarbons in the Contract Area.

5. GENERAL CONDITIONS OF THE SELECTION PROCESS

- 5.1. The companies that may participate, within the framework of the "Open Uruguay Round" Regime for the allocation of areas will be those companies that, having the quality of "Qualified Companies", present a proposal for an Area or Areas, in any of the referred Instances in number 2.

Without prejudice to the amounts and values referred to in sections 7.2 and 7.3, qualified companies may submit offers as Operators in a maximum of 15.000 Km² for onshore areas or 30.000 km² for offshore areas.

In no case may qualified companies submit offers as Operators in more than four areas.

For the companies that have the quality of the operator with contracts in force at the date of submission of the proposals, these established maximums also apply considering the number and area of current contracts.

- 5.2. Companies must submit an independent proposal for each Area.

Likewise, once the authorization of the Executive Power has been obtained, ANCAP will subscribe with the company that is awarded the contract, as many Contracts as Areas were allocated to it.

- 5.3. The Proposal shall:

- Be presented in Spanish language, with the exception of brochures, reports and similar technical documents, which by their nature may be submitted in English.
- Be presented in duplicate under a sealed envelope.
- Be duly numbered and signed in all pages by who accredit being duly authorized for the purposes thereof. With respect to the copy submitted together with the original proposal, it will be admitted that it does not have any holograph signatures.

- 5.4. The information provided by the companies shall be treated as an Affidavit. ANCAP reserves the right to verify such information through an independent source.

- 5.5. The Selection Process for an Area in a specific Instance will be considered void when no proposal or no valid proposal is submitted, according to the conditions established in these Terms, for said specific Area.

- 5.6. ANCAP reserves the right not to award any Area, even if there are valid offers for it, due to considering them inconvenient.

- 5.7. ANCAP is the only competent entity for the authentic interpretation of the Terms of the "Open Uruguay Round" Regime.

- 5.8. Bidder shall bear all direct and indirect costs in connection with the preparation and submission of its application for qualification and/or proposal, and ANCAP shall not be responsible for these costs, nor will them be reimbursed, indemnified or compensated.

6. PAYMENT OF PARTICIPATION

The proof of the Participation Payment by the company wishing to apply is required for the submission of proposals.

It is clarified that:

- The Participation Payment enables the presentation of the company in all the Areas for which it submits proposals, for all Instances that is qualified to do so.
- The payment of participation by a company of an economic group allows the participation of any company that is part of the same economic group.
- In the event that the proposal is submitted by a Consortium, each of the members of the same must submit proof of the Participation Payment.

The Participation Payment must be made through a bank transfer. In this case, ANCAP will send the proof of payment to the domicile indicated by the company. Said bank transfer must be made to:

- Banco de la República Oriental del Uruguay – Dependencia Misiones
- Address: Cerrito 440 - Montevideo-Uruguay
- Swift code: BROUUYMM
- Account in US dollars: Savings Bank Transfer N ° 001548619 - 00002
- Beneficiary: ANCAP

Five thousand dollars (US \$ 5,000) for onshore proposals and ten thousand dollars (US \$ 10,000) for offshore proposals, both net sums, free of bank charges and taxes, shall be deposited into ANCAP's account.

The Participation Payment will grant the company the right to a disk with basic onshore or offshore data as applicable, whose content is detailed in Annexes K and L respectively, subject to the subscription of the Confidentiality Agreement contained in Annex J of these Terms.

7. QUALIFICATION OF COMPANIES FOR THE SELECTION PROCESS

Companies interested in qualifying under the “Open Uruguay Round” Regime must submit, as applicable, the documentation referred to in Annex A.

For the purposes of the evaluation of the company, for its corresponding qualification, ANCAP will analyze the following aspects:

7.1. LEGAL ASPECTS (FOR OPERATORS AND NON-OPERATORS)

- 7.1.1. Authentic documents (original or authenticated) evidencing the company's legal existence and legal representatives together with Annex D.
- 7.1.2. Affidavit stating inexistence of incompatibility and incapacities to submit proposals, according to the form attached as Annex E.
- 7.1.3. In the case that the interested company is a foreign legal entity, it must submit the required documentation duly translated and legalized or bear an apostille, as applicable.
- 7.1.4. If the bidder:
 - 7.1.4.1. intends to constitute a Consortium for the execution of the contract, it must submit a letter of intent to constitute such Consortium, in which the following minimum requirements are met:
 - Intention to constitute a Consortium in accordance with Law N° 16,060 and Section 193 of Law N° 19,149.
 - Name, members and address of the prospect Consortium.
 - 7.1.4.2. is a Consortium constituted according to the Law of Commercial Companies N° 16,060 and Section 193 of Law N° 19,149, it must submit the Consortium's incorporation documents, duly executed pursuant to the conditions required in the abovementioned Laws.

SPANISH VERSION VALID

7.2. ECONOMIC/FINANCIAL ASPECTS (OPERATORS AND NON-OPERATORS)

7.2.1. For a company to qualify for the purposes of submitting a proposal in the Selection Process, it must prove:

Contract Period for which the Qualification is submitted	Onshore Areas	Shallow Offshore Areas	Deep Offshore Areas
Exploration Subperiod without Exploratory Well	<ul style="list-style-type: none"> • Average Equity 2MMUS \$ + 0.5MMUS \$ for each additional area; or • Average Asset 6MMUS \$ + 1.5MMUS \$ for each additional area 	<ul style="list-style-type: none"> • Average Equity 50MMUS \$ + 10MMUS \$ for each additional area; or • Average Asset 150MMUS \$ + 30MMUS \$ for each additional area 	<ul style="list-style-type: none"> • Average Equity 150MMUS \$ + 50MMUS \$ for each additional area; or • Average Asset 450MMUS \$ + 150MMUS \$ for each additional area
Exploration Subperiod with Exploratory Well	<ul style="list-style-type: none"> • Average Equity 4MMUS \$ + 1MMUS \$ for each additional area; or • Average Asset 12MMUS \$ + 3MMUS \$ for each additional area 	<ul style="list-style-type: none"> • Average Equity 100MMUS \$ + 25MMUS \$ for each additional area; or • Average Asset 300MMUS \$ + 75MMUS \$ for each additional area 	<ul style="list-style-type: none"> • Average Equity 300MMUS \$ + 100MMUS \$ for each additional area; or • Average Asset 900MMUS \$ + 300MMUS \$ for each additional area
Exploration and Production Periods	<ul style="list-style-type: none"> • Top 100: Global NOC & IOC Rankings, or • Average Equity 10MMUS \$ + 2MMUS \$ for each additional area; or • Average Asset 30MMUS \$ + 6MMUS \$ for each additional area 	<ul style="list-style-type: none"> • Top 100: Global NOC & IOC Rankings, or • Average Equity 300MMUS \$ + 100MMUS \$ for each additional area; or • Average Asset 900MMUS \$ + 300MMUS \$ for each additional area 	<ul style="list-style-type: none"> • Top 100: Global NOC & IOC Rankings, or • Average Equity 500MMUS \$ + 200MMUS \$ for each additional area; or • Average Asset 1500MMUS \$ + 600MMUS \$ for each additional area

TABLE 2: ECONOMIC - FINANCIAL REQUIREMENTS FOR QUALIFICATION

7.2.2. Regarding the economic-financial aspects required of companies for their qualification, it is clarified that:

7.2.2.1. To prove that the company has the average Equity or average Assets required, it must provide the balance sheets of the last 3 years (Balance Sheet and Income Statement), audited by an independent auditor.

7.2.2.2. If the company only has two audited balance sheets, because it does not have an existence that allows it to have three, ANCAP may consider evaluating the average equity or average assets of said company based on the abovementioned two audited balance sheets.

7.2.2.3. The requirements in the economic-financial aspects for the qualification are the same for the companies that intend to act as Operator and as Non-Operator.

7.2.2.4. The qualification can be obtained in the economic-financial aspects for a Consortium (or in case a consortium is planned to be incorporated for the

execution of the contract). In these cases, the established minimums can be prorated according to the participation of each company in the Consortium, in such a way that the Equities (or Assets) of the companies could be added to reach the minimums established in section 7.2 of the Terms. No company can participate in the Consortium in a percentage lower than 10%. It is clarified that in order to calculate the number of areas for which the Consortium may submit proposals, the sum of 100% of the Equity (or Assets) of each one of the members of the same will be taken. In these cases, it will be required that the members of the Consortium are jointly and severally liable for all the obligations of the same.

SPANISH VERSION VALID ONLY

7.3. TECHNICAL ASPECTS (ONLY FOR OPERATORS)

7.3.1. The companies that request their qualification as Operator of any Area, must demonstrate to ANCAP that they have sufficient technical experience to fulfill the operations of the Contract that is added as Annex M for onshore areas or as Annex N for offshore areas, according to the good practices of the petroleum industry. In accordance with the information provided, ANCAP may qualify the applicant companies to act as Operator:

Contract Period for which the Qualification is submitted	Onshore Areas	Shallow Offshore Areas	Deep Offshore Areas
Exploration Subperiod without Exploratory Well	<ul style="list-style-type: none"> Experience of the company or its personnel in petroleum operations (as operator or non-operator) 	<ul style="list-style-type: none"> Experience of the company or its personnel in offshore petroleum operations (as operator or non-operator) 	<ul style="list-style-type: none"> Experience of the company or its personnel in offshore petroleum operations (as operator or non-operator) with more than 1000m of water depth
Exploration Subperiod with Exploratory Well	<ul style="list-style-type: none"> QHSE Policy Experience of the company or its personnel in petroleum operations, including at least one exploratory well drilled in the last 10 years (as operator or non-operator) 	<ul style="list-style-type: none"> QHSE Policy Experience of the company in offshore petroleum operations, including at least one offshore exploratory well drilled in the last 10 years (as operator or non-operator) 	<ul style="list-style-type: none"> QHSE Policy Experience of the company in offshore petroleum operations, including at least one offshore exploratory well drilled in the last 10 years as operator
Exploration and Production Periods	<ul style="list-style-type: none"> QHSE Policy Top 100: Global NOC & IOC Rankings, or Experience of the company or its personnel in petroleum operations, including at least one exploratory well drilled in the last 10 years (as operator or non-operator), and Net production of more than 1000BOE/d, or Operated production of more than 2000BOE/d 	<ul style="list-style-type: none"> QHSE Policy Top 100: Global NOC & IOC Rankings, or Experience of the company in offshore petroleum operations, including at least one offshore exploratory drilling in the last 10 years (as operator or non-operator), and Net production of more than 5000BOE/d, or Operated production of more than 10,000 BOE/d 	<ul style="list-style-type: none"> QHSE Policy Top 100: Global NOC & IOC Rankings, or Experience of the company in offshore petroleum operations, including at least one offshore exploratory well drilled as operator in the last 10 years, and Net production of more than 20,000 BOE/d, or Operated production of more than 40,000 BOE/d

TABLE 3: TECHNICAL REQUIREMENTS FOR QUALIFICATION

7.3.2. With regards to the technical aspects required for companies to qualify, it is clarified that:

- 7.3.2.1. In the event that a Consortium submits proposals, the company that intends to act as Operator must prove by itself the requirements required in paragraph 7.3, and may not participate in the Consortium with a percentage lower than 35%.
- 7.3.2.2. When the company proves its technical experience based on the experience of its personnel, it must commit that these personnel will be the one involved in the corresponding petroleum operations.
- 7.3.2.3. When the experience of the company arises from having participated in oil operations as a non-operator, the company must have participated in said project with a minimum of 30%.
- 7.3.2.4. Companies must submit their QHSE (Quality, Occupational Health, Safety and Environment) policy to qualify for Exploration Subperiod with Exploratory Well or for the Exploration and Production Periods.

7.4. PARENT COMPANY GUARANTEE

In the case of an affiliate company, subsidiary or branch, the requirements established in sections 7.2 and/or 7.3 shall be deemed to have been duly fulfilled, if the respective parent or controlling company (a company that has more than fifty percent of the controlled company's share capital) provides proof of the requirements stated in the referred sections 7.2 and 7.3 above.

In this case, the parent or controlling company of the company that intends to qualify, must execute the Letter of Guarantee that is attached as Annex F.

7.5. PARTICULAR SITUATIONS WITH REGARDS TO THE QUALIFICATION

- 7.5.1. Those Petroleum Operations Companies that accredit being included in the latest ranking published by Energy Intelligence: "Top 100: Global NOC & IOC Rankings" must submit only the documentation referred to in number 7.1; tacitly fulfilling the requirements required in paragraphs 7.2 and 7.3.
- 7.5.2. Those companies that only qualify as Operators for an Exploration Subperiod without Exploratory Well may not propose the drilling of an Exploration Well as part of the Committed Exploratory Program for the Basic Subperiod.
- 7.5.3. Those companies that only qualify as an Operator for an Exploration Subperiod without Exploratory Well and were awarded a Contract, in the case of deciding to proceed to an Exploration Subperiod with Exploratory Well, must:
- Prove that they fulfill at the time of the decision of going into the Exploratory Subperiod with Exploration Well, with the stipulated economic-financial and technical requirements, as applicable to the corresponding Area, or
 - Transfer between 35% and 90% of the Contract to a company that complies with the stipulated economic-financial and technical requirements, as applicable to the corresponding Area, who must have the role of Operator of the Exploratory Subperiod with Exploration Well

Otherwise, the Contract will inevitably expire at the end of the Exploration Subperiod without Exploration Well.

7.5.4. Those companies that only qualify as an Operator for Exploration Subperiod with Exploratory Well and were awarded a Contract, in the case of making a discovery, in order to proceed to Declare the Commerciality of the same and move on to the Exploitation Period, must:

- Prove that they fulfill at the time of Commercial Declaration with the stipulated economic-financial and technical requirements for the Production Period, as applicable to the corresponding Area, or
- Transfer between 35% and 90% of the Contract to a company that meets the stipulated economic-financial and technical requirements, as appropriate to the Area in question for the Production Period, who must be the Operator of the Exploitation Period

Otherwise, the Contract will inevitably expire at the end of the Exploration Subperiod with Exploratory Well.

7.6. NOTIFICATION OF THE RESULT OF THE QUALIFICATION PROCESS

Once the analysis of the documentation referred to in sections 7.1, 7.2 and 7.3 has been made, ANCAP will notify the company of the result thereof:

- **Legal aspects:** does not qualify or qualify.
- **Economic/financial aspects:** no does not qualify, qualifies for the Exploration Subperiod without Exploration Well, qualifies for an Exploratory Subperiod with Exploration Well or qualifies for the Exploration and Exploitation Periods, as appropriate to the Area in question.
 - In case that the company obtains the qualification, the number of Areas of each type for which the company is authorized to submit proposals will be notified, as well as if the qualification is for the Exploration Subperiod without Exploration Well, for the Exploratory Subperiod with Exploration Well or for the Exploration and Exploitation Periods, as appropriate to the Area in question.
- **Technical aspects:** does not qualify as an operator, or qualifies as an operator as appropriate to the Area in question. In case of qualification, it will be clarified if it is for an Exploration Subperiod without Exploratory Well, for an Exploratory Well Exploration Subperiod or for the Exploration and Exploitation Periods.

Only qualified companies may submit proposals and may do so only in the terms in which they were qualified.

7.7. VALIDATION VALIDITY

7.7.1. Companies qualified according to what is established in this section, will be able to present proposals in 10 consecutive Instances counted from the date of notification by ANCAP that it has been qualified.

7.7.2. Companies that have the status of operator of current contracts in execution granted in the “Open Uruguay Round” Regime may submit proposals while they maintain such operator condition, beyond the term established in the previous paragraph, for the same type of areas and stage of the Contract in execution.

8. COMMUNICATIONS REFERRED TO THE OPEN URUGUAY ROUND

8.1. Any communication and/or formal inquires to ANCAP, referring to the qualification or presentation of proposals within the framework of the Open Uruguay Round, will be in writing or via email and should be addressed to:

- ANCAP – Open Uruguay Round
- Desarrollo y Gobernanza – Gerencia Exploración y Producción.
- Paysandú y Avenida Libertador Brig. Gral. Lavalleja.
- Montevideo-Uruguay
- C.P. 11100
- E-mail: rondauruguay@ancap.com.uy

The communications and/or formal inquires directed by ANCAP to the companies will be made in writing according to the contact information provided by said companies. Any modification in the data provided must be communicated to ANCAP in writing; otherwise, the communication made according to the data presented initially will be considered valid.

In the case of communication to ANCAP via email, the mail sent to ANCAP must request confirmation of reading and will be considered as formally received when the sender automatically receives said confirmation.

8.2. Notwithstanding the provisions of the previous paragraph, ANCAP will publish on the web page: <http://exploracionyproduccion.ancap.com.uy> (www.rondauruguay.gub.uy) the answers to the inquiries made by the companies on general aspects of the “Open Uruguay Round” Regime.

9. FORM OF SUBMISSION OF PROPOSALS

9.1. SUBMISSION OF PROPOSALS

The participating qualified companies shall submit a proposal for an Area in a sealed envelope, and must clearly identify in the envelope the data of the bidder, which is presented under the “Open Uruguay Round” Regime for the Area _____ (identify the number according to the information distributed by ANCAP).

9.2. CONTENT OF THE PROPOSAL/S:

Companies interested in submitting proposals under the “Open Uruguay Round” Regime shall submit, as applicable, the documentation referred to in Annex A, which may not be modified in its content, beyond the date and time limit for submission of the same, established in section 2.

10. MINIMUM VALIDITY OF THE PROPOSAL

The proposal will have a minimum validity of one hundred and eighty (180) Days from the date of opening.

11. ACT OF SUBMISSION OF PROPOSAL/S.

11.1. RECEPTION OF PROPOSAL/S

- 11.1.1. El The period of reception of the proposal (s) corresponds to that indicated in the Schedule established in section 2.
- 11.1.2. The place for the reception of the proposal (s) is the ANCAP main Building, located in the intersection of Paysandú and Avenida Libertador Brig. Gral. Lavalleja, 6th floor, Legal Services - Contracts.
- 11.1.3. The opening act of the proposal (s) received for each Instance will be carried out on the 9th floor of the ANCAP Building at 2:30 p.m.
- 11.1.4. Once the act is concluded, the respective records will be prepared and signed by the notary public of ANCAP, and the representatives of the companies present.

The provisional reception of the proposals does not imply acceptance of the same.

11.2. PRELIMINARY ANALYSIS OF PROPOSALS

- 11.2.1. ANCAP will verify that the documents submitted by each participating company are those requested in these Bidding Terms. Otherwise, ANCAP will return the proposal, which shall be deemed not submitted.
- 11.2.2. If there are any defects of form, such as omissions or glaring errors (for example, a digitalization error), ANCAP will inform the bidder so that in a term not exceeding five (5) working days, the omission or error will be rectified, failing which, such Company's proposal shall be dismissed.
- 11.2.3. There shall be no remedy for any omissions or errors related to Annexes G, H and I of the proposals.

12. TECHNICAL INFORMATION OF THE AREAS

- 12.1. ANCAP has, as owner, geological, geophysical and well information corresponding to the Onshore and Offshore basins. This information is available to be licensed by interested companies. ANCAP will give the widest distribution in the petroleum industry of the available data and the prices of the same. The licensing or commitment to licensing this data will be accounted for as Exploratory Work Units.
- 12.2. The data marketed by ANCAP, referred to in the above section, is confidential. Therefore, the company must sign a Confidentiality Agreement based on the one that is attached as Annex J.
- 12.3. The geophysical and/or geological data available under Multiclient Contracts subscribed between ANCAP and various service companies may be licensed from the corresponding service companies, who carry out the marketing of said data. ANCAP will provide the widest distribution in the petroleum industry of the list of available data through service companies. The licensing or licensing commitment of said data would be accounted for as Exploratory Work Units.
- 12.4. ANCAP is not responsible for the decisions that companies may make based on the content of the information referred to in paragraphs 12.1 and 12.3.

SPANISH VERSION VALIDITY

13. EVALUATION OF PROPOSALS

ANCAP will evaluate the proposals presented in each Instance by qualified companies through the following concepts:

13.1. EXPLORATORY PROGRAM

Within this concept, the exploratory works included in Tables 4, 5 and 6, which lists the value of each exploratory work in Work Units (WU) for each type of Area, will be evaluated and which the bidder must propose for the Basic Exploratory Subperiod (first exploratory subperiod), with a minimum of 200 WU per Area:

Exploratory work in onshore areas	WU
Drilling of Exploratory wells (WU/well)	1.000
Evaluation of Petroleum Geology (WU/area)	100
Evaluation of Prospective Resources (WU/area)	100
Gravimetric and Magnetometric 3D Inversion and Modelling (WU/area)	100
Drilling of Stratigraphic wells (WU/well)	50
Acquisition, Processing and Interpretation of 3D Seismic (WU/km ²)	6
Acquisition, Processing and Interpretation of 2D Seismic (WU/km)	2
Acquisition, Processing and Interpretation of MT/AMT (WU/station)	0,50
Acquisition, Processing and Interpretation of airborne Gradiometric Gravimetry (WU/Km)	0,02
Acquisition, Processing and Interpretation of airborne Magnetometry (WU/Km)	0,02
Reprocessing and Interpretation of 3D Seismic (WU/km ²)	0,10
Surface Geochemistry (WU/sample)	0,10
Reprocessing and Interpretation of 2D Seismic (WU/km)	0,05
Reprocessing and Interpretation of MT/AMT (WU/station)	0,05
Acquisition, Processing and Interpretation of Gravimetry (WU/station)	0,03
Reprocessing and Interpretation of Magnetometry (WU/station)	0,01
Licensing data (5000US\$)	1

TABLE 4: VALUE IN WU OF EXPLORATORY WORK IN CONTINENTAL AREAS (ONSHORE)

Exploratory work in Shallow Offshore Areas	WU
Drilling of an exploratory well at > 100 m WD (WU/well)	5.000
Drilling of an exploratory well at < 100 m WD (WU/well)	3.000
Evaluation of Petroleum Geology (WU/area)	100
Evaluation of Prospective Resources (WU/area)	100
Gravimetric and Magnetometric 3D Inversion and Modelling (WU/area)	100
Geochemistry of seabed samples (WU/sample)	3
Acquisition, Processing and Interpretation of 3D Seismic (WU/km ²)	2
Acquisition, Processing and Interpretation of 2D Seismic (WU/km)	0,2
Reprocessing and Interpretation of 3D Seismic (WU/km ²)	0,04
Reprocessing and Interpretation of 2D Seismic (WU/km)	0,02
Acquisition, Processing and Interpretation of airborne Gradiometric Gravimetry (WU/Km)	0,02
Acquisition, Processing and Interpretation of airborne Magnetometry (WU/Km)	0,02
Acquisition, Processing and Interpretation of multibeam Bathymetry (WU/Km)	0,01
Licensing data (5000US\$)	1

TABLE 5: VALUE IN WU OF EXPLORATORY WORKS IN SOMERAS OFFSHORE AREAS

Exploratory work in Deep Offshore Areas	WU
Drilling of an exploratory well at > 2,500 m WD (WU/well)	15.000
Drilling of an exploratory well at < 2,500 m WD (WU/well)	7.500
Evaluation of Petroleum Geology (WU/area)	100
Evaluation of Prospective Resources (WU/area)	100
Gravimetric and Magnetometric 3D Inversion and Modelling (WU/area)	100
Geochemistry of seabed samples (WU/sample)	3
Acquisition, Processing and Interpretation of 3D Seismic (WU/km ²)	2
Acquisition, Processing and Interpretation of Electromagnetism (WU/receptor)	3
Acquisition, Processing and Interpretation of 2D Seismic (WU/km)	0,2
Reprocessing and Interpretation of 3D Seismic (WU/km ²)	0,04
Reprocessing and Interpretation of 2D Seismic (WU/km)	0,02
Reprocessing and Interpretation of Electromagnetism (WU/receptor)	0,3
Acquisition, Processing and Interpretation of multibeam Bathymetry (WU/Km)	0,01
Licensing data (5000US\$)	1

TABLE 6: VALUE IN WU OF EXPLORATORY WORK IN DEEP OFFSHORE AREAS

With respect to Tables 4, 5 and 6 it is clarified that:

- The licensing of data is not mandatory, except in cases that it is committed as part of the PEC, and the data can be licensed before or after the award of the area.
- The licensing or the commitment to license 3D data (Seismic, Electromagnetism, etc.) only within the Area by which the proposal is made, will be counted as a Working Unit.
- The Licensing of data that has already been used for the fulfillment of a Committed Exploratory Program (PEC) in previous contracts will not be counted as a Working Unit for the Exploratory Program proposal for the Basic Subperiod (Annex G).

- In the concept identified as licensing of data, the way to accredit said licensing will be through the submission, together with Annex G, of the corresponding payment receipt.
- The work carried out in previous contracts exceeding the Committed Exploratory Program opportunely agreed, within the Area by which a proposal is made, will be accounted for as part of the proposal, prorated to the percentage of participation of each company in the previous contract, in case that the company submits a proposal and offers that same exploratory work done in excess to the PEC on the previous contract.
- The bidder must indicate the type of well offered within the established options. The total depth of each well (including the water depth if applicable) must be in accordance with the geological objective to be tested.
- The stratigraphic study wells will have to recover cores continuously and perform analysis of organic geochemistry and reservoir petrophysics of an adequate resolution to define the petroleum system.
- The processing of 2D and 3D seismic data should be in time (PSTM) and in depth (PSDM), with Full Fold Km or Km2 being counted only.
- Electromagnetism (EM) refers to EM of controlled source, with a maximum spacing between 2.5Km receivers
- For offshore surface geochemistry, the taking of cores, the analysis of samples and the interpretation of results are considered, with the following criteria:
 - The selection of sampling sites should be based on geophysical data.
 - Sediment collection should be done with a piston-core or gravity-core with a minimum of 6 meters in length. Only samples that have a minimum recovery of 50% will be considered.
 - On the samples obtained, standard geochemical analyzes should be performed (gas composition "headspace" by GC C1-C6, total organic carbon TC + TOC, solvent extraction, GC extraction, TSF fluorescence). Likewise, over 10% of the samples obtained advanced analyzes (Extraction GC-MS for saturated and aromatic fractions, GC-IRMS) should be carried out.
- The company submitting a proposal could include other exploratory works that are not included in Tables 4, 5 and 6, as appropriate for the type of Area for which the proposal is being submitted, including the technical justification for such proposal and the estimated budget or cost of said exploratory work. ANCAP, at its sole discretion, may decide to take into account said exploratory work or not and define its value in Work Units.
- The exploratory works that are considered as new field activities for the purposes of the constitution of the Guarantees for the Exploration Period are the following:
 - Surface geochemistry (WU/sample)
 - Acquisition, Processing and Interpretation of Multibeam Bathymetry (WU/km)
 - Acquisition, Processing and Interpretation of Electromagnetism (WU/receiver)

- Acquisition, Processing and Interpretation of Gradimetric Gravimetry (WU/Km)
- Acquisition, Processing and Interpretation of terrestrial Gravimetry (WU/station)
- Acquisition, Processing and Interpretation of Aerial Magnetometry (WU/Km)
- Acquisition, Processing and Interpretation of MT/AMT (WU/station)
- Acquisition, Processing and Interpretation of 2D Seismic (WU/km)
- Acquisition, Processing and Interpretation of 3D seismic (WU/km²)
- Drilling of a stratigraphic well (with continuous coring) (WU/well)
- Drilling of an exploratory well <100 m WD (WU/well)
- Drilling of an exploratory well <2,500 m WD (WU/well)
- Drilling of an exploratory well > 100 m WD (WU/well)
- Drilling of an exploratory well > 2,500 m WD (WU/well)
- Drilling of an onshore exploratory well (WU/well)

For all purposes of the Contract (Clauses 9 and 31 of the Contract Model), the total cost of the work offered in the Committed Exploratory Program for the Basic Subperiod, and the possible Supplementary and/or Extension Subperiods, will result on valuing these works on the basis that the Working Unit is assigned a value of five thousand dollars (US\$ 5,000).

Table 7 presents for each type of Area the minimum Working Units required, the term and the required relinquishment of areas in the Basic Subperiod, in the Supplementary Subperiod A, in the Supplementary Subperiod B and in the Extension Subperiod, in case of that the Contractor chooses to move to these subperiods. The Contractor may choose, at the end of the Basic Subperiod, to move to Supplementary Subperiod A or Supplementary Subperiod B.

Areas	Exploration Period	Onshore	Shallow Offshore	Deep Offshore
Minimum Working Units required	Basic Subperiod	200	200	200
Term		4 years	4 years	4 years
Minimum Working Units required	Supplementary Subperiod A	2 Exploratory Wells	1 Exploratory Well	1 Exploratory Well
Term		3 years	3 years	3 years
Area Relinquishment		0%	0%	0%
Minimum Working Units required	Supplementary Subperiod B	1000	1000	2000
Term		2 years	2 years	2 years
Area Relinquishment		50%	50%	50%
Minimum Working Units required	Extension Subperiod	2 Exploratory Wells	1 Exploratory Well	1 Exploratory Well
Term		3 years	3 years	3 years
Area Relinquishment		30%	30%	30%

TABLE 7: MINIMUM OF WORKING UNITS REQUIRED BY AREA

13.2. ASSOCIATION

Within this item, the percentage that the bidder accepts as the maximum participation of ANCAP is addressed, within the range of 20% to 40%, as established in Annex H.

13.3. ECONOMIC PROPOSAL

Within this concept, the percentage of Profit Oil for the Contractor and for the Uruguayan State (for each type of Hydrocarbon and variable in respect of the R Factor) shall be evaluated. The R Factor is defined as the ratio between accumulated Gross Income and accumulated Cost Oil up to the corresponding quarter. The bidder shall propose the value of increase of the Profit Oil of the Uruguayan State for each range, according to Table 8.

R Factor	% Profit Oil Uruguayan State
< 1	8 + X
1 – 1,5	15 + X
1,5 - 2	20 + X
> 2	30 + X

TABLE 8: PERCENTAGE PROFIT OIL URUGUAYAN STATE VS. R FACTOR

With respect to Table 8 it is clarified that:

- The percentage of increase of the Profit Oil of the Uruguayan State proposed by the bidder, that is the value X, must be a positive number, with no decimals, which may range between 0 and 70.

- The bidder must make a proposal of X for each type of hydrocarbon, as established in Annex I.

13.4. METHODOLOGY FOR COMPARISON OF PROPOSALS

The items identified in sections 13.1, 13.2 and 13.3, to be offered by the companies in their proposals, will be weighted according to the following values:

Concept	Weighting factor
Committed Exploratory Program	40%
Maximum percentage of association of ANCAP	20%
Increase of Profit Oil for the Uruguayan State	40%

TABLE 9: WEIGHTING FACTOR OF THE CONCEPTS OF THE PROPOSAL

The winning proposal in each Instance for a given Area shall be the one that obtains the highest final score, resulting from the sum of the values proposed for each of the concepts, in each of the three alternatives (Oil °API > 25, Oil °API < 25 and Natural Gas), weighted by the established values.

The percentages referred to will result from the application of the following equations for each of the alternatives.

13.4.1. SCORE 1: FOR OILS °API > 25

$$Score_1 = 20 * \left(\frac{A}{A_{max}} \right) + 40 * \left(\frac{WU}{WU_{max}} \right) + 40 * \left(\frac{X}{X_{max}} \right)$$

Being:

- A: % of offered association
- A_{max}: maximum % of offered association
- WU: Total Working Units offered
- WU_{max}: maximum of total Working Units offered
- X: incremental value of the Profit Oil for the State for oils >25° API
- X_{max}: maximum incremental value of the Profit Oil for the State for oils >25° API

13.4.2. SCORE 2: FOR OILS °API < 25

$$Score_2 = 20 * \left(\frac{A}{A_{max}} \right) + 40 * \left(\frac{WU}{WU_{max}} \right) + 40 * \left(\frac{X'}{X'_{max}} \right)$$

Being:

- A: % of offered association
- A_{max}: maximum % of offered association
- WU: Total Working Units offered
- WU_{max}: maximum of total Working Units offered
- X': incremental value of the Profit Oil for the State for oils < 25° API

- X'_{max} : maximum incremental value of the Profit Oil for the State for oils < 25° API

13.4.3. SCORE 3: FOR NATURAL GAS

$$Score_3 = 20 * \left(\frac{A}{A_{max}} \right) + 40 * \left(\frac{WU}{WU_{max}} \right) + 40 * \left(\frac{X_G}{X_{G_{max}}} \right)$$

Being:

- A: % of offered association
- A_{max} : maximum % of offered association
- WU: Total Working Units offered
- WU_{max} : maximum of total Working Units offered
- X_G : incremental value of the Profit Oil for the State for Natural Gas
- $X_{G_{max}}$: maximum incremental value of the Profit Oil for the State for Natural Gas

13.4.4. TOTAL SCORE

The result of each of the concepts will be rounded to two decimal places and the sum of the scores obtained by the equations of 13.4.1, 13.4.2 and 13.4.3 corresponds to the total score obtained by the proposal for a given area.

$$\boxed{Total\ Score = Score_1 + Score_2 + Score_3}$$

The values of A, WU, X, X' and X_G correspond to what is proposed in the offer and the values of A_{max} , WU_{max} , X_{max} , X'_{max} and $X_{G_{max}}$ correspond to the highest value of the same, among those offered in the proposals for the Area.

13.5. ALLOCATION OF AN AREA

13.5.1. In each Instance, the Area will be awarded to the proposal submitted by the company that obtains the highest Total Score according to 13.4.4.

13.5.2. In the event that the award of an area referred to in section 13.5.1 is to a company whose qualification dates from more than 6 Instances counted from the date of notification by ANCAP that it had been qualified, said award is conditioned that the company certifies, within a maximum term of sixty (60) days, to maintain all the requirements established in Clause 7 of these Bases.

13.6. ANCAP'S QUERIES

ANCAP may send to the bidders inquiries and/or clarifications that it deems necessary for the most correct interpretation of the proposal.

13.7. SOLUTION IN CASE OF SIMILAR PROPOSALS

Should the comparison of proposals submitted for an Area, evidence the situation that two or more proposals are similar to one another, ANCAP may invite bidders to submit an improved proposal, granting them a term of five (5) business days to do so.

ANCAP will consider as similar proposals those that after the evaluation according to the criteria set in section 13.4, reach a score such that the difference between them is less than five percent (5%).

The Area will be awarded to the company that obtains the highest score, after the improvement.

If a tie is generated, as a result of the process of improvement of proposals, the qualification of the companies will be analyzed, taking as a criterion to determine the most convenient proposal, the contract period for which the companies were qualified. Priority will be given to the qualification for the Exploration and Exploitation Periods, over the qualification for the Exploratory Subperiod with Exploratory Well, which has priority over the qualification for the Exploratory Subperiod without Exploratory Well.

In the event that a tie situation is still maintained, a draw will be made, which will be made on the date that ANCAP communicates, before a notary public and in the presence of accredited representatives of the bidders, if they so wish.

14. GUARANTEE OF MAINTENANCE OF PROPOSALS (PERFORMANCE BOND)

Along with the proposal, bidders must establish in favor of ANCAP a guarantee or bond (which can be in cash, through a bank guarantee with local representation, public securities listed on the stock exchange) for a value of thirty thousand dollars (US\$ 30,000), which must cover the term of validity of the proposal.

15. AUTHORIZATION OF THE EXECUTIVE

Once ANCAP has defined the winning proposal for each Area in each Instance, ANCAP will include in the Contract Model (Annex M or Annex N as applicable) the information that arise from such proposal. ANCAP shall then request authorization from the Executive Branch to execute the contract with the Contractor of the Area in question.

The authorization by the Executive Branch is mandatory for the execution of the Contract with the successful bidder.

16. CONTRACT EXECUTION

The execution of the Contract between ANCAP and the successful bidder for a specific Area shall take place within a maximum term of thirty (30) Days after the Resolution of the Executive Branch has been published authorizing the execution of the Contract, provided that the successful bidder has fully complied with the legal requirements established for the execution of the Contract.

For this purpose, it should be noted that the company that becomes a successful bidder of an Area must either:

- duly organize itself as a business company in the country, pursuant to Law No. 16,060 and its amendments, should the company lack said status, or.
- register a branch pursuant to Law No. 16,060 and its amendments.

In the event that the successful bidder is a Consortium (Law No. 16,060 and Law No. 19,149), it must be integrated by incorporated business companies or duly registered branches pursuant to Law No. 16,060 and its amendments, and its partners or shareholders must be the companies that have been assigned the Area.

SPANISH VERSION VALID ONLY

ANNEX A

CHECKLIST OF DOCUMENTS

Stage	Type of documentation	Required Documentation	Format	Holograph Signature of the representative of the Company	Notary Certification	Legalized/Apostilled	Documents Obtained Abroad			Publication
							Translated	Protocolized	Registration in the National Registry of Commerce	
Qualification	General	Affidavit of Acceptance of the Bidding Terms and Conditions	Annex B	Yes	No	No	In Spanish	No	No	No
		Affidavit of Inexistence of Incompatibilities and Incapacities for the Submission of Proposals	Annex E	Yes	No	No	In Spanish	No	No	No
		Letter of Interest to participate in the Selection Process	Annex C	Yes	No	No	In Spanish	No	No	No
	Legal	Documents Concerning Identification and Legal Capacity of the Bidder	Annex D	Yes	No	No	In Spanish	No	No	No
		Documentation that certifies the constitution, object and incorporation of the qualifying company	By-laws or notary certificate / as appropriate depending on the country of origin	Does not apply	No	Yes	Yes, if applicable	No	No	No
		Documentation that certifies existence and validity (good standing) of the company of the qualifying company	By-laws or notary certificate / as appropriate depending on the country of origin	Does not apply	No	Yes	Yes, if applicable	No	No	No
		Documentation certifying representation of the qualifying company	From by-laws or Power of Attorney	Does not apply	No	Yes	Yes, if applicable	No	No	No
		Power of Attorney granted by the qualifying company	Without specific format	Yes	Yes	Yes	Yes, if applicable	Yes	No	No
		Parent Company Guarantee	Annex F	Yes	Yes	Yes	Yes, if applicable	No	No	No
		Documentation that certifies validity (good standing) and representation of the company of the Parent or Controlling Company	By-laws; affidavit or notary certificate / as appropriate depending on the country of origin	Does not apply	No	Yes	Yes, if applicable	No	No	No
		Affidavit certifying the link between the Parent or Controlling Company and the company that qualifies	Without specific format	Yes	No	No	In Spanish or English	No	No	No

Financial	Declaration of being included in the Top 100: Global NOC & IOC Rankings, including position and date	Copy of such Ranking	Yes	No	No	Documentation is accepted in Spanish and English languages	No	No	No
	Balances of the last 3 years (Balance Sheet and Income Statement), audited by an independent auditor.	Without specific format (Annual Report is accepted)	No	No	No	Documentation is accepted in Spanish and English languages	No	No	No
Technical	Declaration of being included in the Top 100: Global NOC & IOC Rankings, including position and date	Copy of such Ranking	Yes	No	No	Documentation is accepted in Spanish and English languages	No	No	No
	QHSE	Corporate QHSE Policy	No	No	No	Documentation is accepted in Spanish and English languages	No	No	No
	Report that establishes the experience of the company or its personnel in petroleum operations (as operator or non-operator), including experience in drilling wells (as operator or non-operator), net production and operated production, list of current E&P assets and E&P assets in the last 15 years.	Report (or Annual Report if it contains all the information requested). This report can be elaborated specifically for the qualification on "Open Uruguay Round" purposes.	Yes	No	No	Documentation is accepted in Spanish and English languages	No	No	No
Presentation of offers	Exploratory program proposal - Basic Subperiod	Annex G	Yes	No	No	Spanish Language	No	No	No
	Receipt or letter from the seller that proves the license of multient or ANCAP information (if applicable)	Without specific format	No	No	No	Documentation is accepted in Spanish and English languages	No	No	No
	Affidavit accepting the terms and Conditions of the Contract Model	Annex O	Yes	No	No	Spanish Language	No	No	No
	Association of ANCAP Percentage	Annex H	Yes	No	No	Spanish Language	No	No	No
	Economic Proposal	Annex I	Yes	No	No	Spanish Language	No	No	No
	Proof of Participation Payment	ANCAP issues the receipt document	No	No	No	Spanish Language	No	No	No
	Document proving the constitution of the guarantee of maintenance of the proposal (performance bond)	Without specific format	No	No	No	Spanish Language	No	No	No
Consortium Intention Letter (if several companies submit an offer together)	Without specific format	Yes	Yes	Yes	Yes, if applicable	No	No	No	

Signing of the contract	Parent Company Guarantee	Annex III of Annex M or of Annex N	Yes	Yes	Yes	Yes, if applicable	No	No	No
	Consortium Contract (if several companies submit an offer together)	Without specific format	Yes	Yes	Yes	Yes, if applicable	Yes	Yes	Yes

TABLE 1: LIST OF DOCUMENTS TO BE PRESENTED IN EACH INSTANCE OF THE “OPEN URUGUAY ROUND” PROCESS

SPANISH VERSION VALID ONLY

ANNEX B
AFFIDAVIT ACCEPTING THE BIDDING TERMS AND CONDITIONS

ANCAP

Reference: "Open Uruguay Round" Selection Process

Dear Sirs:

I, _____ (Names and Surnames of the Legal Representative), bearer of _____ (Identity Card, Foreign Citizenship Document or Passport), in my capacity as legal representative of _____ (Name of the Company), Bidder in the Selection Process "Open Uruguay Round", hereby state that the company I represent:

Knows, accepts and agrees to the Terms of the REGIME FOR THE SELECTION OF COMPANIES OF OIL OPERATIONS FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF REPÚBLICA ORIENTAL OF URUGUAY (OPEN URUGUAY ROUND).

Signature: _____

Note: This format must be adapted in the case of a Consortium.

ANNEX C

LETTER OF INTEREST TO PARTICIPATE IN THE SELECTION PROCESS

(DATE)

CORPORATE NAME:

ANCAP:

Dear Sirs,

I, the undersigned, _____ bearer of Identity Card / foreign Citizenship document / Passport _____ issued in _____, legal representative of the Company _____, domiciled in _____ and authorized as duly accredited representation, hereby submit the relevant documents attesting to the legal, economic-financial and technical capacity to enter into contracts in the "Open Uruguay Round" Selection Process, and I declare by my signature herein below, under oath and penalty of perjury that:

1. Neither the legal entity that I represent nor I, the undersigned, are affected by any legal or contractual incapacities, incompatibilities or prohibitions.
2. That all the information attached hereto is true and susceptible to verification.
3. The entity I represent is not affected by any circumstance which might prevent it from participating in this Process, or which might lead it to breach the obligations undertaken.

The company _____ hereby submits the relevant documentation required by ANCAP for the qualification as _____ (operator / non-operator), for Areas _____ (Onshore/Shallow Offshore/Deep Offshore), for _____ (Exploration Subperiod without Exploratory Well/Exploration Subperiod with Exploratory Well/Exploration and Exploitation Periods).

For all purposes hereof, I inform you that any correspondence related to the "Open Uruguay Round" Selection Process will be received at:

Address:

City:

Fax:

Phone:

Email:

Note: In case of communication via e-mail, any e-mail sent by ANCAP to the Company shall be deemed received once ANCAP automatically receives a read receipt.

ANNEX D

DOCUMENTS OF IDENTIFICATION AND LEGAL CAPACITY OF THE BIDDER

1. Name of the Company or Consortium
2. Address of the main office (Head Office or Controller)
3. Place and date of the Company's incorporation
4. Incorporation by-laws of the Company
5. Company's certificate of good standing
6. Copy of the Consortium Contract (if applicable)

Signature: _____

Place and date:

Note: In the case of Consortiums, the information and/or documents mentioned in sections 1 to 5 must be submitted by each of the Companies that constitute the Consortium.

ANNEX E

AFFIDAVIT OF INEXISTENCE OF INCOMPATIBILITIES AND INCAPACITIES FOR THE SUBMSSION OF PROPOSALS

I, the undersigned, in my capacity as legal representative of the company _____, hereby formally state that both the company I represent and/or its Officers, as applicable:

- a) Are in no way prohibited from entering into any kind of contract in Uruguay.
- b) Are not disqualified by virtue of any judicial decision.
- c) Are not undergoing bankruptcy, or a debtor reorganization plan, or any winding-up procedure ordered by the competent authority, nor are they affected to bankruptcy proceedings, insolvency or judicial or extra-judicial agreements with creditors, nor do they have any financial debts past due, nor are there in general any situations that affect or may substantially affect in a negative way the company's equity, the financial position of the company, its economic solvency thereof.
- d) There are, in general, no provisions arising from the law, or from any bylaws or contracts, that prohibit or disqualify this company from submitting any proposals in the "Open Uruguay Round" Selection Process.

Signature: _____

Place and Date:

Note: In case of Consortiums, this affidavit must be signed by each of the companies that constitute the respective Consortium.

ANNEX F

MODEL LETTER OF PARENT COMPANY GUARANTEE

I, the undersigned, _____, a natural citizen from _____ of legal age, domiciled at _____, hereby state that:

- 1) In my capacity as _____ I act in the name and on behalf of _____ (Parent or Controlling Company), a company incorporated pursuant to the laws of _____ as per duly translated and legalized documents and certificates attesting to the constitution, legal existence and representation of such company.
- 2) I was authorized without limitation by _____ (Parent or controlling company) to grant and sign all the documents to jointly and severally guarantee any obligations that _____ (Contractor / Operator, as applicable), acquire by this Hydrocarbons Exploration and Exploitation Contract to be executed with ANCAP.
- 3) _____ (Parent or controlling company) hereby declares under oath that this guarantee is not prohibited by virtue of any provisions arising from the law, or from any bylaws or contracts.
- 4) Since _____ (Parent or controlling company) is joint and several guarantor of _____ (Contractor / Operator, as applicable), it acknowledges and accepts that it is not entitled to claim any right to demand that creditor exhaust his remedies against the principal debtor or any other benefit granted to non-joint and several guarantors. Therefore, it undertakes to become principally and directly liable for the performance, or any damage caused by the breach of the obligations arising from the exploration and exploitation contract to be entered into with ANCAP.

Signed in _____ on the _____ day of _____ of 20__

By: _____ (Parent or controlling company)

Signature: _____ Legal representative

ANNEX G

EXPLORATORY PROGRAM PROPOSAL - BASIC SUBPERIOD

Reference: "Open Uruguay Round" Selection Process
 _____ (Name of the Company)

Area to which it applies _____

Exploratory works in onshore areas	Valuation (WU)	Proposal	Working Units
Drilling of Exploratory wells (WU/well)	1.000		
Evaluation of Petroleum Geology (WU/area)	100		
Evaluation of Prospective Resources (WU/area)	100		
Gravimetric and Magnetometric 3D Inversion and Modelling (WU/area)	100		
Drilling of Stratigraphic wells (WU/well)	50		
Acquisition, Processing and Interpretation of 3D Seismic (WU/km ²)	6		
Acquisition, Processing and Interpretation of 2D Seismic (WU/km)	2		
Acquisition, Processing and Interpretation of MT/AMT (WU/station)	0,50		
Acquisition, Processing and Interpretation of airborne Gradiometric Gravimetry (WU/Km)	0,02		
Acquisition, Processing and Interpretation of airborne Magnetometry (WU/Km)	0,02		
Reprocessing and Interpretation of 3D Seismic (WU/km ²)	0,10		
Surface Geochemistry (WU/sample)	0,10		
Reprocessing and Interpretation of 2D Seismic (WU/km)	0,05		
Reprocessing and Interpretation of MT/AMT (WU/station)	0,05		
Acquisition, Processing and Interpretation of Gravimetry (WU/station)	0,03		
Reprocessing and Interpretation of Magnetometry (WU/station)	0,01		
Licensing data (5000US\$)	1		
		TOTAL	

TABLE 2: PROPOSED EXPLORATORY PROGRAM FOR THE BASIC SUBPERIOD - ONSHORE AREAS

VALUE ASSIGNED to WU = US\$ 5.000

Total Amount Compromised Exploratory Program: US\$ _____

Signature: _____

Reference: "Open Uruguay Round" Selection Process
 _____ (Name of the Company)

Area to which it applies _____

Exploratory work in Shallow Offshore Areas	Valuation (WU)	Proposal	Working Units
Drilling of an exploratory well at > 100 m WD (WU/well)	5.000		
Drilling of an exploratory well at < 100 m WD (WU/well)	3.000		
Evaluation of Petroleum Geology (WU/area)	100		
Evaluation of Prospective Resources (WU/area)	100		
Gravimetric and Magnetometric 3D Inversion and Modelling (WU/area)	100		
Geochemistry of seabed samples (WU/sample)	3		
Acquisition, Processing and Interpretation of 3D Seismic (WU/km ²)	2		
Acquisition, Processing and Interpretation of 2D Seismic (WU/km)	0,2		
Reprocessing and Interpretation of 3D Seismic (WU/km ²)	0,04		
Reprocessing and Interpretation of 2D Seismic (WU/km)	0,02		
Acquisition, Processing and Interpretation of airborne Gradiometric Gravimetry (WU/Km)	0,02		
Acquisition, Processing and Interpretation of airborne Magnetometry (WU/Km)	0,02		
Acquisition, Processing and Interpretation of multibeam Bathymetry (WU/Km)	0,01		
Licensing data (5000US\$)	1		
		TOTAL	

TABLE 3: PROPOSED EXPLORATORY PROGRAM FOR THE BASIC SUBPERIOD – SHALLOW OFFSHORE AREAS

VALUE ASSIGNED to UT = US\$ 5.000

Total Amount Compromised Exploratory Program: US\$ _____

Signature: _____

Reference: "Open Uruguay Round" Selection Process
 _____ (Name of the Company)

Area to which it applies _____

Exploratory work in Deep Offshore Areas	Valuation (WU)	Proposal	Working Units
Drilling of an exploratory well at > 2,500 m WD (WU/well)	5.000		
Drilling of an exploratory well at < 2,500 m WD (WU/well)	3.000		
Evaluation of Petroleum Geology (WU/area)	100		
Evaluation of Prospective Resources (WU/area)	100		
Gravimetric and Magnetometric 3D Inversion and Modelling (WU/area)	100		
Geochemistry of seabed samples (WU/sample)	3		
Acquisition, Processing and Interpretation of 3D Seismic (WU/km ²)	2		
Acquisition, Processing and Interpretation of Electromagnetism (WU/receptor)	0,2		
Acquisition, Processing and Interpretation of 2D Seismic (WU/km)	0,04		
Reprocessing and Interpretation of 3D Seismic (WU/km ²)	0,02		
Reprocessing and Interpretation of 2D Seismic (WU/km)	0,02		
Reprocessing and Interpretation of Electromagnetism (WU/receptor)	0,02		
Acquisition, Processing and Interpretation of multibeam Bathymetry (WU/Km)	0,01		
Licensing data (5000US\$)	1		
		TOTAL	

TABLE 4: PROPOSED EXPLORATORY PROGRAM FOR THE BASIC SUBPERIOD – DEEP OFFSHORE AREAS

VALUE ASSIGNED to UT = US\$ 5.000

Total Amount Compromised Exploratory Program: US\$ _____

Signature: _____

ANNEX H PARTICIPATION OF ANCAP

Reference: "Open Uruguay Round" Selection Process

_____ (Name of the Company)

Area to which it applies _____

MAXIMUM PERCENTAGE OF ANCAP'S PARTICIPATION IN THE EVENT OF ASSOCIATION.

_____ (Name of the Company) accepts as a maximum percentage of participation of ANCAP, once the Declaration of Commercialization of a discovery has been made, _____ % (_____ percent).

Signature: _____

Note: According to section 13.2 of the Bidding Terms, the maximum percentage to be proposed for the possible participation of ANCAP must be between 20% (twenty percent) and 40% (forty percent).

ANNEX I ECONOMIC PROPOSAL

Reference: "Open Uruguay Round" Selection Process
_____ (Name of the Company)

Area to which it applies _____

For °API > 25 Oils

Percentage of Profit Oil increase for the Uruguayan State:

X =

For °API <25 Oils

Percentage of Profit Oil increase for the Uruguayan State:

X' =

For Natural Gas

Percentage of Profit Oil increase for the Uruguayan State:

X_G =

Note: These references are based on the terms used in the Bidding Terms under section 13.3 – Economic Proposal and 13.4 – Method for comparing proposals.

Signature: _____

ANNEX J

CONFIDENTIALITY AGREEMENT

Any company wishing to receive geophysical, geological and/or well information marketed by ANCAP, within the framework of the Open Uruguay Round, shall previously sign to the following Non-Disclosure Agreement:

THIS AGREEMENT is entered into this ____ day of _____, 20____ by and between:

ADMINISTRACIÓN NACIONAL DE COMBUSTIBLES, ALCOHOL Y PÓRTLAND, a state-owned company (public law legal entity) organized and existing under the laws of *República Oriental del Uruguay*, with its registered office at the intersection of Paysandú and Av. Libertador Brigadier General Lavalleja, Montevideo, Uruguay (hereinafter referred to as the "Discloser"), and _____, a company organized and existing under the laws of _____, with its registered office at _____, (hereinafter referred to as the "Recipient").

The Discloser and the Recipient shall be jointly referred to as the "Parties", and individually as the "Party".

- 1) Pursuant to the terms and conditions set out in this Agreement, the Discloser discloses to the Recipient and authorizes it to use, in a non-exclusive manner, certain Confidential Information related, but not necessarily limited, to: geological and geophysical data, field data, maps, models and interpretations (hereinafter, the "Confidential Information"), as detailed in the attachment to this Agreement;
- 2) Considering the disclosure of the information described in Paragraph 1 above, the Recipient agrees to keep the Confidential Information strictly confidential and not to sell, trade, publish or otherwise reveal it to any person by any means, whether in the form of photocopies, copies or electronic copies, without the Discloser's prior consent in writing, except as set out in the terms in this Agreement.
- 3) The Recipient may only disclose the Confidential Information without the Discloser's prior consent if such information:
 - a) Was known by the Recipient before the date whereon it was received;
 - b) Is a matter of public knowledge, is or becomes available to the public through no recipient's fault – whether act or omission;
 - c) Is required to be provided by the Recipient or by one or several of its Affiliated Companies under the applicable laws, a government order, decree, rules or regulations of a stock exchange of recognized standing where its shares or the shares of its Affiliated Companies are registered. Provided, however, that the Recipient will make every reasonable effort to notify the Discloser in writing before disclosing the information;
 - d) Is independently acquired by the Recipient or by one or several of its Affiliated Companies from a third party entitled to disclose such information at the time it is acquired by the Recipient or its Affiliated Companies;

- e) Is acquired by transfer of ownership by the Recipient or one or several of its Affiliated Companies.
- 4) The Recipient may disclose the Confidential Information to an Affiliated Company without the Discloser's prior written consent, provided that the Recipient guarantees such Affiliated Company's adherence to the purpose of this Agreement. "Affiliated Company" means any company or legal entity that: (a) directly or indirectly controls a Party, or (b) is directly or indirectly controlled by such Party, or (c) is directly or indirectly controlled by a company or legal entity which is in turn directly or indirectly controlled by such Party. "Control" means the right to exercise more than fifty per cent (50 %) of the rights to vote in order to designate the directors or similar representatives of such company or entity.
- 5) The Recipient is entitled to disclose the Confidential Information, without the Discloser's prior written consent, to the individuals/entities detailed below, insofar as there is a clear need to know in order to assess the Confidential Information:
- a) Employees, officers and directors of the Recipient;
 - b) Employees, officers and directors of an Affiliated Company;
 - c) Any adviser or agent hired by the Recipient or its Affiliated Company for the purpose assessing the Confidential Information;
 - d) Any entity consulted for the purpose of financing the Recipient or its Affiliated Company in connection with the Confidential Information, including any adviser or agent hired by such entity/entities for the purpose of assessing the Confidential Information.
 - e) Any potential buyer of the Contractor's and/or Contractor Member's working interest.
- Before disclosing the Confidential Information to the individuals/entities detailed in paragraphs (c), (d) and (e) above, the Contractor and/or the Contractor Member shall obtain from them a confidentiality commitment whose form and content shall be substantially the same as the form and content in this Contract.
- 6) The Recipient shall be responsible for ensuring that all those individuals/entities who receive the Confidential Information under this Agreement observe confidentiality and do not disclose or reveal it to unauthorized persons. Neither of the Parties shall be liable for any action brought by one against the other for consequential damages, loss of profits, special or intangible damages resulting from this Agreement, including, but not limited to, loss of benefits or interruption of the business for whatever reason.
- 7) In the event the Recipient or any Affiliated Company should acquire any of the Discloser's interests in the Area, then this Agreement shall be automatically terminated on the day the Recipient or its Affiliated Company signs an agreement including provisions ensuring the confidentiality of the information. Unless this Agreement is terminated pursuant to this clause, this document shall remain in force for fifteen (15) years as of the date this Agreement is signed.
- 8) The Discloser represents and guarantees that it has the right and the authority to disclose the Confidential Information to the Recipient. Nevertheless, the Discloser makes no representation or provides no guarantee, whether express or implicit, as to the quality, accuracy and completeness of the geological and geophysical data contained in the Confidential Information disclosed, and the Recipient expressly acknowledges the potential risk of errors entailed in the acquisition, processing and interpretation of the geological and geophysical data. The Discloser and its

Affiliated Companies, as well as their officers, directors and employees shall in no case be liable for their use or reliance on the Confidential Information provided by the Discloser.

- 9) This Agreement shall be governed by, and construed in accordance with, the laws of *República Oriental del Uruguay*.
- a) Any dispute, controversy or claim arising from, or related to, this Agreement or to the breach, termination or invalidity thereof shall be settled by a tribunal made up of three arbiters pursuant to the Arbitration Rules of the International Chamber of Commerce (ICC) and any amendments to them. The arbitration shall be conducted in the City of Montevideo, *República Oriental del Uruguay*. The procedure shall be carried out in Spanish language. However, either Party may use at its sole expense translation and/or simultaneous interpretation services during the procedure. The arbitration award shall be made according to the law. Such award shall be final, binding and enforceable before any competent judicial court within the jurisdiction agreed upon in this document.
- 10) A dispute shall be deemed to exist whenever one of the Parties has notified the other in writing of such dispute.
- 11) Unless otherwise stated in writing, any current or future proposal or offer made in the course of the discussions of the Parties related to the acquisition of all or part of the Discloser's interests in the Area shall be subject to any permits or approvals needed, as required by the management of each Party or the Government authorities. Such permits or approvals may be withdrawn at any time and for any reason whatsoever. Nothing contained in this document is intended to grant or impose on the Recipient any right or obligation to acquire any right or interest of the Discloser.
- 12) No amendments, changes or modifications to this Agreement shall be valid unless made in writing and signed by a duly authorized representative of each one of the Parties. The Recipient may only assign this Agreement to an Affiliated Company.
- 13) This Agreement constitutes the entire agreement of the Parties regarding the delivery and disclosure of the Confidential Information, and supersedes and annuls all prior communications or agreements between the Parties for this purpose, whether in writing or oral, express or implicit.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have agreed to execute this Agreement on the date indicated first hereinabove.

DISCLOSER

RECIEVER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

(On the occasion of signing this Confidentiality Agreement, a detailed list of the Confidential Information that the Discloser grants the access to the Recipient will be attached as annex to the agreement).

SPANISH VERSION VALID ONLY

ANNEX K

ONSHORE BASIC DATAPACKAGE

The Payment of Participation (Clause 6 of the Terms) for Onshore Areas will grant the company the right to a disc with basic data, subject to the subscription of the Confidentiality Agreement included in Appendix J of these Terms and Conditions. The content of the onshore basic data disk is as follows:

WELLS INFORMATION

Records in LAS format (SP, Resistivity, Caliper) and PDF Documents (Lithological Record, Drilling Reports) digitized from the originals, for the following wells drilled by ANCAP between 1956 and 1958:

- NO_01_G_X1 – GASPAR (TD = 2247 m) (includes Dipmeter in PDF)
- NO_02_A_X2 – ARTIGAS (TD = 1850 m)
- NO_03_S_X1 – SALTO (TD = 2178 m)
- NO_04_Q_X1 – QUEBRACHO (TD = 1103 m)
- NO_05_Gu_X1 – GUICHÓN (TD = 924 m)
- NO_06_Sp_X1 – SALSIPUEDES (TD = 540 m)

Records in LAS format (Gamma Rays, Spectrometry, DT, Resistivity and Induction, Gross Density (RHOB), Porosity (DPHI), Neutron Porosity (NPHI), Caliper, Temperature, Spontaneous Potential) and PDF Documents (Lithological Record, Calibration Seismic, Naked Well Registry, Drilling Reports), digitized from the originals, for the following wells drilled by ANCAP between 1986 and 1987:

- NO_07_P_X1 – PELADO (TD = 1996 m)
- NO_08_Y_X1 – YACARÉ (TD = 2387 m)
- NO_09_B_X1 – BELÉN (TD = 2366 m)
- NO_10_I_X1 – ITACUMBÚ (TD = 2099 m)

Additionally, it includes Geochemical, Petrophysical and Palynological Analysis Reports, as well as related documents for selected samples (cuttings and cores).

GEOPHYSICS INFORMATION

Field Data (SEGY, Observer Reports, Coordinates Data and Campaign Reports) and Processed Information (SEGY transcribed from original and scanned tapes in JPG format of the originals) of the 2D seismic campaign of vibrational sources acquired by Western Geophysical in the North Basin in 1984.

Campaign	Acquisition	N° lines	Km	Group Interval (m)	Coverage (%)	Registry Length (s)
UR84 (ANCAP)	WESTERN, 1984	33	1650	35-8	2400 -4800	7 – 15

TABLE 14: 2D SEISMIC CAMPAIGN ACQUIRED BY WESTERN GEOPHYSICAL IN 1984

- Field gravimetric and processed data acquired in Cuenca Norte (ASCII format, digitized from the originals)
- 2D reprocessed seismic (PSTM) by YPF ("UR84" -1645 Km / 33 lines)
 - Re-Processing Sequence used by YPF
 - Conversion of the data to the internal format
 - Geometry and Quality Control
 - Trace Edition
 - Spherical Divergence Correction
 - Compensation of Consistent Amplitudes with Surface
 - Coherent Noise Attenuation
 - Deconvolution of Peaks Consistent with Surface
 - Coherent Noise Attenuation
 - Elevation Static Correction
 - Picado of the First Arrivals and Static Refraction
 - First Speed Analysis
 - Residual Static (First Step)
 - Second Speed Analysis
 - Residual Static (Second Step)
 - Trim Static Consistent with the CDP
 - Kirchhoff Migration in Pre-applanation Time
 - Mute, Filtered and AGC
 - Stacking
 - Spectral Balance, FKPOWER and FXDECON

GEOCHEMICAL INFORMATION

- Surface Geochemistry
- Digital analysis of multi-spectral information
- Trace Elements Analysis
- Microbacteriological analysis (MPOG) of butanotrophic bacteria

All this information is included in PDF format, Excel files with geochemical data and maps.

WELLS INFORMATION GEOCHEMISTRY

Organic geochemical analyses of gray to black shales from the stratigraphic wells Pepe Núñez E-1b (drilled in 2012) and Cañada del Charrúa E-2 (drilled in 2013). These analyses include TOC, Rock Eval and kerogen microscopy (kerogen type, vitrinite reflectance, etc.). In the Pepe Núñez E-1b well, conventional geochemical analyses (main elements and traces) are also included. These results are available in Excel files.

ANNEX L

OFFSHORE BASIC DATAPACKAGE

The Payment of Participation (Clause 6 of the Terms) for Offshore Areas will grant the company the right to a disk with basic data, subject to the subscription of the Confidentiality Agreement contained in Appendix J of these Terms. The content of the offshore basic data disk consists of field and processed 2D seismic data, well data, reports and other records, as illustrated in Figure 1 and described in Tables 15 and 16.

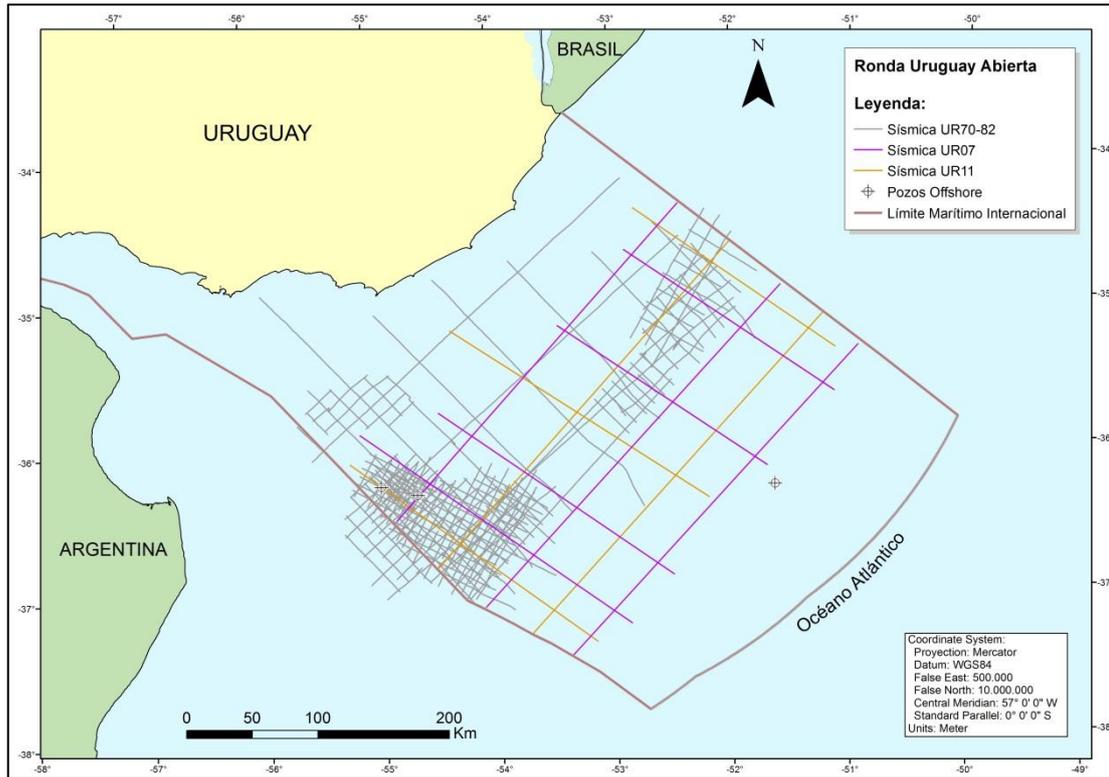


FIGURE 1: LOCATION OF THE WELLS, OF THE SEISMIC SURVEYS CARRIED OUT BETWEEN 1970 - 1982, AND OF THE LINES UR07 AND UR11 INCLUDED WITHIN THE OFFSHORE BASIC DATA PACKAGE

SEISMIC DATA AVAILABLE FOR THE OFFSHORE (1970 - 82, 2007 AND 2011 CAMPAIGNS)

Campaign	Acquisition Parameters	Available data
ANCAP/ CGG 1970/71 44 lines 5267 Km	Compagnie General de Geophysique, 1970/71 Streamer length: 2400 m Depth Streamer: 9 - 15m Group Dist: 100 m Coverage: 600 - 1200% Record Length: 4 - 8 sec Source: Flexotir 2 cannons Int. Shot: 50 m	<ul style="list-style-type: none"> Field data, navigation data, and observer reports. Vectorized lines from original sections and reprocessed lines (1998/2012) from field data.
ESSO/ GSI 1974	Geophysical Service Inc., 1974	<ul style="list-style-type: none"> Field data, data from navigation, and

<p>35 lines 2578 Km</p>	<p>Streamer length: 2400 m Depth Streamer: 15m Dist. Groups: 50 m Coverage: 2400% Record Length: 6 sec</p> <p>Source: Airguns Arrangement Volume: 1200cu.in Depth: 7.5 m Int. Shot: 50 m</p>	<p>observer reports.</p> <ul style="list-style-type: none"> Vectorized lines from original sections and reprocessed lines (1998/2012) from field data.
<p>CHEVRON/ GSI 1975 28 lines 1897 Km</p>	<p>Geophysical Service Inc., 1975 Streamer length: 2400 m Depth Streamer: 15m Dist. Groups: 50 m Coverage: 2400% Record Length: 6 sec</p> <p>Source: Airguns Arrangement Volume: 1220cu.in Depth: 7.5 m Int. Shot: 50 m</p>	<ul style="list-style-type: none"> Field data, navigation data, and observer reports. 28 vectorized lines from original sections.
<p>ANCAP/ WESTERN 1982 23 lines 1402 Km</p>	<p>Western Geophysical, 1982 Streamer length: 2400 m Depth Streamer: 13m Dist. Groups: 25 m Coverage: 4800% Record Length: 6 sec</p> <p>Source: Airguns Arrangement Pressure: 4700 psi Volume: 780cu.in Depth: 6 m Int. Shot: 25 m</p>	<ul style="list-style-type: none"> Field data, navigation data, and observer reports. Vectorized lines from original sections and reprocessed lines (1998/2012) from field data.
<p>ANCAP UR07</p> <p>Acquired by Wavefield Inseis</p> <p>Processed by Geotrace</p> <p>7 lines- 1837 Km</p>	<p>Ship: BERGEN SURVEYOR Streamer length: 8000 m Depth Streamer: 8 m +/- 1m No. of Groups: 640 Record Length: 10 sec</p> <p>Source: Airguns Arrangement Pressure: 2000 psi Volume: 4400 cu.in Depth: 6 m Trigger interval: 25 m / 37.5 m</p>	<ul style="list-style-type: none"> Lines UR07-03, UR07-08, UR07-13, UR07-14, UR07-21, UR07-24, UR07-32
<p>ANCAP UR2011</p> <p>Acquired by Reflect Geophysical</p> <p>Processed by Western Geco</p> <p>5 lines - 1324 Km</p>	<p>Ship: R / V REFLECT ARIES Streamer length: 8100 m Depth Streamer: 8-11 m No. Groups: 648 Record Length: 6, 8 and 10 sec</p> <p>Source: Airguns Arrangement Pressure: 2000 psi Volume: 3400 cu.in Depth: 6 m Trigger range: 25 / 37,5m</p>	<ul style="list-style-type: none"> Regional lines UR11-04, UR11-17, UR11-28, UR11-39, UR11-40 reprocessed from field data (PSTM y PSDM)

TABLE 15: SEISMIC DATA AVAILABLE FOR THE OFFSHORE (CAMPAIGNS 1970 - 82 AND 2011)

WELLS DATA AVAILABLE FOR THE OFFSHORE

Well	Records (LAS)	Reports
<p>LOBO 1</p> <p>Latitude: 36 ° 17 '49.60' 'S</p> <p>Length: 54 ° 58 '08.30' 'W</p> <p>(Geographic coordinates referred to WGS72)</p>	<p>Resistivity (LN, SN) Sonic (DT) Density (RHOB, DRHO) Neutron porosity (NPHI) Gamma Rays (GR) Spontaneous Potential (SP) Caliper (CAL and CALS). Velocity Dipmeter</p>	<p>Drilling Program. 1976 Chevron. RIG Positioning Offshore Uruguay. 1976 Chevron. Final Drilling Report. 1976 Chevron. Final Wellsite geological report. 1976 Chevron. Preliminary Post-Mortem. 1976 Chevron. Offshore wells correlation. (Argentina-Uruguay) Sidewall and Ditch Samples Palynology and TAI Report. Source Bed Evaluation Report. Core Laboratories 1976. Palynology, Thermal alteration. 1976 Chevron. Five specimens of volcanic rock from core 8601.9 to 8617.4 ft. 1976 Chevron. Progress Paleontological Report. 1976 Chevron. Petrographic Analysis - Results of the Study of some samples of Wolf 1. BEICIP 1976. Petrographic Report from Core. 1976 Chevron. Geochemical Source Bed Evaluation. Core Laboratories 1976 Seismic Velocity Survey. Air Gun seismic velocity Survey and Velocity Log calibration. Birdwell Division 1976 Composite Well Log. Schlumberger. 1976 Mud Log (360 - 8902 ft). Exploration Logging. 1976 Hydrocarbon Generation Log. 1976 Chevron. Composite Well Log. Schlumberger 1976. Velocity Log. Birdwell 1976. Synthetic Seismogram. Chevron Oil Company Geophysical Division 1976. Lithological Log. BEICIP 1976.</p>
<p>GAVIOTÍN 1</p> <p>Latitude: 36 ° 21 '42.94' 'S</p> <p>Length: 54 ° 39 '52.99' 'S</p> <p>(Geographic coordinates referred to WGS72)</p>	<p>Induction (MSFL) Resistivity (LN, SN, LLD, LLS) Sonic (DT) Density (RHOB, DRHO) Neutron porosity (NPHI) Gamma Rays (GR) Spontaneous Potential (SP) Caliper (CAL and CALS) Velocity Dipmeter</p>	<p>Rig Positioning Report Chevron 1976 Final Drilling report. 1976 Chevron. Final Wellsite geological report. 1976 Chevron. Air Gun seismic velocity Survey and Velocity Log calibration. Birdwell Division. 1976 Formation Evaluation Note (3559 - 3568 m). Chevron 1977. Foraminiferal Report (10900 - 11600 ft). 1976 Chevron. Petrographic Report. Correlation of well bottom core sample. BEICIP 1977. Comparison of fractured and sawed SEM Chips. Chevron Oil Field Research Company. 1977 Ditch sample study. Palynology. Chevron</p>

		<p>1977. Palynological Analysis. 1976 Chevron. BH Core SEM Analysis Chevron 1976 Geochemical Source Bed Evaluation. Core Laboratories 1976 Theoretical Seismogram. 1976 Chevron Mud Log (267 - 11913 ft). Exploration Logging. 1976 Hydrocarbon Generation Log. 1976 Chevron. Composite Well Log. Schlumberger 1976. Velocity Log. Birdwell 1976 Dipmeter. Schlumberger. 1976</p>
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TABLE 16: DATA OF WELLS AVAILABLE FOR THE OFFSHORE

SPANISH VERSION VALID ONLY

ANNEX M: MODEL CONTRACT FOR ALLOCATION OF AREAS FOR EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN CONTINENTAL AREAS (ONSHORE) OF *REPÚBLICA ORIENTAL DEL URUGUAY*

This contract is entered into by and between: *Administración Nacional de Combustibles, Alcohol y Portland* (hereinafter ANCAP), with domicile for the purposes hereof at “Edificio ANCAP” at the intersection of Paysandú and Avenida Libertador Brig. Gral. Lavalleja, represented herein by _____, _____, _____ in their capacities as President, Secretary General and General Manager respectively, PARTIES OF THE FIRST PART, and _____, hereinafter _____, with domicile for the purposes hereof at _____, represented herein by _____, in his/her capacity as _____, PARTY OF THE SECOND PART, who agree as follows:

SECTION I GENERAL CONDITIONS

CLAUSE 1 - PREFACE

- 1.1. Whereas ownership of all Hydrocarbons, found in the territory of *República Oriental del Uruguay* is vested in the Uruguayan State.
- 1.2. Whereas the Executive Branch, under Decree _____ approved the REGIME FOR THE SELECTION OF OIL OPERATING COMPANIES FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF *REPÚBLICA ORIENTAL DEL URUGUAY* (OPEN URUGUAY ROUND)
- 1.3. Whereas, on _____, 201X, upon the Executive Branch’s previous approval, allocated the following Area _____ to _____
- 1.4. Whereas the Executive Branch under Decree _____ authorized ANCAP, pursuant to the competence granted by Decree-Law N°15,242 modified by Law N° 18,813, to execute this “CONTRACT FOR ALLOCATION OF AREAS FOR EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN CONTINENTAL AREAS (ONSHORE) OF *REPÚBLICA ORIENTAL DEL URUGUAY*”

Now, therefore, for and in consideration of the premises and mutual covenants hereinafter set forth, the Parties agree as:

CLAUSE 2 - DEFINITIONS AND INTERPRETATIONS

2.1. DEFINITIONS

The following terms and their plural forms, within the context of the Contract, shall mean as follows:

- 2.1.1. **“Abandonment”**: All activities involved in abandonment of all or part of the Contract Area, including, but not limited to, the closing and abandonment of non- productive wells (including exploratory and evaluation wells which are dry or are not put into production), closing and dismantling of Hydrocarbons production and transport facilities which are not in use, remedying of environmental threats and restoring of the Contract Area and places used for Exploratory Operations and Exploitation Operations to the conditions required by the laws and regulations in force.
- 2.1.2. **“Supplementary Activities”**: All activities necessary to conduct Petroleum Operations adequately.
- 2.1.3. **“Evaluation Activity”**: All Exploratory operations carried out by the Contractor near a Hydrocarbons discovery in order to assess the extent and significance of such discovery, including, but not limited to, extension wells, or evaluation wells, detailed seismic surveys, geological, geochemical, gravimetric and magnetometric studies, well logs interpretation, formation tests, or any other activity aimed at assessing the significance of the discovery.
- 2.1.4. **“Sole Risk Agreement”** means the agreement to be entered into between ANCAP and the Contractor, which will govern the rights, obligations and responsibilities arising from the Sole Risk Project.
- 2.1.5. **“Affiliated Company”**: Any legal entity that: (a) directly or indirectly controls a Party , or (b) is directly or indirectly controlled by such Party, or (c) is directly or indirectly controlled by a company or legal entity which is in turn directly or indirectly controlled by such Party.
- 2.1.6. **“ANCAP”**: Autonomous Industrial and Commercial State Entity, with exclusive competence in hydrocarbon exploration and exploitation in *República Oriental del Uruguay*, which has commissioned the Contractor to conduct such activities within the Area, and also, in the event of exercising the powers set forth in Clause 18, a Contractor Member.
- 2.1.7. **“Calendar Year”**: A period of twelve (12) consecutive months, beginning on January 1, and ending on December 31, both dates inclusive.
- 2.1.8. **“Contract Year”**: A period of twelve (12) consecutive months according to the Gregorian Calendar, computed from the date on which this contract enters into force, or any anniversary thereafter.
- 2.1.9. **“°API”**: $141,5 / \text{Relative Density} - 131,5$.
- 2.1.10. **“Contract Area”** or **“Area”**: An area, the extension and location of which are indicated in Annex A, subject to the modification provided for in Sections 9.2, 9.7 and 9.8.

- 2.1.11. **“Barrel”**: An amount or unit of Crude Oil equivalent to one hundred and fifty-eight point nine eight seven four (158.9874) liters or forty-two (42) American gallons, at a temperature of fifteen point fifty-six (15.56) Celsius degrees, sixty (60) Fahrenheit degrees, and at a one (1) atmosphere pressure.
- 2.1.12. **“Barrel of Oil Equivalent”**: The equivalence between Natural Gas and Crude Oil, in units of energy. The equivalence established is 5800 scf/BOE or 164,3 m³/BOE.
- 2.1.13. **“Bidding Terms”**: It refers to the Bidding Terms of the REGIME FOR THE SELECTION OF OIL OPERATING COMPANIES FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF *REPÚBLICA ORIENTAL DEL URUGUAY* (OPEN URUGUAY ROUND)
- 2.1.14. **“Unforeseeable Circumstances beyond the Control of the Parties”**: Any human or natural circumstance beyond the reasonable control of the Party claiming such circumstance, occurring after this contract's entry into force, and unforeseeable, or, if foreseeable, inevitable, which prevents or delays, directly or indirectly, partially or totally, compliance with the Parties' obligations pursuant to Clause 21.
- 2.1.15. **“Management Committee”**: The body in charge of managing the operations hereunder undertaken. This Committee shall comprise two (2) main representatives and two (2) alternates appointed by ANCAP, and two (2) main representatives and two (2) alternates appointed by the Contractor, to ensure performance of the tasks herein established.
- 2.1.16. **“Contractor”**: shall mean _____, and additional Parties, or authorized assignees. Should the Contractor appoint an Operator, the Contractor acknowledges that he/she is accountable for the Operator's actions under this Contract.
- 2.1.16.1. **“Contractor Member”**: shall mean each legal person that is a member of the Contractor.
- 2.1.17. **“Contract”**: This document, including its Annexes, and amendments. In case the Annexes and the Contract are not consistent, the latter shall prevail.
- 2.1.18. **“Control”**: means the right to exercise more than fifty per cent (50%) of the rights to vote in order to designate the directors or similar representatives of such company or entity.
- 2.1.19. **“Cost Oil”**: The portion of Actual Production used to compensate the Contractor for Costs and Investments associated with the Exploration and Exploitation Periods and approved by the Management Committee.
- 2.1.20. **“Technical Matters”**: All matters relating to the petroleum industry, the solutions of which mainly depend on establishing facts or circumstances regarding a certain art or profession, excluding all legal and juridical matters.

- 2.1.21. **“Declaration of Commercial Discovery”**: The moment the Contractor decides to develop and exploit a discovery.
- 2.1.22. **“Development or Development Stage”**: comprises drilling, well completion, installation of production platforms and equipment required, elements and systems, as well as any other activity required for production of discovered Hydrocarbons.
- 2.1.23. **“Day”**: A calendar day of twenty-four (24) hours, beginning at 00:00 and ending at 24:00.
- 2.1.24. **“Working Day”**: Any day in which ANCAP headquarters operate.
- 2.1.25. **“Dollar”**: The currency of the United States of America.
- 2.1.26. **“Exploration-Exploitation Stage”**: The stage that comprises all Exploratory and evaluation operations aimed at determining the existence of Hydrocarbons suitable for exploitation, as well as all operations necessary to exploit discovered Fields, including, but not limited to, geological and geophysical works required, wells for delimitation and exploitation of Hydrocarbons, any facilities of any kind, which may be necessary for the collection and treatment thereof, and the equipment used for maintaining pressure in the primary and Secondary Recovery.
- 2.1.27. **“R- factor”**: Ratio between the accumulated Gross Income and Cost Oil corresponding to the Area in both cases and calculated on a quarterly basis.
- 2.1.28. **“Date of Discovery”**: means the date of Hydrocarbons discovery, for the purposes of calculating terms, the deadline for the completion of the discovery well defined under section 20.2.1.
- 2.1.29. **“Effective Date”**: The date stated in section 5.4.
- 2.1.30. **“Money Flows from Production at Sole Risk”**: The value of Production at Sole Risk directly derived from the Sole Risk Project, calculated at market price in Dollars, adjusted to the corresponding Inspection Point, minus expenses and costs of Production at Sole Risk. Said expenses and costs shall be determined according to the Accounting Procedure and the conditions set forth in the Sole Risk Agreement.

- 2.1.31. **“Natural Gas”** or **“Gas”**: Mixture of Hydrocarbons in gaseous state under normal pressure and temperature conditions (760 mmHg and 15°C), in any of the forms defined herein below:
- 2.1.31.1. **“Associated Gas”**: Gas associated with oil Fields, which may be found, under the reservoir’s pressure and temperature conditions, as gas dissolved in oil, or as free gas, forming a gas cap in contact with oil.
- 2.1.31.2. **“Gas from Gas Fields”**: Gas being in such state under the reservoir’s pressure and temperature conditions which lacks retrograde condensation properties.
- 2.1.31.3. **“Gas from Condensate Gas Fields”**: Gas being in such state under the reservoir’s pressure and temperature conditions which includes components that on account of isothermal pressure decrease, suffer from retrograde condensation.
- 2.1.32. **“Petroleum Operations Expenses”**: Expenses arising from Exploration, Development, Production and Abandonment, incurred by the Contractor while complying with obligations hereunder. These expenses shall be determined pursuant to the Accounting Procedure.
- 2.1.33. **“Levies”**: Charges imposed by the State or by any of its entities, whether they are of fiscal, monetary or exchange rate nature.
- 2.1.34. **“Hydrocarbons”**: Generic denomination of carbon and hydrogen compounds that includes Crude Oil, Natural Gas, as well as Natural Gas Liquids (Condensate) in any of the conditions and relationships in which they are linked, that are contained or are produced from conventional reservoirs.
- 2.1.35. **“Gross Income”**: The result of the valuation of the Actual Production in the course of each quarter done pursuant to Section 17.2.4.
- 2.1.36. **“Sole Risk Investment ”**: The investments made by ANCAP within the Sole Risk Project up to the Inspection Point computed in Dollars according to the Accounting Procedure.
- 2.1.37. **“Applicable Law”**: means all laws, regulations, decrees, and in general all applicable rules, issued by any public authority with competence in the subject in question, in force during the effective term of the Contract.
- 2.1.38. **“Natural Gas Liquids (Condensate)”**: Any light Hydrocarbons that can be separated from natural gas without external energy or through means such as compression, cooling or absorption, which remain in liquid state when stored in atmospheric or moderately low-pressure containers.
- 2.1.39. **“Lot”**: A rectangular area defined by two parallels and two meridians separated from one another by five (5) minutes.
- 2.1.40. **“Evaluation Lot”**: Areas delimited by the Contractor and approved by ANCAP, comprised of a total number of Lots or a portion of them in areas adjacent to territorial boundaries or to borders of areas, in order to determine whether the discovery(ies) is(are) commercially exploitable.

- 2.1.41. **“Exploitation Lot”**: Areas delimited by the Contractor and approved by ANCAP, comprising a total number of Lots or a portion of them in areas adjacent to territorial boundaries or to bordering areas comprising Fields which have been declared commercially exploitable, and which must coincide, as much as possible, with productive entrapments.
- 2.1.42. **“Pressure Maintenance”**: In the case of closed reservoirs with a production mechanism mainly dependent on the presence of Natural Gas, whether dissolved in the oil or separated in the form of a “Gas Cap”, maintenance of that reservoir’s pressure at appropriate levels through the injection of Gas and/or water is considered good operative and conservation practice in the petroleum industry.
- 2.1.43. **“Onshore Operations’ Guidelines”**: is the document drafted by ANCAP with the purpose of providing guidelines, recommendations and requirements for the design and execution of Petroleum Operations that are developed in the Uruguayan onshore, in a safe and environmentally sustainable manner, in an atmosphere of good relations with the main stakeholders of the maritime industry and in compliance with the good practices of the international petroleum industry. The latest version approved by ANCAP of the Onshore Operations’ Guidelines is available on the web page: <http://exploracionyproduccion.ancap.com.uy> (www.rondauruguay.gub.uy).
- 2.1.44. **“MER” (Maximum Efficient Rate)**: A Field’s production rate when each of the commercial Hydrocarbon reservoirs within that Field is exploited through good operative and conservation practices as used in petroleum industry. In order to determine this rate, the following aspects shall be taken into account: the characteristics of the rocks containing Hydrocarbons and of the fluids contained in such rocks, the natural energy of the reservoir itself and of its adjacent aquifer, if any; the effects of the injection of appropriate fluids, and the spacing between the wells. This concept shall be applied both to primary depletion and to Secondary Recovery which shall be part of the proposal for the Exploitation Program pursuant to Section 9.6.5.
- 2.1.45. **“Month”**: A consecutive time period beginning on the specific Day of a Calendar Month, and ending on the Day before the next Calendar Month, or, in case the latter does not exist, on the first subsequent Day.
- 2.1.46. **“Calendar Month”**: Each one of the twelve (12) months that constitute a Calendar Year.
- 2.1.47. **“MIEM”**: The Ministry of Industry, Energy and Mining.
- 2.1.48. **“MVOTMA”**: The Ministry of Housing, Territorial Planning and Environment (*Ministerio de Vivienda, Ordenamiento Territorial y Medio Ambiente*, by its Spanish initials).

- 2.1.49. **“Ancillary Operations”**: Operations comprising the design, construction, operation and maintenance of all facilities required to transport and store Hydrocarbons produced and accumulated in the Contract Area.
- 2.1.50. **“Supplementary Operations”**: The means and measures necessary to preserve, treat, measure, handle, and deliver Hydrocarbons produced at Inspection Point. These operations shall also comprise dehydration and desalination of oil in order to obtain commercially viable products
- 2.1.51. **“Petroleum Operations”**: Performance of Exploration, Exploitation, and Supplementary and Ancillary Operations.
- 2.1.52. **“Operator”**: This means the Contractor or a Contractor Member who carries out Petroleum Operations (on its own or through a Sub-contractor), with the approval of the Management Committee.
- 2.1.53. **“Party”**: ANCAP and/or _____, as applicable.
- 2.1.54. **“Exploration Period”**: The period corresponding to the initial Hydrocarbons **Exploration** Period, ending, among other causes, due to expiration of its term (maximum ____ (____) Years), without prejudice to provisions under 9.9.5. The Exploration Period comprises three Subperiods, subject to the provisions herein: a) Basic Subperiod; b) Supplementary Subperiod; c) Extension Subperiod.
- 2.1.55. **“Exploitation Period”**: This period shall begin for each Lot allocated for **Exploitation** as from the Declaration of Commercial Discovery and the approval of the delimitation thereof pursuant to Section 9.6.5. During this period, there shall be a Development Stage and an Exploitation Stage. Maximum duration of the Exploitation Period shall be twenty-five (25) Years, subject to the Contract’s maximum term.
- 2.1.56. **“Retention Period”**: Means the term during which the Contractor exercises the right of retention in accordance with the provisions of section 9.6.9.
- 2.1.57. **“Crude Oil” or “Oil”**: A mixture of liquid Hydrocarbons in their natural state or obtained by condensation or extraction of Natural Gas which remain liquid under normal pressure and temperature conditions (760 mm Hg and 15°C).
- 2.1.58. **“Evaluation Well” or “Demarcation Well”**: Any well drilled by the Contractor in order to assess the commercial feasibility of a discovery, and any other well deemed to be so by the Parties.
- 2.1.59. **“Exploration Wells” or “Exploratory Well”**: Any well drilled in a possible separate trap in which no well deemed economically productive by the Parties had previously been drilled, as well as any other well deemed to be so by the Parties.

- 2.1.60. **“Exploitation Well” or “Production Well”**: A well used for the exploitation of the Hydrocarbons discovered within each Field production area, and any other well deemed to be so by the Parties.
- 2.1.61. **“Budget”**: the annual financial plan submitted by the Contractor and approved by the Management Committee, for the execution of the Work Program.
- 2.1.62. **“Accounting Procedure”**: means the accounting procedure described in Annex IV herein.
- 2.1.63. **“Governance Procedure”**: means the procedure to be agreed by the Parties for its application by the Management Committee in the performance of its duties, or by the Parties, as applicable.
- 2.1.64. **“Accumulated Production”**: The volume of Hydrocarbons produced in a Field since the beginning of its production stage until the particular time under consideration.
- 2.1.65. **“Production at Sole Risk”**: The monthly amount of Oil produced from the reservoir or reservoirs included in the “Sole Risk Project”, minus the monthly amount that the reservoir or reservoirs would have produced had the Sole Risk Project not been carried out, as per the estimation made by the Management Committee prior to the Sole Risk Project commencement and regularly revised.
If, as a result of the conduction of the "Project at ANCAP's Sole Risk", there is a decrease in primary production for a specific month, ANCAP shall compensate the Contractor in kind for any such decrease as set forth in the Sole Risk Agreement.
- 2.1.66. **“Available Production”**: The volume of Hydrocarbons that may be produced during a specific Calendar Year, according to MER, from the wells to be drilled and the facilities to be built according to the schedules approved by the Management Committee.
- 2.1.67. **“Actual Production”**: The total amount of Hydrocarbons actually extracted from each reservoir, minus the volumes used in Petroleum Operations, flared or venting, once they are ready for commercialization.
- 2.1.68. **“Production” or “Production Operation” or “Production Stage”**: All appropriate operations required in order to extract Hydrocarbons according to the best international practices of the petroleum industry, including, in addition to collection, the treatment and storage of Hydrocarbons, inter alia, the recompression, Maintenance of Pressure, water displacement, as well as any other activity within Primary, Secondary and Tertiary Recovery.
- 2.1.69. **“Profit Oil”**: The amount of Production after deducting Cost Oil from the Actual Production.

- 2.1.70. **“Abandonment Program”**: is the program that the Operator must submit to the Management Committee to comply with the provisions of Clause 11.
- 2.1.71. **“Development Program”**: is the program whose contents are described in section 10.1.3, which shall be submitted upon the approval of the Exploitation Lot demarcation.
- 2.1.72. **“Evaluation Program”**: The program which shall determine whether the Field is commercially exploitable or not, approved pursuant to Section 9.6.1.
- 2.1.73. **“Committed Exploratory Program (PEC)”**: The Work Program proposed by the Contractor for the Basic Subperiod described in Annex II.
- 2.1.74. **“Agreed Exploratory Program (PEA)”**: The Work Program proposed by the Contractor and approved by the Management Committee for Supplementary A or B, and Extension Subperiods.
- 2.1.75. **“Exploitation Program”**: is the Program that must be submitted when making the Declaration of Commercial Discovery, whose contents are described in section 9.6.5.
- 2.1.76. **“Work Program”**: is the document submitted by the Contractor and approved by the Management Committee that describes all the Petroleum Operations to be performed in a Calendar Year.
- 2.1.77. **“Sole Risk Project”**: The project of carrying out Secondary or Tertiary Recovery operations, at ANCAP's sole cost and risk, and to its benefit.
- 2.1.78. **“Inspection Point”**: The place(s) agreed upon by the Executive Branch and the Contractor where volumetric measurements shall be taken in order to determine production volumes, and where ANCAP shall compensate the Contractor in kind for the services rendered hereunder by transferring the full ownership of the corresponding portion of the Actual Production, as set forth in Clause 17. Its location shall be proposed as part of the Exploitation Program, pursuant to section 9.6.5.
- 2.1.79. **“Secondary recovery”**: The operations carried out in order to increase the final recovery of Hydrocarbons in a Field. “Pressure Maintenance”, as defined in section 2.1.42 is not considered Secondary Recovery. In order to determine the maximum economically viable and efficient rate for Secondary Recovery, the following shall be taken into account: the characteristics mentioned in section 2.1.44 hereinabove, investments and expenses arising from operations carried out during Exploitation under several alternative programs and economic factors thereof so that the Contractor shall not be bound to make any investment, including increases thereof, which are not reasonably profitable, under the assumption that all reserves of liquid Hydrocarbons, if produced, shall be marketable at a reasonable commercial price.

- 2.1.80. **“Reserves”**: The total amount of Hydrocarbons which may be extracted from a Field during the Contract term, under the assumption that such field is exploited at MER.
- 2.1.81. **“Sub-contractor”**: Company that conducts some Petroleum Operations at the Contractor’s request.
- 2.1.82. **“Tax”**: Taxes, duties and special contributions of any type or nature, as defined by the National Tax Code of *República Oriental del Uruguay*.
- 2.1.83. **“Field” or “Production Field”**: One or several Hydrocarbon reservoirs grouped or related between them within what is interpreted as the termination of a geological structure or a stratigraphic trap. This shall also comprise any Hydrocarbon reservoir located near such structure or trap, which can be developed through wells managed from a sole platform, and/or which may use the same Production equipment or facilities.

2.2. INTERPRETATIONS

2.2.1. HEADINGS

The headings in this Contract are for convenience only and shall not be construed as having special importance, or as an indication that all the provisions of this Contract on a certain topic shall be found in a specific clause or provision.

2.2.2. SINGULAR AND PLURAL

All references to the singular herein shall also include the plural and vice versa.

2.2.3. INCLUDE

The words "include(s)" and "including" mean including without limitation. They are used in an illustrative, non-restrictive sense and shall not be construed to limit the generality of any description preceding or following such term.

CLAUSE 3 - OBJECT

- 3.1. ANCAP hereby commissions the Contractor to undertake, on an exclusive basis, on behalf of ANCAP, any works relating to the Exploration, and eventual Exploitation of Hydrocarbons in the Contract Area.
- 3.2. The Contractor shall undertake all risks, costs, and liabilities related to Petroleum Operations notwithstanding the provisions of Section 10.5. The Contractor must, on its own account, provide technology, machinery, equipment, personnel, capital, and other investments as may be necessary for the Exploration of the Area, as well as subsequent Development and Production of the Fields, that may be eventually discovered and deemed commercially exploitable.

- 3.3. The Contractor shall not be entitled to any mining right whatsoever on the Fields that may be discovered in the Area, nor to any right on the Hydrocarbons that may be extracted, notwithstanding, for the latter, the provisions of Clause 17.
- 3.4. ANCAP does not make any warranty as to the existence, quality or quantity of Hydrocarbons that may possibly exist in the Area. Consequently, ANCAP is not bound to provide any indemnification whatsoever.

CLAUSE 4 - TYPE OF CONTRACT

Under this Contract, the Contractor shall assume all risks; ANCAP shall compensate the Contractor with a portion of the Production available; compensation shall be paid according to percentages previously agreed upon in Clause 17 of the Contract (Production Sharing Agreement).

CLAUSE 5 - TERM

- 5.1. The term of the Contract shall be thirty (30) Years, counted as from the effective date of the Contract, pursuant to the provisions of section 5.3. without prejudice to the provisions of Section 5.2., and shall comprise all Exploration and Exploitation Periods,
- 5.2. ANCAP may extend the term of the Contract up to a maximum of ten (10) Years, upon the Contractor's well-founded request, provided that the Contractor has fully complied with the obligations arising from the Contract, at ANCAP's entire discretion, and upon approval by the Executive Branch.
- 5.3. The extension may be requested after twenty-five (25) Years as from the effective date of the Contract, and two (2) Years before expiration notwithstanding an agreement between the Parties, which will be subject to the previous approval of the Executive Branch.
- 5.4. The Contract shall be effective ninety (90) Days after execution. The Parties may agree on an Effective Day earlier than said initial term.
- 5.5. The provisions of section 5.1 or 5.2 shall remain valid notwithstanding the provisions of Clause 21.

SECTION II

RIGHTS AND OBLIGATIONS OF THE PARTIES

CLAUSE 6 - RIGHTS AND OBLIGATIONS OF THE CONTRACTOR

- 6.1. The Contractor shall have the exclusive right to carry out the activities hereunder within the Area.
- 6.2. The Contractor binds itself to perform the obligations hereunder in an efficient, diligent, and expert manner. In addition to the obligations undertaken pursuant to other clauses of the Contract, the Contractor must:
 - 6.2.1. Carry out Petroleum Operations in accordance with the good practices used in the international petroleum industry regarding operations, security, conservation of resources and environment protection by employing modern, efficient machinery and applying suitable technology and methods in order to carry out the activities so as to maximize oil recovery from the reservoirs.
 - 6.2.2. Maintain buildings, wells, facilities, machinery, equipment, and any other property necessary to perform the activities hereunder in good operating conditions.
 - 6.2.3. Keep ANCAP regularly informed of the operations, and of any other matter related to Petroleum Operations and provide any other piece of information related with the Contract upon ANCAP's request.
 - 6.2.4. Keep sufficient accounting records in its local offices pursuant to the legal and regulatory provisions and common practices of *República Oriental del Uruguay*, and those practices specific of the petroleum industry, as well as any other book or record related to the activities hereunder.
 - 6.2.5. Allow ANCAP, according to the Accounting Procedure, and any other competent State inspection entity, in accordance with the applicable law, to audit the accounting records.
 - 6.2.6. Keep complete records of Hydrocarbons produced and stored in the Contract Area, which may be audited by ANCAP and/or the Executive Branch through the Ministry of Industry, Energy and Mining.
 - 6.2.7. Assume full and exclusive responsibility for any and all damages caused by the Contractor, its personnel or Subcontractors.
 - 6.2.8. Adopt preventive safety measures regarding its personnel, the facilities, buildings, and vehicles used, including those belonging to Subcontractors.

- 6.2.9. The Contractor, within the framework of the laws of *República Oriental del Uruguay*, will employ adequate mechanisms to minimize any inconveniences that the activities hereunder may cause to other economic activities carried out in the Area, or its surroundings.
- 6.2.10. Take, at its own expense and risk, all the appropriate steps for the conservation of reservoirs and of any other natural resources, and for the protection of the air, the soil, surface and underground waters, in compliance with the legislation of Uruguay and environmental authority regulations, or in their absence, with the petroleum industry best practices.
- 6.2.11. Comply with all national laws of *República Oriental del Uruguay*, International Treaties and Agreements about Environment protection in force or passed during the Contract term.
- 6.2.12. Take into consideration the guidelines, recommendations and requirements included in the latest edition of the Onshore Operations' Guidelines approved by ANCAP.
- 6.2.13. Take all appropriate measures in emergency situations and upon any Unforeseeable Circumstances beyond the Control of the Parties, including, but not limited to, the performance of all necessary activities to clean and decontaminate surface and groundwater, as well as any other land, in the event of contamination.
- 6.2.14. Notify competent authorities in advance, at least two (2) Working Days, the commencement of activities aimed at fixing or anchoring facilities, devices, instruments or signals within the Contract Area.
- 6.2.15. Request written authorization from ANCAP or any other competent authority, to disassemble and decommission facilities.
- 6.2.16. Mark all buildings, facilities, devices, instruments or signals fixed within the Contract Area, in accordance with effective laws.
- 6.2.17. Have all necessary resources to determine latitude and longitude, of any spot within the Contract Area, with a maximum error margin of $\pm 1/5$ second.
- 6.2.18. Keep any information, document, or trade secret related to ANCAP or its activities under strict confidentiality as set forth in Clause 23.
- 6.2.19. Fully inform ANCAP or any other competent Government Entity of the existence of mineral, hydrological and other reserves discovered as a result of the Petroleum Operations.

- 6.2.20. Allow ANCAP and other competent Government Entities to control compliance with the Contractor's obligations, and facilitate activities of inspectors appointed to supervise Petroleum Operations.
- 6.2.21. Provide, at its own expense, all the information, environmental impact assessments and specific technical studies required for the purposes of obtaining applicable environmental licenses. The documents shall be reviewed by ANCAP and, if necessary, corrected by the Contractor until a mutually satisfying agreement is reached on their content.
- 6.2.22. Provide ANCAP with any technical and economic data collected as a result of the Contract execution, in accordance with the provisions set forth in Clause 19. Provide the Executive Branch with any technical and economic data collected as a result of the Contract execution, as requested by such body, in accordance with the provisions set forth in Clause 19.
- 6.2.23. Inform ANCAP of the names and relevant background of Subcontractors hired to carry out one or more activities hereunder, for the purposes of section 8.4.7. Inform the Executive Branch, when it so requests, the names and relevant background of Subcontractors hired to carry out one or more activities hereunder
- 6.2.24. Make sure Subcontractors comply with the same obligations undertaken by the Contractor which also apply to them.
- 6.2.25. Have adequate transfer of the risks of suffering and/or causing damages or loss, which may arise as a result of the activities hereunder. The amounts of the insurance to be taken for the transfer of risks shall be analyzed in due time in accordance with existing petroleum industry best practices.
- 6.2.26. Request, apply for, and obtain all the permits and authorizations, as may be required, related to the activities hereunder and bear all related costs.
- 6.2.27. Pay all expenses of any kind that may directly or indirectly arise from steps taken to obtain the abovementioned authorizations, permits, etc. referred to in the previous paragraph.
- 6.2.28. The Contractor shall not suspend Petroleum Operations totally or partially, without prior authorization of the Management Committee, except as a result of Unforeseeable Circumstances beyond the Control of the Parties, pursuant to Section 21.6, or any emergency related to the health, safety and/or the environment.
- 6.2.29. Train ANCAP's personnel selected by ANCAP and the Contractor in the Management Committee, within the limit provided in Section 6.2.35. By way of example, but not limited to, the Contractor must train ANCAP's personnel so that when transfer provided for in Clause 12 takes place, said personnel is capable of maintaining the operation.

- 6.2.30. Grant officials authorized by ANCAP and other officials from competent State bodies full powers so that they can comply with their duties and obligations herein undertaken, including transportation, lodging, food, and other services, in the same conditions as those granted to the Contractor's personnel.
- 6.2.31. Refrain from exploiting natural resources other than Hydrocarbons discovered in the Contract Area (except from water used to perform Petroleum Operations and only for such usage), even if they are discovered while exploring for Hydrocarbons.
- 6.2.32. Indemnify and hold ANCAP harmless, as the case may be, from any claim, legal action and other charges from third parties that may be damaged by the Contractor's and Subcontractors' activities. Expenses incurred by the Contractor on this account shall not be considered Cost Oil.
- 6.2.33. Timely notify ANCAP about any legal proceeding related to this Contract.
- 6.2.34. Within thirty (30) Days after the end of each Calendar Month, the Contractor must provide ANCAP with a list of the contracts executed with Subcontractors during said Month, and when ANCAP and/or the Executive Branch so requests, the Contractor must provide a copy of the relevant information of the contracts entered into with the Subcontractors.
- 6.2.35. Make available to ANCAP in each Calendar Year, and during the Exploration Period of the Contract, the amount of US\$10,000 (ten thousand US Dollars), for investment in training, net and free from any bank charges. Make available to the Executive Branch through the MIEM in each Calendar Year, and during the Exploration Period of the Contract, the amount of US\$10,000 (ten thousand US Dollars), for investment in training, net and free from any bank charges.
- In the first and last year of the Exploration Period, the abovementioned amounts shall be prorated for the months in which the Contract is effective.
- Said amounts shall not be considered a Cost to the purposes of section 17.1.1.
- The Contractor must inform ANCAP of the training programs developed for the Contractor's personnel. ANCAP has the right to request the inclusion of designated employees in such programs, taking into account the cost of such request within the maximum amount established in this clause.
- Likewise, within said maximum amount, upon ANCAP's request, the Contractor binds itself to develop a training program for Uruguayan professionals.

6.2.36. Make available to ANCAP in each Calendar Year, and during the Explotation Period of the Contract, the sum in Dollars equivalent to 2,500 (two thousand five hundred) barrels of oil valued at the price stipulated in 17.2.4.1, for investment in training, net and free from any bank charges. Make available to the Executive Branch through the MIEM in each Calendar Year, and during the Explotation Period of the Contract, the sum in Dollars equivalent to 2,500 (two thousand five hundred) barrels of oil valued at the price stipulated in 17.2.4.1, for investment in training, net and free from any bank charges.

In the first and last year of the Explotation Period, the abovementioned amounts shall be prorated for the months in which the Contract is effective.

Said amounts shall not be considered a Cost to the purposes of section 17.1.1.

The Contractor must inform ANCAP of the training programs developed for the Contractor's personnel. ANCAP has the right to request the inclusion of designated employees in such programs, taking into account the cost of such request within the maximum amount established in this clause.

Likewise, within said maximum amount, upon ANCAP's request, the Contractor binds itself to develop a training program for Uruguayan professionals.

- 6.3. In case of Contract expiry or termination and provided that the Contractor has complied with all its obligations in full, the Contractor shall be released of all responsibility except for:
- a) Events, breaches, actions or omissions of any nature occurring, or arising from causes or claims occurring, prior to the date of Contract expiry or termination.
 - b) Any amounts that ANCAP or the Executive Branch has an obligation to pay for liabilities of any kind, including employer, social security, environmental, and fiscal liabilities, and those arising from professional fees and any hidden liabilities and contingencies of any kind or nature arising from events, breaches, actions or omissions of any nature occurring, or arising from causes or claims occurring, prior to the date of Contract expiry or termination.

CLAUSE 7 – LOCAL CONTENT

7.1. The Contractor shall hire, to the extent possible, Uruguayan technical and non-technical personnel for the Petroleum Operations hereunder. Moreover, the Contractor shall ensure that its Subcontractors also comply with this obligation.

To such end, the Contractor and/or its Subcontractors agree to provide training to Uruguayan personnel in technical tasks, so that said personnel may gradually replace foreign personnel in said activities. The above excludes executive positions, and those positions necessary to carry out specialized tasks in relation to Petroleum Operations.

7.2. The Contractor shall use, to the extent possible, products and materials manufactured in Uruguay, and services rendered by Uruguayan companies, as long as said products, materials, and services are comparable and competitive in terms of price and quality with products, materials, and services that may be obtained abroad. Moreover, the Contractor shall ensure that its Subcontractors also comply with this obligation.

- 7.3. For the purposes of complying with the requirements of sections 7.1 and 7.2, the Contractor shall submit an annual local content acquisition and hiring plan for the Petroleum Operations, which shall contain an analysis of the acquisition and hiring of local products, materials, services and personnel in the Petroleum Operations. The Executive Branch shall be informed of it through the MIEM, and the Management Committee shall approve it.

CLAUSE 8 - RIGHTS AND OBLIGATIONS OF ANCAP

- 8.1. ANCAP, owner of the technical information, shall have the right to use the data related to the Area that the Contractor discloses pursuant to sections 6.2.3 and Clause 19. During the term of this Contract, said information may not be disclosed to third parties, without the Contractor's prior consent, which shall not be unreasonably denied. Once an Area or a portion of it has been returned, ANCAP shall have the right to use and disclose the technical information on such Area returned by the Contractor to third parties without restrictions.
- 8.2. ANCAP shall have the amplest powers to control and inspect all the Contractor's activities comprised in the purpose of the Contract.
- 8.3. ANCAP reserves the right to request from the Contractor the presentation of the names and relevant background of its hierarchical personnel entrusted to carry out the Petroleum Operations.
- 8.4. In addition to the obligations undertaken by virtue of other clauses of the Contract, especially the obligation to compensate the Contractor in the event of Exploitation of a Reservoir, ANCAP shall diligently:
- 8.4.1. Cooperate and assist the Contractor in obtaining all permits, authorizations, registrations, inspections, water use, encumbrances and rights of way that the Contractor must request and apply for where relevant.
- 8.4.2. Execute, when the Contractor and/or any Contractor Member so requires, certificates of necessity for the prosecution and execution of all permits, visas, labor authorizations, and other similar requirements for the Contractor's, Contractor Members' and Subcontractor's foreign personnel, enabling employees to enter the country and stay in Uruguay for as long as the Contractor needs for the performance of Petroleum Operations hereunder. This obligation includes spouse and members of the family of said foreign employees, when they wish to join them and stay in the country
- 8.4.3. Upon the Contractor's request, execute the necessary certificates to obtain radio frequencies and licenses, or authorizations to operate planes, helicopters, and vessels and to allow foreign personnel maintain said means of transport.

- 8.4.4. Upon the Contractor's request, execute any certificate to submit before competent entities, for temporary admission or import of raw materials, manufactured or semi-manufactured products, tools, and vehicles for marine, land and air transportation, complete and incomplete facilities, structures, devices, and any other element related to Petroleum Operations.
- 8.4.5. Assist and cooperate with the Contractor to obtain environmental licenses that may be applicable for compliance with the Contract.
- 8.4.6. Allow the Contractor to use means of transport or facilities mentioned in section 10.5, provided this does not hinder ANCAP's operations. The Contractor shall pay ANCAP the fee mutually agreed upon considering international rate indexes for similar situations.
- 8.4.7. Within the framework of the Administration Committee, authorize the Subcontractors hired by the Contractor to perform one or more Petroleum Operations, except when ANCAP deems it inconvenient and duly justifies said decision.

SECTION III

PERFORMANCE OF PETROLEUM OPERATIONS

CLAUSE 9 - EXPLORATION PERIOD

9.1. TERM

The Exploration Period shall comprise the following subperiods:

- 9.1.1. Basic Subperiod: This period shall last four (4) Years.

The Contractor may, at the end of the Basic Subperiod, choose either to proceed to the Supplementary Subperiod A or to proceed to Supplementary Subperiod B.

- 9.1.2. Supplementary Subperiod A: It shall last three (3) Years and it shall be optional for the Contractor.

- 9.1.3. Supplementary Subperiod B: It shall last two (2) Years and it shall be optional for the Contractor.

The Contractor, at the end of Supplementary Subperiod A or Supplementary Subperiod B, depending on the option it had taken, may choose to proceed to the Extension Subperiod.

- 9.1.4. Extension Subperiod: It shall last three (3) Years, without prejudice of provisions in section 9.9.5 and it shall be optional for the Contractor as well.
- 9.1.5. The Contractor must notify ANCAP and the Executive Branch through the MIEM in writing, no later than thirty (30) Days before the expiration of each Subperiod, of its decision, should it chooses to proceed to the subsequent Subperiod. The Contractor must also then submit to the Management Committee any information and studies regarding the obligations arising from the Work Program for said Subperiod, together with the Work Program Proposal and Budget corresponding to the requested Subperiod, which shall be subject to ANCAP's authorization.
- 9.1.6. The Contractor must start Petroleum Operations before thirty (30) Days have elapsed from the effective date of the Contract.

9.2. MINIMUM CONDITIONS

For the Area, the following conditions and obligations apply to each Subperiod of the Exploration Period:

- 9.2.1. Basic Subperiod: The Contractor must fully comply with the "Committed Exploratory Program" (PEC), which includes _____, as described in Annex II.
- 9.2.2. Supplementary Subperiod A: By the end of the Basic Subperiod, the Contractor may choose to proceed to this second Subperiod, and this implies that the Contractor assumes the commitment to drill at least two (2) Exploration Wells in this Subperiod.
- 9.2.3. Supplementary Subperiod B: By the end of the Basic Subperiod, the Contractor may choose to proceed to this second Subperiod, and this implies that the Contractor assumes the following commitments:
- Return at least fifty percent (50%) of the Area, which may be divided in up to two parts.
 - Commit to perform a minimum of _____ WU (1000 UT) in this Subperiod, valued according to Table 4 of the Bidding Terms, as applicable.
- 9.2.4. Notwithstanding the abovementioned condition, the Contractor may submit to ANCAP a proposal to modify the Committed Exploratory Program of the Basic Subperiod, or the Agreed Exploratory Program of the Supplementary Subperiod B, provided that it meets the following conditions:
- That the total value of Working Units of the new PEC or PEA is the same or higher than the original PEC or PEA; and
 - That the proposal is technically justified in such a way that the exploratory work committed in the original PEC or PEA is substituted by others that, in the opinion of ANCAP, mean qualitatively equal or greater technical contribution than the originally proposed programs.

ANCAP will decide on such proposal to modify the PEC or PEA and will not deny it for unfounded reasons. In case ANCAP approves such modification, the Management Committee shall approve the new Work Program and the new Budget in accordance with the modified PEC or PEA.

9.2.5. Extension Subperiod: This Subperiod is also a voluntary option for the Contractor. In order to choose for this Subperiod, the Contractor must assume the following commitments:

- a) Return at least thirty per cent (30%) of the Area, which may be divided in up to two parts.
- b) Commit to drill two (2) new Exploratory Wells in this Subperiod.

9.2.6. The provisions of sections 9.2.3a) and 9.2.5a) shall apply to the Contract Area, excluding the areas corresponding to Evaluation Lots and/or Exploitation Lots.

9.2.7. During the Contract Basic Subperiod, the Contractor shall have the obligation to submit to the Management Committee for its approval a Work Program and a Budget in accordance with the Committed Exploratory Program.

9.2.8. To be able to proceed to an Exploration Subperiod that includes the drilling of an Exploratory Well, the Contractor must have a qualification that allows it to do so. Therefore, the Contractor must:

- When proceeding from the Basic Subperiod to the Supplementary Subperiod A, or at the time of moving to the Extension Subperiod, prove that it meets the requirements stipulated in 7.2 and 7.3 of the Bidding Terms for the Exploration Subperiod with Exploratory Well, as appropriate to the corresponding area, or
- Transfer, subject to the provisions of paragraph 24.1.1, between 35% and 90% of the Contract to a company that meets the requirements stipulated in 7.2 and 7.3 of the Bidding Terms for Exploration Subperiod with Exploratory Well, as appropriate to the corresponding area, which will have the role of Operator of the Exploration Subperiod with Exploratory Well.

In the event that the Contractor requests to proceed to an Exploration Subperiod or to carry out a Committed Exploratory Program that includes the drilling of an Exploratory Well, but is not qualified to do so, because of not complying with the provisions of this section, the area must be returned to ANCAP, according to the provisions of Clause 19.

9.3. EASEMENTS

With respect to the surface of the Area, the Contractor shall request on behalf of ANCAP the occupation and/or access and/or pipelines easements that are necessary for the purpose of executing the Petroleum Operations corresponding to each stage of the Contract.

9.3.1. Progressive Easements

The Contractor, during the Contract term, may request progressively before the Executive Branch, the occupation and/or access and/or pipelines easements, for those lands which are of interest for effectively conducting Petroleum Operations and require its access.

9.3.2. Suspension of Deadlines

9.3.2.1. The calculation of the respective terms provided in this Clause 9 will be suspended from the accreditation by the Contractor of having initiated in due form, before the Executive Branch, the procedures for obtaining the occupation and/or access and/or pipelines easements, technically necessary to execute the activities included in the Committed Exploratory Program, the Agreed Exploratory Program, the Evaluation Program, the Exploitation Program, or the Ancillary and/or Supplementary Operations, respectively. The respective terms will begin to be computed again once the resolution declaring the occupation and/or access and/or pipelines easements necessary for the execution of the aforementioned works, has been issued.

9.3.2.2. The respective terms will be suspended again if, notwithstanding the declaration of easement, the land owner hinders the exercise of the declared easements. In such cases, the term will begin to be computed again once the effective exercise of the right granted by the easement has been made possible.

9.3.2.3. The term of suspension of the Basic, Supplementary and Extension Periods will be one (1) year per Subperiod, respectively, provided that the easement(s) have been requested for the execution of activities of the Committed Exploratory Program or the Agreed Exploratory Program. The same period of one (1) year of suspension will apply for the execution of the activities included in the Evaluation Program, the Exploitation Program and the Ancillary and/or Supplementary Operations, as long as the easement(s) have been requested for activities specific to such programs and operations or were necessary to perform them.

9.3.2.4. The request of occupation and/or access easements for the purpose of performing other complementary activities not included in the aforementioned programs or operations, will not suspend the computation of the terms of the Contract, unless the Management Committee decides otherwise, considering the importance of such activities. In any case, the suspension of the computation of the term of the Contract, may not exceed what is stated in section 9.3.2.3.

9.3.3. Payment of Easements

The payment of the price corresponding to the imposition or exercise of the easements necessary for the execution of Petroleum Operations, shall be borne by the Contractor, who shall proceed to pay them appropriately. Such payments shall be considered as Costs, as established in section 17.1.

9.4. SUSPENSION OF TERMS DURING ENVIRONMENTAL AUTHORIZATIONS PROCESSES

9.4.1. The calculation of the corresponding terms provided in this Clause 9 of the Contract shall be suspended from the accreditation by the Contractor of having submitted to the competent authority the information required in sections 6.2.21 and 22.9, until the corresponding environmental authorization has been granted, subject to the provisions of paragraph 9.4.2.

9.4.2. The suspension terms of the Basic, Supplementary A, Supplementary B and Extension Subperiods will be one (1) Year per Subperiod respectively, provided that the corresponding environmental authorization has been requested for performing activities included in the Committed Exploratory Program or the Agreed Exploratory Program. The same period of one (1) Year of suspension will apply for the execution of activities included in the Evaluation Program, the Exploitation Program and the Ancillary and/or Supplementary Operations, as long as the corresponding environmental authorization has been requested for specific activities included in these programs and operations or were necessary to perform these activities.

9.4.3. The request for environmental authorizations for the purpose of performing other supplementary tasks not included in the aforementioned programs or operations, shall not suspend the calculation of the terms of the Contract, unless the Management Committee decides otherwise, according to the importance of the activity. In any case, the calculation of the suspension term of the Contract, may not exceed what is stipulated in section 9.4.2.

9.5. The suspension terms referred to in paragraphs 9.3.2.3 and 9.4.2 are not cumulative, so the suspension term of any subperiod or period will be one (1) year maximum.

9.6. IN THE EVENT OF A COMMERCIAL DISCOVERY

9.6.1. In the event Hydrocarbons are discovered in an Area, the Contractor shall notify ANCAP and the Executive Branch through the MIEM of such event within thirty (30) Days of such discovery, and the Operator shall submit to the Management Committee within one hundred and eighty (180) Days of such discovery, the Evaluation Program to be developed in order to determine if the Reservoir is commercially exploitable or not. Likewise, the Operator shall inform if such well may be exploited together with other discoveries and shall delimitate the other discovery(ies) in the program mentioned above. Additionally, the Operator shall delimitate the Evaluation Lot(s) in the Evaluation Program and submit the Work Program and Budget to the Management Committee to carry out the program proposed. The Management Committee shall make every reasonable effort to approve the Evaluation Program within a maximum term of thirty (30) Days after it has been submitted to the Management Committee. Upon expiration of said term, if the

Management Committee has not replied, or has rejected the Evaluation program, the provisions of section 30.2 shall apply. Notwithstanding this, the Parties may agree to use their best efforts to adjust the Evaluation Program in order to obtain the Management Committee's approval.

- 9.6.2. The Contractor shall have one (1) Year, as from the approval of the Evaluation Program, to comply with said program, and to declare whether the Reservoir is commercially exploitable or not, notwithstanding compliance with pending Exploration obligations in the remaining Area.
- 9.6.3. Upon the Contractor's request, the evaluation term may be extended by ANCAP if technical/and or commercial reasons justify it, and such request shall not be unreasonably denied. If the Management Committee approves an Evaluation Program with an execution term of more than one (1) Year, this will be deemed grounds for ANCAP to authorize the extension of the term of execution of the Evaluation Program and, as a result, the withholding of the Lot under Evaluation.

The extension of the term of the Evaluation Program will be computed for the purposes of the term provided in section 5.1, so it does not imply in any case the extension of the maximum term of this Contract.

- 9.6.4. Upon completion of the Evaluation Program, the Contractor shall decide whether to issue a Declaration of Commercial Discovery. In order to proceed to issue a Declaration of Commercial Discovery and be enabled to move to the Exploitation Period, the Contractor shall:
- Provide, at the time of the Declaration of Commercial Discovery, evidence of compliance with the requirements set forth in 7.2 and 7.3 of the Bidding Terms as applicable for the area in question, or
 - Assign 40% or more of the Contract to a company that complies with the requirements set forth in 7.2 and 7.3 of the Bidding Terms, as applicable for the area in question, which shall take on the role of Operator for the Exploitation Period.

In the event that the Contractor has chosen to issue the Declaration of Commercial Discovery, but does not comply with the provisions of this section, it shall return the area to ANCAP, and the provisions of Clause 19 shall apply.

- 9.6.5. In the event the Contractor determines that the Reservoir is commercially exploitable, the Contractor must notify ANCAP and the Executive Branch through the MIEM of the Declaration of Commercial Discovery and demarcate Exploitation Lot(s). Likewise, the Operator shall submit the proposed "Exploitation Program", which shall contain the following, without limitation to the best international practices of the petroleum industry:
- Geological evaluation and interpretation of all reservoirs under development.
 - Physical and chemical characteristics of discovered Hydrocarbons and percentage of associated products and impurities contained therein.
 - An estimate of proven, probable, and possible reserves, which must include, without limitation, most probable estimate, including rock and fluid parameters used for the estimates.
 - Estimated production profiles for the reservoir(s), during the term of this Contract.
 - Development schedule, together with estimated number of Development wells and production capacity.
 - Proposal of location of the Inspection Point.
 - Proposal of MER.
 - Environmental and safety measures.
 - General proposed tentative schedule of all the activities to be performed.
 - Estimated date when Production shall begin.
 - Detailed economic evaluation, including Hydrocarbons prices, and production and operation costs, in the most probable scenario, and other pertinent alternative scenarios.
 - Estimated investments, expenses, and specific Production and Abandonment costs, as well as any other information the Contractor deems appropriate must be included.
- 9.6.6. Upon previous approval by the Executive Branch, ANCAP shall have up to one hundred and twenty (120) Days to evaluate Exploitation Lot(s) demarcation and the Exploitation Program. Upon expiration of such term, if ANCAP has not objected in writing, the proposed demarcation and program shall be deemed accepted.
- Should ANCAP reject the Exploitation Program, provisions of Section 30.2 shall apply, notwithstanding that the Parties may agree to use their best efforts to adjust the Exploitation Program proposal in order to secure ANCAP's approval.
- 9.6.7. The approval of the demarcation of the Exploitation Lot (s) and the Exploitation Program shall enable the Contractor to move on to the Exploitation Period, in accordance with the terms and conditions of this Contract.
- 9.6.8. If, upon completion of the Evaluation program, the Reservoir is found to be commercially exploitable for the Contractor, and subsequent discoveries which may allow joint exploitation are made, the Contractor may choose not to propose the Declaration of Commercial Discovery for a term equivalent to the term remaining for the expiration of the Exploration Period, including all Subperiods, as defined in section 9.1. In such an event, and as long as the Reservoir is not declared commercially exploitable, the corresponding area shall still be considered as Evaluation Lot(s).

- 9.6.9. If the Contractor makes one or more discoveries of Hydrocarbons, which due to lack of market or limitations to their access and/or non-existence or insufficiency of transportation, cannot be declared commercial, the Contractor may retain the corresponding Evaluation Lot(s) for a term that will be set by the Parties and will not exceed 5 Years. The term of the corresponding Retention Period will be defined independently of the remaining time for the expiration of the Exploration Period and will be computed for the purposes of the term provided in section 5.1, so it does not imply in any case the extension of the maximum term of this Contract.
- 9.6.10. In the event the Contractor finds that a discovery is not commercially exploitable by itself or together with others, the Contractor must notify so immediately to ANCAP, and the corresponding Evaluation Lot shall be removed from the Area. ANCAP may order exploitation for its own convenience, and the Contractor shall not be entitled to any indemnification whatsoever.
- 9.6.11. During the Exploration Period, the Contractor is authorized to carry out other activities consistent with the purpose of the Contract, but that may not fall within the scope of the programs undertaken for each Subperiod, if authorized by the Management Committee. These activities shall not decrease the Contractor's obligation regarding work undertaken, and shall be considered, if applicable, as partial compliance with the obligations assumed for subsequent Exploration Periods.
- 9.6.12. If any commercially exploitable discoveries are made during any of the Subperiods, the Contractor shall continue with the Work Program for said Subperiod, according to the decisions of the Management Committee, in such Areas situated outside the boundaries of the Exploitation Lots, upon which the Contractor has rights.

9.7. MANDATORY RELINQUISHMENT

For the Area, the following conditions shall apply for the mandatory relinquishment of Lots:

- 9.7.1. In order to proceed to the Supplementary Subperiod B, the Contractor must relinquish part of the Contract Area, pursuant to the provisions of section 9.2.3. This would not apply to Evaluation Lots since, if their area exceeds fifty percent (50%) of the Contract Area, the Contractor shall have to relinquish only the remaining part.
- 9.7.2. In order to proceed to the Supplementary Subperiod B, the Contractor must relinquish part of the Contract Area, pursuant to the provisions of section 9.2.5. This would not apply to Evaluation Lots since, if their area exceeds seventy percent (70%) of the Contract Area, the Contractor shall have to relinquish only the remaining part.

- 9.7.3. If the Contractor does not comply with the provisions of section 9.6.12, the Area outside the limits of the Exploitation Lots must be removed.
- 9.7.4. In the case established in section 9.6.10, the Contractor must remove the Evaluation Lot.

9.8. VOLUNTARY RELINQUISHMENT

Provided the Contractor has fully complied with the obligations undertaken by virtue of this Contract, the Contractor may, at any time of the corresponding Subperiod, voluntarily waive any portion of the Area, without incurring in any penalty whatsoever, giving written notice of such decision to ANCAP at least thirty (30) Days in advance. The remaining area must comply with the requirements established in section 9.7.

9.9. EARLY TERMINATION OF THE CONTRACT DURING EXPLORATION PERIOD

- 9.9.1. The Contractor may, at any time during the Exploration Period, terminate the Contract, without incurring in any penalty whatsoever, giving written notice of such decision to ANCAP at least thirty (30) Days in advance, provided the obligations established in section 9.2 have been fully complied with for each corresponding Subperiod.
- 9.9.2. In any case of Contract termination, the Contractor must submit evidence that the Contractor has performed the activities, paid the corresponding amounts, and disclosed the information established in Clause 19.
- 9.9.3. Should the Contractor choose to terminate the Contract during any of the Exploration Period Subperiods without having complied with the obligations established for the corresponding Subperiod, the Contractor shall pay ANCAP the total costs of the works undertaken for said specific Subperiod:
- For the Basic Subperiod, the amount to be paid shall be calculated on the basis of the difference between committed and effectively completed Working Units, multiplied by the value of the Working Units stated in section 13.1 of the Bidding Terms (Annex V). The total value of the Working Units of the Committed Exploratory Program of the Basic Subperiod is set at _____ Dollars (_____ US\$).
 - For the Supplementary Subperiod and the Extension Subperiod, the amount to be paid shall be calculated using the estimated costs approved by the Management Committee in the Agreed Exploratory Program(s).

- 9.9.4. The Contract shall expire when the Contractor does not make a commercial discovery during the Exploration Period.
- 9.9.5. Notwithstanding the above, in the event the Contractor makes a discovery during the last year of the Extension Subperiod and, at ANCAP's sole discretion, the Contractor has complied with its obligations related to the number of drillings, the Contractor may choose to extend the term for one (1) additional Year, in order to determine if such discovery is commercial or not, pursuant to the provisions of section 9.6. The Contract shall expire when the Contractor declares that the discovery does not have any commercial interest. If the Contractor fails to issue any declaration, Contract shall terminate at the end of said additional year.

CLAUSE 10 - EXPLOITATION PERIOD

10.1 TERM AND TECHNICAL CONDITIONS

- 10.1.1. The Contractor shall have a maximum term of twenty-five (25) Years to carry out Development and Production activities in each Exploitation Lot, notwithstanding the provisions of Clause 5, regarding total duration of the Contract. This term shall be counted as from the approval of the delimitation of the Exploitation Lot, pursuant to the proceedings described in sections 9.6.5 and 9.6.6.
- 10.1.2. The Contractor shall commence exploitation activities on Hydrocarbons discovered, in accordance with the Development Program approved by ANCAP and the Executive Branch through the MIEM, which shall specify that production shall be accomplished according to the MER rate. Said Development Program must be submitted by the Operator within one hundred and eighty (180) Days after the delimitation of the Exploitation Lot has been approved.
- 10.1.3. The "**Development Program**" shall be prepared by the Operator, and submitted to ANCAP and the Executive Branch through the MIEM for approval. Among others, It must include the following:
- details of the work proposed to be performed and the recommendation about the characteristics of the Development, including the size and features of the reservoir, the facilities and the Wells, together with the project execution plan
 - an estimate of the total Hydrocarbons Recoverable Reserves of the Lot under Exploitation and a tentative date when Production will begin, as well as the characteristics of the annual Production expected for Oil and Gas according to the MER rate until Abandonment
 - specifically, appropriate conservation and exploitation standards, so that the Production rate can be maintained for as long as possible, without incurring in material losses in the final recovery of Hydrocarbons, under generally accepted international oil engineering and economic principles
 - an estimate of the personnel required, capital and operating expenses to be incurred, including the frequency of said expenses per Calendar Year
 - an economic evaluation, including Hydrocarbons prices,
 - safety measures to be taken, including emergency measures
 - an environmental chapter, with details of the Environmental Management Plan to be implemented, which shall include effective measures for environment protection
 - estimated total future cost of Abandonment of the facilities in the Exploitation Lot
 - any other information the Operator may deem relevant or which is required by ANCAP and/or the Executive Branch through the MIEM, pursuant to Section 10.1.

- 10.1.4. Within a term of thirty (30) Days from the approval of the Development Program by ANCAP and by the Executive Power through the MIEM, and with the purposes of complying with said Program, the Operator must submit to the Management Committee a new Work Program and annual Budget for the then current Calendar Year, as well as provisional Work Programs and Budgets for the remaining of the Discovery development. Moreover, every year the Operator shall submit to the Management Committee a Work Program and Budget corresponding to the Lot under Exploitation for the following Calendar Year no later than sixty (60) Days prior to the end of each Calendar Year, which must be consistent with the approved Development Program.
- 10.1.5. In particular, the Development Program shall provide for adequate security and environmental conservation measures.
- 10.1.6. If the technical parameters set forth in section 10.1.3 permit, production rate shall be equal to foreseen production levels.
- 10.1.7. The Contractor may, at any time, propose the Management Committee to modify the production rate allowed per well or Reservoir, due to unexpected changes in the Production, or updates in the reserves. If the changes in the annual Production approved for the Development Program are significant, the Contractor must request the authorization of ANCAP and the Executive Branch through the MIEM.
- 10.1.8. The Contractor shall conduct activities according to good operating and conservation practices used in the petroleum industry, including, without limitation, maintaining the Reservoir pressure at adequate levels.

10.2 PRODUCTION

- 10.2.1 If the Contractor proceeds to the Exploitation Period, it has the right and obligation to produce maximum Hydrocarbons volumes, in accordance with the provisions of section 10.1.

- 10.2.2 The Contractor must prepare, on its own account, the facilities necessary to store, measure, and deliver Hydrocarbons, at the corresponding Inspection Points. In the event facilities are built outside the Area, they shall be considered as being within the Area, to the purposes herein. The abovementioned facilities and locations shall be approved by the Executive Branch through the MIEM. Denial shall only be based on reasonable grounds.
- 10.2.3 Terms for commencement of Reservoir production shall be set forth in the Work Program approved by the Management Committee, as provided for by section 20.2.1.
- 10.2.4 Within sixty (60) Days of the end of each Calendar Year, the Operator shall submit to the Management Committee a proposal of a Work Program and Budget, specifying the Petroleum Operations to be carried out in the Lot under Exploitation and the Production program planned for the following Calendar Year. The Management Committee shall meet to consider the Work Program and Budget proposal within twenty (20) Days of such delivery.

10.3 MEASUREMENT, TRANSPORTATION AND DELIVERY

10.3.1. OIL

10.3.1.1. Crude Oil shall meet commercial conditions of delivery, and shall be subject to the necessary treatment. Crude Oil for local consumption in the country must have at least the following characteristics at the corresponding Inspection Point:

- Maximum limit of water and impurities shall be one per cent (1%).
- Maximum total salt content shall be one hundred grams per cubic meter (100 g/m³) expressed in Sodium Chloride (NaCl).

10.3.1.2. Oil physical volume shall be determined at the corresponding Inspection Point. Measurement shall be considered on a dry-to-dry basis, at a temperature of fifteen centigrade (15° C).

10.3.1.3. If water, solids, or salt content of Crude Oil for local consumption in the country exceeds the limits specified in the foregoing paragraphs, ANCAP is not bound to accept it, and the Contractor must apply further treatment in order to attain specified values.

10.3.2. NATURAL GAS

10.3.2.1. Natural gas shall meet commercial conditions of delivery, and shall be subject to the necessary treatment. For local consumption in the country, Natural Gas must have at least the following characteristics at the corresponding Inspection Point:

Carbon Dioxide (CO₂)	2% molar
Water (H₂O)	65 mg/sm ³
Total of Inert Gases (N₂ + CO₂)	4% molar
Hydrogen Sulfide (H₂S)	3 mg/sm ³
Total Sulfur	15 mg/sm ³
Condensable Hydrocarbons	-4°C @ 5500 KPa Abs
Superior Calorific Value	Min. 8850 Kcal/sm ³ – Max. 10200 Kcal/sm ³

TABLE 1: NATURAL GAS - MINIMUM CARACTERISTICS REQUIRED

10.3.2.2. If Natural Gas for local consumption in the country does not meet the above Bidding Terms, ANCAP is not bound to accept it, and the Contractor must apply further treatment in order to attain specified values.

10.4. UNITIZATION OF SHARED FIELDS

If a discovery occurs outside the Contract Area pursuant to Section 9.6.1., the Contractor shall notify ANCAP and the Executive Branch of said discovery within thirty (30) Days of said event. The interested parties shall proceed to unitize Exploitation thereof, in order to rationalize its use and distribution according to the best international petroleum industry practices. The Exploitation Program of the shared Reservoir shall be approved by ANCAP, upon authorization of the Executive Branch, pursuant to Section 9.6.

If the discovery extends to bordering countries, such unification agreement shall take into account related Treaties with said countries. To such end, the Executive Branch shall be in charge of the international negotiation to execute a unified exploitation agreement, through the competent organizations .

10.5. SOLE RISK PROJECT

10.5.1. ANCAP may propose a Secondary or Tertiary Recovery Project, hereinafter referred to as “Sole Risk Project”, provided the following conditions have been met:

- ANCAP has submitted a complete Secondary or Tertiary Recovery Project pursuant to Section 10.5.2
- The Management Committee has not approved said project
- ANCAP has notified the Contractor in writing of its intention to carry out said Project as a Sole Risk Project

10.5.2. A Secondary or Tertiary Recovery Project shall be considered complete if it includes:

- Appropriate oil engineering studies about the reservoir(s) in Primary Recovery to be included in the Sole Risk Project
- Appropriate studies that show a comparison between the recommended project and applicable alternatives
- An estimate of investment and operating expenses required both for the recommended project, and the alternative systems
- An analysis of the project and alternative projects

- 10.5.3. As of the date of receipt of ANCAP's notice of its intention to carry out a Project at its Sole Risk, pursuant to Section 10.5.1, the Contractor shall have ninety (90) Days to answer whether the Contractor has decided to participate or not, either in the whole Project or in part of it.
- 10.5.4. The Contractor may participate in the entire Sole Risk Project or in part of it. If the Contractor chooses to participate in the project proposed by ANCAP, said project shall be totally or partially considered a Project approved by the Management Committee, and the Contractor shall execute the same, pursuant to the conditions of this Contract, as a Petroleum Operation. If the Contractor decides not to participate in the Project proposed by ANCAP and ANCAP decides to proceed nonetheless, the Contractor shall execute the project or the part of the project in which the Contractor does not participate as a Sole Risk Project, on behalf of ANCAP, according to the provisions in this clause and in the Sole Risk Project, taking into account the following:
- 10.5.4.1. If the Contractor's answer to ANCAP establishes that, at the Contractor's sole discretion, the Sole Risk Project may hinder Hydrocarbons recovery from the Reservoir(s) therein included, the project shall undergo other previous studies and a "pilot test" run within the Area, before the Sole Risk Project is launched at full scale.
- 10.5.4.2. As a general rule, the Sole Risk Project shall not interfere substantially, with current or future programs or operations, already approved by the Management Committee, or under the Committee's serious and formal consideration. If said project does not substantially interfere with said programs or operations, existing wells, facilities, and equipment may be used in the project.
- 10.5.4.3. The Parties shall agree on the terms and conditions of a Sole Risk Agreement before the beginning of the Sole Risk Project.
- 10.5.4.4. Before the Sole Risk Project begins, the Management Committee must agree upon the following:
- An estimate of future behavior and production of Hydrocarbons of the Reservoir(s), in the event the Sole Risk Project is not accomplished.
 - A method to allocate operating expenses to the Sole Risk Project.
 - A method for ANCAP to provide funds on a monthly basis to the Contractor, in order to cover monthly expenses arising from such project.

- 10.5.5. When Money Flow from Production at Sole Risk is more than five (5) times (500%) the Investment at Sole Risk, this Project shall become part of the Petroleum Operations, and the Contractor shall pay all applicable future costs, and shall receive the corresponding compensation based on the Production percentage, as provided for in Clause 17.
- 10.5.6. The Contractor may choose to participate in the Sole Risk Project by giving written notice of the decision to ANCAP, and making a one-time payment in cash, within the following thirty (30) Days. Said payment shall equal the resulting balance of five (5) times (500%) the Investment at Sole Risk, minus Money Flow from Production at Sole Risk. The Sole Risk Project shall become part of the Petroleum Operations as of that moment, and the Contract shall continue its normal course
- 10.5.7. The Contractor shall build, with the technical characteristics to be agreed upon in the Sole Risk Agreement, and upon request of ANCAP, any of the means of transport or facilities required under the Sole Risk Project. These shall be paid by ANCAP in cash or in kind, as set forth in section 10.5.

10.6. ANCILLARY OPERATIONS

- 10.6.1. When technical and economic reasons so require, the Contractor shall build, at its own expense, oil pipelines, gas pipelines, or other facilities, necessary to transport the Hydrocarbons produced in the Contract Area, from and to the Area, as well as the facilities necessary to store Hydrocarbons, inside or outside the All the Ancillary Operations before the Inspection Point shall be deemed Costs and Investments.
- 10.6.2. Subject to the quality and other standards applied by the Operator, ANCAP shall be entitled to use said oil pipelines, gas pipelines, and other facilities built by the Contractor, on its own account, but Hydrocarbons from the Contract Area shall have priority, as regards transportation and storage, at all times. In such case, ANCAP may:
- 10.6.2.1. Pay prorated costs to use said oil pipelines, gas pipelines, and facilities beyond the Inspection Point according to the facilities used.
- If there is no sufficient capacity when ANCAP intends to enforce its right, ANCAP's right shall be limited to the then current available capacity. If there is a remaining production, ANCAP may use capacity as it becomes available.
- 10.6.2.2. Purchase said oil pipelines, gas pipelines, and facilities beyond the Inspection Point up to the percentage of Hydrocarbons which may correspond to ANCAP, during the productive life of commercial discoveries. The price to be paid by ANCAP to acquire such right shall be fixed by another Contract, to be negotiated between the Parties. Said price shall be based on current fair market value, and shall be paid in cash or in kind.

- 10.6.2.3. Payment by ANCAP to the Contractor of the costs established in section 10.6.2.1 shall not entail a waiver to exercise at any time the option provided in section 10.6.2.2 above.

10.7. EARLY TERMINATION OF THE CONTRACT DURING THE EXPLOITATION PERIOD

- 10.7.1. During the Exploitation Period, upon notifying ANCAP and the Executive Branch through the MIEM at least one hundred and eighty (180) Days in advance, the Contractor may opt to return, totally or partially, the Exploitation Lot(s), thus being released from any obligation in relation to the Exploitation Lot(s) returned, except as stated in Clause 11 and those derived from any breach of the provisions hereunder, in which case the provisions of Clause 12 and Clause 19, shall fully apply.

CLAUSE 11 – ABANDONMENT

- 11.1. The Contractor shall be responsible to carry out the activities regarding Abandonment, and shall exclusively bear all costs, expenses, and liabilities related thereto, except as otherwise provided in section 11.7. To such end, and in accordance with the provisions of section 22.9, the Contractor shall submit an Abandonment Program to the Management Committee for approval.
- 11.2. After Production begins, the Contractor shall prepare, on an annual basis, and submit to the Management Committee for approval an Abandonment report along with the Work Program and Budget, pursuant to laws and regulations effective in *República Oriental del Uruguay*, and specifically, in accordance with environmental laws. The Abandonment Report must include, at least, the following information:
- total accumulated Hydrocarbon Production of the Area
 - total estimated Hydrocarbon Reserves of the Area
 - total estimated future cost of the Abandonment of the premises up to the Inspection Point pursuant to applicable legal provisions and regulations of *República Oriental del Uruguay*
 - estimated date when 50% of the total estimated Hydrocarbon Reserves of the Area will have been produced
 - the amount that the Contractor or the Contractor Member must deposit in the Abandonment Fund with respect to the Calendar Year, indicating the basis for calculating such amount
 - the amount effectively paid to the Abandonment Fund by the Contractor or Contractor Member to date
 - the amount of the expenses incurred by the Operator in abandoning the facilities during the Calendar Year, and
 - the amount of money from the Abandonment Fund received by the Operator during the Calendar Year.

11.3. In order to cover abandonment expenses, an annual provision shall be established, which shall be included in annual budget expenses, and once approved by the Management Committee shall be considered, to the purposes hereof, Petroleum Operation Expenses and as Cost Oil.

11.4. With the purpose of complying with the provisions of section 11.3, the Contractor shall:

11.4.1. no later than ninety (90) Days before the start of the Calendar Year during which the Operator estimates that the accumulated production of the Area will exceed 50% of the total estimated Recoverable Reserves of Hydrocarbons of the Area, submit to the Management Committee for approval an updated estimate of the total future cost of Abandonment of the facilities up to the Inspection Point pursuant to Applicable Law.

11.4.2. in the first quarter of the Calendar Year mentioned in 11.4.1 and each natural quarter thereafter until the termination or expiry of the Contract, calculate the amount to be deposited in the Abandonment Fund on the basis of the following formula:

$$FA_i = CA*(NP_i - EUR*0,5)/(EUR*0,5) - FAA_i$$

Where:

- FA_i: Amount to be deposited in the Abandonment Fund in the quarter (US\$)
- CA: Total Updated Estimated Abandonment Costs (US\$)
- NP_i: Accumulated production until the beginning of the i quarter (Barrel of Oil Equivalents)
- EUR: Total Estimated Recoverable Reserves (Barrel of Oil Equivalents)
- FAA_i: Total of amounts paid to the Abandonment Fund before the i quarter (US\$)

11.4.3. deposit one hundred and twenty five thousand Dollars (US\$ 125,000) per quarter as from the first Production Year, in the event the condition set forth in 11.4.1 is not met, or that the amount calculated according to 11.4.2 is lower than one hundred and twenty five thousand Dollars (US\$ 125,000) to be deposited in the quarter considered.

11.5. To such effect, the Contractor shall open a bank account in a bank of *República Oriental del Uruguay*, where funds shall be deposited to cover Abandonment expenses, as approved by the Management Committee.

11.6. Upon termination or cancellation of this Contract, the Contractor shall transfer unused funds onto ANCAP. If funds accumulated in said bank account are insufficient to cover Abandonment expenses, the Contractor shall be liable to defray remaining costs on its own account.

11.7. If upon termination or expiry of this Contract, due to any of the foregoing reasons, there remain enough reserves to make ANCAP, exclusively on its own, decide to continue the Production process, which may delay the Abandonment of wells and facilities in use, the Contractor shall:

- Agree with ANCAP, through the Management Committee, on an Abandonment Program regarding wells that are not required to continue Production.

- Submit to the Management Committee an estimate of the cost for the Abandonment, upon Contract termination, of all the facilities and wells which could not be abandoned because they were still in use. Should the funds to be transferred pursuant to 11.5 be insufficient to cover Abandonment costs, the Contractor shall provide, on its own, the remaining amount.

CLAUSE 12 - TRANSFER OF PROPERTY

- 12.1. Upon termination of this Contract, whether for expiration of the agreed term, noncompliance of the Contractor, early termination of the Contract mutually agreed upon by the Parties, or any of the above grounds, the Contractor shall transfer the title to all buildings, wells whether of Exploratory, Demarcation, Production, injection nature, or otherwise, facilities, machinery, equipment, pipelines, platforms, collection and storage systems, water plants, electric power plants and networks, well equipment, and any other property of similar nature required to carry out Production, onto ANCAP, without any charge, payment, or indemnification whatsoever, free and clear of any encumbrances or debts, in good conservation, maintenance, and operating conditions, save for the normal wear and tear. To such purposes, it is hereby agreed that the Contractor shall own the property listed in this section. Should any taxes or encumbrances be imposed on the transfer of property mentioned in the foregoing paragraph, they shall be borne by ANCAP.
- 12.2. While the Contract is effective, the Contractor may not transfer, encumber, or withdraw any of the abovementioned property, except with ANCAP's express consent, and shall keep said property in good operating condition. The above excludes withdrawals or transfers due to standard maintenance, repairs, or replacements, in which case, the Contractor must seek the Management Committee's written authorization.
- 12.3. In order to comply with the provisions of Section 12.1, the Contractor shall keep an inventory of the assets and submit it to ANCAP on an annual basis.

SECTION IV DISPOSAL OF HYDROCARBONS

CLAUSE 13 - OIL AND NATURAL GAS LIQUIDS

- 13.1. The Contractor shall have the right to use, free of charge, Hydrocarbons produced in such Contract Area required to conduct Exploitation activities, and operation of related machinery. If Natural Gas is available in the Area, it will be used with preference for the above purposes.

- 13.2. The Contractor shall receive in kind the portion of Oil it is entitled to according to Clause 17 hereof at the Inspection Point, as compensation for the activities hired hereunder.
- 13.3. The Contractor shall have no restrictions to dispose of, and export the portion of Oil and/or Natural Gas Liquids' production it is entitled to as compensation for the activities hired hereunder, except for the limitation mentioned in Clause 15.
- 13.4. Any Party that does not lift its portion of available Oil and/or Natural Gas Liquids' production, or any portion thereof, during any Calendar Year, except for the adjustments based on lift tolerance according to section 13.5.2, shall be entitled to accumulate in the future the portion that was not lifted up and collect it together with the volumes corresponding to such other Calendar Year, notwithstanding the provisions in section 13.6.
- 13.5. Prior to commencement of Oil Production in the Contract Area, the Parties shall enter into an **"Offtake Agreement"**, which shall include, among others, the following terms and conditions:
- 13.5.1. **Claims:** Once the Available Production for any calendar quarter has been established, each Party shall:
- Indicate the portion of the available production to be lifted, approximate dates and quantities of each lift.
 - Specify which portion of the Available Production that has not been claimed by the other Party, the Party intends to claim, pursuant to the provisions of section 13.6.
- 13.5.2. **Lift tolerance:** refers to the volume of Oil a Party may credit for future or past Years, to compensate unequal lifts due to use of oceanic tankers.
- 13.5.3. **Vessel itinerary:** refers to the specific procedure to establish how each Party may claim an oceanic tanker to lift Oil from the Contract Area terminal.
- 13.6. If one of the Parties does not claim the entire portion of available production for any calendar year, the other Party is entitled to lift the unclaimed portion, by paying the former the price established in Clause 17, without prejudice to the provisions of Clause 16.
- 13.7. The Contractor may separate liquids from any Natural Gas produced in the Contract Area. To the purposes of calculating Contractor's compensation, the percentage of Natural Gas Liquids that corresponds to the Contractor for any quarter shall be equal to the percentage of Oil that corresponds to the Contractor, unless the Parties agree otherwise.

- 13.8. Provided authorization from ANCAP has been requested at least six (6) Months before the beginning of a calendar year, the Contractor shall be entitled to purchase regularly during any Calendar Year the portion of Available Oil Production corresponding to ANCAP from the Contract Area intended for export, up to a quantity to be mutually agreed upon, and at a price established according to Clause 17.

CLAUSE 14 - NATURAL GAS

- 14.1. The Contractor shall have the right to use, free of charge, the portion of Natural Gas produced in the Contract Area required to conduct Exploitation activities, and operation of machinery related thereto.
- 14.2. Liquid Hydrocarbons obtained from gas phase after separation of Oil input shall be referred to as Natural Gas Liquids (Condensate), and shall be considered as Crude Oil to all purposes.
- 14.3. If Natural Gas is found in the Contract Area, whether associated or not, in such quantity that it may be attractive to commercially exploit it, the Contractor shall receive at the Inspection Point the portion of the production established in Clause 17, in consideration of the activities hired hereunder. The Contractor shall be entitled to use and export its portion of the Gas production.
- 14.4. In the case of Associated Gas Production, if the Contractor determines that there is no possibility to commercialize Gas under adequate economic conditions, then:
- 14.4.1. Gas shall be used, to the greatest extent possible, as fuel for Production equipment.
 - 14.4.2. Gas shall be re-injected in the Contract Area Reservoirs, to the greatest extent possible, as recommended by industry practices.
 - 14.4.3. ANCAP may choose to take, at the outlet of the gas-oil separator, surplus of Associated Gas Production from Petroleum Operations. This Gas shall be received by ANCAP free of charge.
- 14.5. In the event the Contractor determines that the Exploitation of a certain Natural Gas Reservoir (non-associated Gas) is not economically feasible, then the corresponding Evaluation Lot(s) shall be automatically removed from the Contract Area, provided said Evaluation Lot is not under evaluation for other Hydrocarbons. ANCAP may order the Exploitation of it at its own convenience, but the Contractor shall not be entitled to any indemnification whatsoever.
- 14.6. Provisions of sections 13.4, 13.5 and 13.6 also apply to Natural Gas, as the case may be.

CLAUSE 15 - ANCAP'S PREFERENTIAL RIGHT

- 15.1. If required to meet domestic consumption needs, ANCAP shall have a preferential right to acquire all or part of Hydrocarbons received by the Contractor as a compensation for the operations hereunder.
- 15.2. If, at any time, one or more other Contractors are producing Hydrocarbons of similar characteristics, ANCAP shall exercise its preferential right in proportion to the volume of Hydrocarbons each Contractor is entitled to as compensation, unless the Parties agree otherwise.
- 15.3. ANCAP shall pay such price as established in Clause 17 for Hydrocarbons acquired under this preferential right.
- 15.4. In order to exercise its preferential right, ANCAP shall notify the Contractor in writing one (1) Year in advance, specifying the volume of Hydrocarbons of the portion corresponding to the Contractor that shall be acquired, and the period during which the purchase shall be made.
- 15.5. If the quality of Hydrocarbons delivered to the Contractor as compensation for the activities hereunder does not meet the requirements for national refineries, as set forth in sections 10.3.1. and 10.3.2., ANCAP shall be entitled to purchase said Hydrocarbons from the Contractor, at an international price fixed according to Clause 17, and upon mutual agreement by the Parties, exchange them for an equivalent volume of other Hydrocarbons owned by the Contractor which meet the necessary refinery requirements in Uruguay; or, after purchasing Hydrocarbons from the Contractor, whether or not requirements are met, exchange them for Hydrocarbons owned by third parties.

CLAUSE 16 - HYDROCARBONS COMMERCIALIZATION

ANCAP is authorized to request the Contractor to sell, on its own account, Hydrocarbons selected by ANCAP belonging to the Uruguayan State and/ or to ANCAP.

ANCAP shall notify the Contractor of its decision regarding the commercialization of the Hydrocarbons belonging to the Uruguayan State and/or ANCAP within one hundred and eighty (180) Days, and the Parties shall mutually agree upon the conditions of commercialization. To such purposes, the Contractor must submit a commercialization offer based on a national and/or international public bidding process.

The conditions of the commercialization of the Uruguayan State's portion shall be approved by the Executive Branch.

SECTION V CONTRACTOR'S COMPENSATION

CLAUSE 17 - ITEMS RECOVERED BY THE CONTRACTOR

ANCAP shall compensate the Contractor for Cost Oil and its corresponding percentage of Profit Oil only if the Reservoir(s) enter the Production period.

If a Reservoir produces liquid and gas Hydrocarbons, the Contractor shall receive the corresponding share of each type of Hydrocarbons according to this section.

The portion of the Actual Production of Hydrocarbons extracted from Reservoir(s) which the Contractor is entitled to as compensation for the operations under this Contract shall be composed of Cost Oil and its share of Profit Oil during each quarter according to the Accounting Procedure.

17.1. COST OIL

As defined in section 2.1.19, Cost Oil includes the Expenses and Investments associated with the Exploration Period and the Exploitation Period approved by the Management Committee. Increase which has not been duly justified and approved by the Management Committee as well as Expenses and Investments incurred before Contract execution shall be disregarded.

The maximum share of the Actual Production available to recover Cost Oil in a quarter shall be:

- sixty percent (60%) in the case of Oil
- eighty percent (80%) in the case of Natural Gas

Cost Oil recovery shall begin as from the quarter of commencement of Production.

17.1.1. COSTS

"Cost" refers to every expense incurred whose lifespan is less than a Year and has been approved by the Management Committee.

Expenses incurred during a given quarter corresponding to the following activities shall be included:

- Petroleum Operations
- Exploration in the Contract Area following the commencement of Production
- Expenses incurred during Development stage (Development of other Reservoirs in the Contract Area following the commencement of Production)
- All costs associated with easements
- Expenses incurred to furnish and maintain the Exploitation Period Guarantee pursuant to section 31.3.

17.1.1.1. LIMITATIONS ON RECOVERABLE COSTS

Overheads of parent company or subsidiaries that are not directly related to the Petroleum Operations shall not be recovered.

Salaries and expenses paid in works or studies done outside Uruguay, yet related to the Petroleum Operations of the Contract Area shall be recoverable, provided they are included in the Management Committee-approved Budget, and the hourly cost of the different participating technicians has been mutually accepted. A monthly report must be submitted to the Management Committee with a detailed list of expenses.

Payment of interest on loans shall be recoverable up to the LIBOR rate, and provided the annual financial plan submitted together with the Work Program and the corresponding Budget has been approved by the Management Committee.

Each quarter the percentage indicated in section 14.1., as applicable and as a maximum, shall be applied to Costs. Non-recovered balance of costs, if any, shall be carried over to the following quarter.

17.1.2. INVESTMENTS

"Investment" refers to any expense incurred whose lifespan exceeds a year and has been approved by the Management Committee.

Investments made during the following periods shall be recovered:

- Exploration Period
- Development stage
- Production stage

Investments made shall be recovered in twenty (20) quarterly equal installments, effective when Production starts.

17.1.3. Non-recovered balance of Costs and Investments in each quarter, due to depletion of the amount fixed as Cost Oil according to the maximum percentage fixed in Actual Production, Section 17.1., as applicable, shall be carried over to the following quarter, and so forth.

17.1.4. When recoverable Costs and Investments in a given quarter require a smaller amount of the Actual Production than the established cap under section 17.1, the excess shall integrate the Profit Oil, pursuant to section 17.2.

17.1.5. COSTS AND INVESTMENTS REGISTRATION

In order to determine the Costs and Investments to be recovered, the Contractor shall keep a record of them in Dollars and convert the expenses incurred in other currencies on the date payments are made.

The registration procedure shall be submitted to the Management Committee for consideration and approval. It must comply with the legal provisions in force and with the generally accepted accounting principles and practices of *República Oriental del Uruguay* and in the international petroleum industry. The guidelines for the registration procedure are established in the Accounting Procedure.

17.2. PROFIT OIL

As defined in Section 2.1.69, Profit Oil is the amount of Production after deducting Cost Oil from the Actual Production.

The Parties shall be entitled to a percentage of Profit Oil, as shown in the following tables:

17.2.1. OIL OF UP TO 25 °API

R Factor	Percentage of Actual Production surplus for the Contractor	Percentage of Actual Production Surplus for the Uruguayan State
≥ 0,0		
≥ 1,0		
≥ 1,5		
≥ 2,0		

TABLE 2: PROFIT OIL DISTRIBUTION FOR °API < 25 OIL

17.2.2. OIL HIGHER THAN 25 °API

The following table applies to °API > 25 Oil, Gas from Condensed Gas Reservoirs and Natural Gas Liquids, pursuant to Section 14.2.

R Factor	Percentage of Actual Production surplus for the Contractor	Percentage of Actual Production Surplus for the Uruguayan State
≥ 0,0		
≥ 1,0		
≥ 1,5		
≥ 2,0		

TABLE 3: PROFIT OIL DISTRIBUTION FOR °API > 25 OIL

17.2.3. NATURAL GAS

Factor R	Percentage of Actual Production surplus for the Contractor	Percentage of Actual Production Surplus for the Uruguayan State
$\geq 0,0$		
$\geq 1,0$		
$\geq 1,5$		
$\geq 2,0$		

TABLE 4: PROFIT OIL DISTRIBUTION FOR NATURAL GAS

17.2.4. HYDROCARBONS VALUATION

Produced hydrocarbons price, to the purposes of:

- Determination of the Contractor's Gross Income;
- Determination of Oil volume allocated to cost recovery;
- Purchase and sale transactions between the Parties;

shall be as follows:

17.2.4.1. OIL

Oil Price shall be fixed in US Dollars under FOB terms (Uruguay), so that it reflects the actual value of the international market for Oil with similar characteristics to that produced in the Reservoirs adjusted according to transportation costs.

Prices shall be determined based on the monthly average of Oil Price, to be applied to the Production of the month under consideration. To such effect, the Parties shall select a pool of oil prices corresponding to Oil with similar characteristics to the above referenced Oil, which shall be determined as follows:

- At least ninety (90) Days in advance before the Date of Commencement of Production, the Parties shall determine the approximate amount of Oil to be produced in the Contract Area.
- Within thirty (30) Days after the abovementioned agreement, the Parties shall select a pool of up to four (4) components, which shall meet the following criteria:
 - o Oils shall have a similar quality to the Oil that shall be measured at the Production Inspection Point;
 - o Oil's quotes shall appear regularly in "Platt's Oilgram Price Report" or another source acknowledged by the international petroleum industry, and mutually agreed by the Parties; and,
 - o Every six (6) Months, or earlier, if requested by any of the Parties, the Parties may revise the pool established for valuation of Inspected Oil, in order to verify if it still meets the abovementioned requirements. If any of the conditions is no longer met, the Parties must modify the pool within thirty (30) Days from the beginning of pool revision. Upon expiration of this term, if the Parties fail to agree on a new pool, the provisions of Clause 30 shall apply.
- If API gravity (weighed average), sulfur content, or other element measuring the quality of the Oil at the Inspection Point suffers a significant variation in comparison to the components of the pool (simple arithmetic average), the Parties shall modify pool components, so that they reflect the quality of the Oil at the Inspection Oil.

- If, at any time in the future, the price of one or more kinds of Oil composing the pool is quoted in a currency other than US Dollars, said prices shall be converted into US Dollars at the exchange rate in force when said quotes were made. Exchange rates to be used shall be those of *Banco Central del Uruguay* (Central Bank of Uruguay).

17.2.4.2. NATURAL GAS

Gas price shall be fixed in US Dollars per million BTU (US\$/MMBTU) and it will result from an average of the following concepts:

- Gas price according to Henry Hub index in US\$/MMBTU.
- Gas price according to NBP (National Balancing Point, UK) in US\$/MMBTU.
- The result of the following formula: $0,1 * P - 3$, where P is the Price of Oil established in section 17.2.4.1.
- A Gas Price index (within the region if possible) mutually agreed by ANCAP and the Contractor.

17.2.4.3. Without prejudice to the provisions of sections 17.2.4.1 and 17.2.4.2, the Parties may agree to take into account the actual market price for the Hydrocarbons produced in the Area.

17.2.5. GROSS INCOME

According to Section 2.1.35, Gross Income is the result of the valuation of the Actual Production in the course of each quarter. Accumulated Gross Income is the accumulation of Gross Income from the beginning of Production until a given date.

Gross Income accumulated until a given quarter shall be computed in order to calculate the R Factor, and determine the distribution of the Profit Oil accordingly.

17.3. AUDITS

ANCAP shall be entitled to inspect and audit the accounting records related to the Contract according to the Accounting Procedure.

Any observation resulting from such audit shall be submitted in writing within sixty (60) Days following completion of inspection or audit. The Contractor must make its best efforts to overcome the observation or correct the cause within the following thirty (30) Days.

SECTION VI

GENERAL CONDITIONS

The provisions of this section apply to the Exploration and/or Exploitation Period, as the case may be.

CLAUSE 18 - ASSOCIATION

- 18.1. ANCAP may, upon the express consent of the Executive Branch and in its own discretion, associate with the Contractor to exploit any Exploitation Lot. ANCAP must notify the Contractor of its decision in writing within one hundred and twenty (120) Days as from the approval of Exploitation Lot demarcation. Failure of ANCAP to submit said notice within the specified term shall be deemed a decision not to associate for the Exploitation of said Exploitation Lot.
- 18.2. If ANCAP decides to associate for the Exploitation of an Exploitation Lot, ANCAP must notify the Contractor, together with its decision to do so, the percentage of its participation, which shall be _____ per cent (____ %), as a maximum.
- 18.3. In such an event, ANCAP shall pay direct costs of drilling and completion of the discovery Exploration Well to the Contractor in proportion to its share.
- 18.4. Regarding production Evaluation Wells (which are not dry), ANCAP shall pay all direct disbursements to the Contractor, on a pro rata basis to its share. Regarding Evaluation Wells that result in dead wells (dry), ANCAP shall only pay twenty-five per cent (25%) of its total cost, on a pro rata basis to its share. An amount equivalent to fifteen percent (15%) of such expenses shall be added as indirect expenses. ANCAP shall make the abovementioned payments within one hundred and eighty (180) Calendar Days after execution of the corresponding association agreement.
- 18.5. Upon notification of ANCAP to the Contractor of its intention to associate for the Exploitation of an Exploitation Lot, with the previous consent of the Executive Branch, the Parties shall negotiate and execute the association agreement and a joint venture operating agreement, according to the standard models of the international petroleum industry (e.g.: AIPN models), which must be approved by the Executive Branch. Said association agreement may be executed by ANCAP or by a company controlled by the ANCAP Group.
- 18.6. Notwithstanding the above provisions, the Contractor must continue with the Development Program approved by ANCAP and the Executive Branch through the MIEM.

CLAUSE 19 - DELIVERY OF TECHNICAL INFORMATION

19.1. Any information collected in the Area shall become the property of ANCAP. Use of such information by the Contractor, ANCAP and/or the Executive Branch shall be governed by the provisions set forth in the following sections.

19.2. During Contract performance, and specifically at the end of each Exploratory Subperiod, or upon removal of Exploration areas, Evaluation Lots and/or Exploitation Lots, or termination of the Contract, the Contractor shall deliver to ANCAP any information gathered. Additionally, the Contractor shall deliver to the Executive Branch any information it may require.

Specifically, without limitation to the above, the Contractor must deliver, in the formats required by ANCAP:

19.2.1. Field data and support information, with the different processing stages; base maps (seismic grid) in magnetic or optical media, as well as transparencies and paper copies of all the information and data recorded, regardless of the physical or chemical principles used to gather such Information.

19.2.2. Whenever wells are drilled, special attention shall be paid to:

- Lithological logs, samples, logging of any kind (wireline logs); formation testing; Hydrocarbons control during drilling; flow measurement; pressure; cementation and stimulation works
- Samples of cuttings, washed and unwashed, of each Exploration, Evaluation, and Exploitation Well
- Palinologic and paleontologic studies.
- Petrographic studies
- Geochemical, and Hydrocarbon generation studies
- Stratigraphic correlation with wells of the Area.
- Physical and chemical characteristics of liquid and gas Hydrocarbons
- Photographs
- Videos
- Drilling reports
- Geological reports
- Drilling data
- Other data and Geological control reports
- HSE reports
- Meteorological data
- Any other report or data obtained during the survey

19.2.3. All measurements, reports, studies, and analysis, deriving from works performed hereunder, whether there was a commercial discovery or not.

19.2.4. Upon the declaration of non-commercial interest of a Reservoir, pursuant to section 9.6.10, the Contractor shall deliver to ANCAP and to the Executive Branch through the MIEM all information related thereto, listed in the foregoing section, in addition to the evaluation submitted to the Management Committee that supported such declaration.

- 19.3. Technical information, studies, processed and unprocessed data, as well as results provided by the Contractor to ANCAP, pursuant to this Clause, shall have the highest quality attained by the Contractor.
- 19.4. Technical information requested by ANCAP and/or the Executive Branch, pursuant to this Clause, shall be delivered no later than one hundred and eighty (180) Days as of the date the request was received.
- 19.5. If the Contractor's proprietary methods or systems are used to obtain such information and results, the Contractor shall not be bound to disclose said methods or systems together with the information.
- 19.6. Officials from ANCAP and/or the Executive Branch who receive information hereunder shall keep it strictly confidential, pursuant to Clause 23.

CLAUSE 20 - MANAGEMENT COMMITTEE

20.1. MEMBERS, DUTIES AND ACTIVITIES

- 20.1.1. The Management Committee shall be formed within thirty (30) Days of Contract execution. It shall comprise two (2) representatives and two (2) alternates appointed by ANCAP and two (2) representatives and two (2) alternates appointed by the Contractor. The Parties may, at any time, replace their representatives, by giving written notice thereof at least 15 Days before. The Management Committee shall analyze, evaluate, and oversee Work Programs, and inspect the performance of Petroleum Operations.
- 20.1.2. The Contractor shall bear administrative costs of the Management Committee, which shall keep complete, detailed records of its minutes, discussions, and decisions.
- 20.1.3. The Management Committee shall decide by unanimous vote of the Parties' representatives. Each Party shall cast only one vote.
- 20.1.4. In the event of disagreement, Parties' representatives shall make their best efforts to reach a mutually acceptable and convenient solution. If within sixty (60) Days as of the date of the first meeting of the Management Committee convened to solve the disagreement, the Parties fail to reach an agreement, the dispute shall be directly referred to the highest authorities by any of the Parties. If the authorities fail to reach an agreement, the issue shall be submitted to Technical Advisory or Arbitration Proceedings, which shall be governed by the provisions of Clause 30.

20.1.5. The Management Committee shall hold ordinary meetings from time to time as the Parties establish. Extraordinary meetings shall be held upon request of any of the Parties' representatives. Time between ordinary meetings shall not exceed one hundred and twenty (120) Days. Meetings shall be called by written notice which will include the agenda at least fifteen (15) Days before the meeting, except for urgent meetings which may be called within the shortest period possible.

20.1.6. Each Party shall bear the expenses of its corresponding representatives in the Management Committee.

20.2. DUTIES

20.2.1. The Management Committee shall act during the whole term of this Contract and its decisions shall be in writing and well-founded. Notwithstanding the duties already described in this Contract, as well as other duties that the Parties may agree upon, and the provisions of the Governance Procedure, the Committee shall have the following main obligations:

- Agree with the Contractor on an adequate method to carry out Work plans and Programs of Petroleum Operations hereunder.
- Approve plans, programs, schedules, and Budgets timely submitted by the Contractor to the Management Committee before the beginning of each Calendar Year.
- Evaluate Budget compliance.
- Analyze and evaluate technical grounds for locating Exploratory, Demarcation, and Development Wells, and completion programs.
- Determine the technical criteria to establish the deadline for the completion of each well.
- Analyze Evaluation and Exploration Lots demarcation, proposed by the Contractor, in order to seek the approval of ANCAP and the Executive Branch through the MIEM.
- Supervise the completion of the Development Program established in sections 10.1.2 and 10.1.3.
- Oversee the operations in terms of technical and accounting aspects.
- Verify determination of Recoverable Reserves and average daily Available Production per Reservoir.

20.2.2. To all the above purposes, the Management Committee is hereby empowered to request advisory opinions, and delegate such duties as it may deem necessary. Expenses arising therefrom shall be borne by the Parties, in equal parts, i.e. fifty percent (50%) each.

- 20.2.3. The Governance Procedure may be modified by the Management Committee based on well-founded reasons.

CLAUSE 21 - UNFORESEEABLE CIRCUMSTANCES BEYOND THE CONTROL OF THE PARTIES

- 21.1. If due to an Unforeseeable Circumstance beyond the Control of the Parties, any Party is delayed in, or unable to perform in whole or in part, any of its obligations or conditions hereunder, the Party shall notify such event to the other Party in writing no later than five (5) Days after said circumstance. Notice shall include reason for non-performance, steps taken and, if possible, estimated time to solve the situation. The other Party shall reply in writing within fifteen (15) Days of receipt of notification. Failure to reply shall be construed as acceptance of the invoked cause.
- 21.2. Non-performance or delays in performance shall be excused for as long as, and to the extent to, said non-performance or delays in performance are caused by an Unforeseeable Cause beyond the Control of the Parties. The other Party is not entitled to any indemnification whatsoever during the inactive period. Without prejudice to the provisions of Section 21.1, the Party shall promptly deliver an estimate of the duration of the Unforeseeable Cause beyond the Control of the Parties. Actual duration of delay or non-performance shall be added to the time scheduled to conduct affected operations, as well as any other obligations depending on the first one, provided that this shall not imply extending the maximum duration of the Contract, without prejudice to the provisions of sections 21.3 and 21.4.
- 21.3. If an Unforeseeable Circumstance beyond the Control of the Parties occurs during any of the Subperiods of the Exploration Period, and continues for two (2) Years the Contractor shall have the option to terminate its obligations hereunder by giving written notice thereof to ANCAP within ninety (90) Days before expiration of the then current Subperiod. Contract guarantee shall be returned pursuant to section 31.2.
- 21.4. In the event of an Unforeseeable Circumstance Beyond the Control of the Parties due to causes unrelated to Uruguay that prevent compliance with the Contract during two (2) consecutive years, ANCAP shall have the option to terminate the Contract. Contract guarantee shall be returned pursuant to sections 31.2 and 31.3. In order to exercise this option, during the Exploitation Period, ANCAP shall pay for the property mentioned in Clause 12 to the Contractor, on its own account, or on behalf of the Government, the fair market price in US Dollars or in kind agreed by the Parties.
- 21.5. Obligations not affected by an Unforeseeable Circumstance beyond the Control of the Parties shall be complied with in due time and manner, in accordance with the provisions hereunder.

- 21.6. If the Contractor deems, at its sole discretion, that an Unforeseeable Circumstance Beyond the Control of the Parties requires immediate action, then the Contractor shall take any necessary steps, and make any necessary disbursements to protect its interests and those of ANCAP, even if those amounts have not been included in Work Program and Budget in effect in the corresponding Calendar Year.
- 21.7. The abovementioned unforeseeable disbursements shall be considered Cost Oil, provided they are approved by the Management Committee.
- 21.8. The Parties hereby accept that, among others, the following situations shall be regarded as Unforeseeable Circumstances Beyond the Control of the Parties:
- General strike or strike of the trade union involved in the activities;
 - Inability to access technical means necessary to comply with the purpose of the Contract. These circumstances must be conclusively proved.

CLAUSE 22 - ENVIRONMENT PROTECTION

- 22.1. The Contractor shall develop the activities hereunder in a manner consistent with the protection of the environment and any other resource. Therefore, the Contractor is bound to use the most advanced techniques available to prevent and mitigate damages to the environment. Furthermore, the Contractor shall use the natural resources in a rational way.
- 22.2. The Contractor shall implement an Environmental Management System designed according to recognized international models for the activities hereunder.
- 22.3. The Contractor shall comply with all Legal and Regulatory provisions of *República Oriental del Uruguay*, International Agreements and Treaties with reference to the environment signed and ratified by the country, with the specific guidelines set by the National Directorate of the Environment of the Ministry of Housing, Land Management and Environment (MVOTMA, by its Spanish initials), and it shall abide by the principles of conduct, established in the ARPEL Environmental Code of Conduct, Declaration of San José, 1997, Cartagena de Indias.
- 22.4. Notwithstanding the provision of the foregoing clause, in order to develop the activities hereunder, the Contractor shall specifically comply with the provisions of Law No. 16,466, as well as related decrees, amendments and/or variations thereof in coordination with ANCAP.
- 22.5. The Contractor must comply with all the requirements set forth in the Resolutions of MVOTMA, to obtain the Previous Environment Authorizations and the Environment Authorizations for the Operations.
- 22.6. The contingency plans, the characteristics of facilities and equipment to be used in order to prevent and manage contamination, personnel training plans and procedures to prevent and mitigate a potentially harmful environmental impact, and inspection and reports to be established for such purposes in Petroleum Operations shall be submitted to the Management Committee for approval.

- 22.7. Contingency Plans for Hydrocarbon Spills for the activities must be drawn and submitted to the competent authority, in compliance with Law No.16.688 and Law No.19.012, and any regulatory provisions thereof.
- 22.8. The Contractor shall have service contracts in place in order to provide a response to hydrocarbon spills, sized in accordance with the risks associated to the operations, which shall be communicated to the competent environmental authority.
- 22.9. Prior to the commencement of each activity hereunder, the Contractor shall submit an Environmental Management Plan to be approved by the Management Committee. Said Plan must meet DINAMA's requirements for the corresponding environment authorizations and contain at least the following:
- Statement of the activities to be conducted and the equipment to be used to carry out the Contract
 - Demarcation of the locations where the Petroleum Operations shall be carried out
 - A description of the marine environment of the demarcated area comprising the physical, biotic and anthropogenic composition
 - Delimitation of exclusion zones eventually defined on the basis of environment sensitivity criteria
 - A description of the environmental management measures to be adopted for Petroleum Operations
 - Standards for the management of atmospheric emissions, liquid effluents, solid waste, noise pollution, chemical products, water and energy consumption
 - Risk management and contingency program for the following scenarios, as applicable: spills, fire, explosion, abnormal situations (power cuts, etc.), road accidents
 - Environment surveillance and audit program including, as applicable, the description of the variables to be controlled, the technology to be used, the monitoring frequency and the contents of the regular environment performance reports
 - Scheme for communication of the activities conducted aimed at interested parties
 - Abandonment Program, including the activities to be performed with the purpose of restoring the intervened zones to their initial state
- 22.10. The Environmental Management Plan shall have the contents established in the section above and additionally, any other that is from time to time established as a requirement in the Resolutions of the Ministry of Housing, Territorial Planning and Environment, MVOTMA, granting Environmental Permits.
- 22.11 The Contractor shall be responsible for any environmental liabilities derived from the Petroleum Operations and shall bear the cost of any remedial actions required to eradicate them.
- 22.12 The Contractor shall also be responsible for any damages to the Environment caused by its personnel or its Sub-contractors and shall indemnify the affected parties, either the Uruguayan State or any other local or foreign individual or legal person. The Contractor shall also hold ANCAP and the competent state entities involved in the activity harmless.

CLAUSE 23 - CONFIDENTIALITY

23.1 The Contractor hereby warrants that the Contractor shall keep, and shall cause its personnel, and Sub-contractors to keep strict confidentiality of any data, design, or information related to its activity hereunder either provided by ANCAP or arising from compliance with the purpose of this contract, and therefore, they shall not use any of the above nor allow the use thereof, unless it is necessary to comply with the obligations hereunder.

23.2 The Contractor and/or Contractor Member may only disclose the confidential information without ANCAP's prior consent if such information:

- a) was known by the Contractor and/or Contractor Member before the date whereon it was received, on a non - confidentiality basis;
- b) is a matter of public domain, is or becomes available to the public through no Contractor's and/or Contractor Member's fault –whether act or omission;
- c) is required to be provided by the Contractor and/or Contractor Member or by one or several of its Affiliated Companies under the Applicable Laws, a government order, decree, rules or regulations of a stock exchange of recognized standing where its shares or the shares of its Affiliated Companies are registered. Nevertheless, the Contractor and/or the Contractor Member will make every reasonable effort to notify ANCAP in writing before disclosing the information;
- d) is independently acquired by the Contractor and/or Contractor Member or by one or several of its Affiliated Companies from a third party entitled to disclose such information at the time it is acquired by the Contractor or its Affiliated Companies;
- e) is acquired by transfer of ownership by the Contractor and/or Contractor Member or one or several of its Affiliated Companies.

23.3. The Contractor and/or Contractor Member may disclose the confidential Information to an Affiliated Company without ANCAP's prior written consent, provided that the Contractor or Contractor Member, or both guarantee such Affiliated Company's adherence to the purpose of this Agreement.

23.4. The Contractor and/or the Contractor Member may disclose the confidential Information without ANCAP's prior written consent to the following individuals, who should have a genuine reason to have access to it and evaluate it:

- a) employees, officers and directors of the Contractor and/or Contractor Member;
- b) employees, officers and directors of an Affiliated Company;
- c) any adviser or agent hired by the Contractor and/or Contractor Member or its Affiliated Company for the purpose of assessing the confidential Information;
- d) any entity consulted for the purpose of financing the Contractor and/or Contractor Member or its Affiliated Company in connection with the confidential information, including any adviser or agent hired by such entity/entities for the purpose of assessing the confidential information or a potential buyer who is assigned the Contract.
- e) any buyer of the working interest of the Contractor and/or Contractor Member.

Before disclosing the confidential information to the individuals/entities detailed in paragraphs (c), (d) and (e) above, the Contractor and/or Contractor Member shall obtain from them a confidentiality commitment whose form and content shall be substantially the same as the form and content in this Agreement

23.5. The Contractor and/or the Contractor Member shall be responsible for any direct damage arising from, and/or related to disclosure of data, designs, and information protected by the provisions of this Clause, whether that disclosure is made by the Contractor and/or Contractor Member, or its personnel, directors, agents, advisors, counselors, employees, Sub-contractors, or third parties, bound, or authorized to disclose such information.

- 23.6. If any of the Parties uses proprietary technology in order to conduct the operations established herein, the other Party may not use nor disclose said technology, without the owner's prior written consent.
- 23.7. Any information concerning Contract Areas that, for whatever reason, are returned to ANCAP shall be delivered to ANCAP no later than one hundred and eighty (180) Days. ANCAP shall freely dispose of the information as Areas are returned; however, the confidentiality obligation of the Contractor shall survive for up to five (5) Years after complete return of the Area from which information was collected.
- 23.8. The Contractor acknowledges that ANCAP makes no guarantee, whether express or implicit, as to the quality, accuracy and completeness of the data, designs and information provided. The Contractor assumes all the potential risk of errors entailed in the acquisition, processing and interpretation of said data, design and information.

CLAUSE 24 - CONTRACT TRANSFER OR ASSIGNMENT

24.1. CONTRACT TRANSFER BY THE CONTRACTOR

- 24.1.1. The Contractor or Contractor Member, or both may not transfer or assign this Contract, in whole or in part, without ANCAP's prior written consent and previous notification to the Executive Branch through the MIEM, which shall not be denied nor delayed on unfounded grounds. In the event of transfer or assignment to third parties, including Affiliated Companies or Contractor Members, the buyers or assignees shall provide contract guarantees in proportion to their working interest. The assigning Contractor or Contractor Member, or both will be relieved of its guarantees proportionally once the new guarantees are furnished. The buyer or assignee shall have the financial or technical and financial capacity required in the Bidding Terms described in Annex V hereto in order to qualify for the Contract Area.

- 24.1.2. Likewise, if the Contractor is a Consortium, or any other kind of company association, the consortium or association agreement may not be modified without ANCAP's prior written consent and prior notification to the Executive Branch through the MIEM.

24.2. CONTRACT TRANSFER BY ANCAP

- 24.2.1. In the event national legislation is modified, and such modification determines that, regarding the purpose of this Contract, ANCAP be replaced by another government entity, this Contract shall be deemed transferred to the new entity.

CLAUSE 25 - GROUNDS FOR CONTRACT TERMINATION

- 25.1. In addition to the early termination grounds established in section 9.9 and 10.7, this Contract may be terminated based on the following grounds:

25.1.1. Expiration of term established in Clause 5.

25.1.2. Voluntary agreement between ANCAP and the Contractor.

25.1.3. Causes attributable to the Contractor or Contractor Member, or both, as applicable, such as:

- a) If the Contractor or Contractor Member, or both do not begin activities included in the Work Program within the terms established herein or approved by the Management Committee, as applicable.
- b) If the Contractor or Contractor Member, or both carry out the activities at a pace inconsistent with the terms of the Contract or approved by the Management Committee, as applicable.
- c) If the Contractor or Contractor Member, or both abandon, or cease the activities, either in whole or in part.
- d) Por incumplimiento de la obligación de entregar las informaciones previstas o de permitir y facilitar las inspecciones y fiscalizaciones establecidas. Non-compliance with the obligation to deliver specified reports, or to allow and facilitate scheduled inspections.
- e) In case of serious breach of contractual obligations by the Contractor or Contractor Member, or both.
- f) If the Contractor or Contractor Member, or both assign or transfer this Contract, in whole or in part, without ANCAP's authorization.
- g) If the Contractor or Contractor Member, or both are absorbed, or acquired by other Companies without ANCAP's prior authorization, which shall not be denied or delayed on unfounded grounds.

If ANCAP determines that one or more of the causes specified in paragraphs a), b), c), d), e), f) or g) of section 25.1.3 apply, notwithstanding the provisions of Clause 21, ANCAP shall notify the Contractor thereof. If within sixty (60) Days of receipt of said notice, the Contractor has not corrected, nor eliminated said situation, ANCAP shall be entitled to terminate the Contract and its decision shall be well-founded. However, if correction of the situation informed by ANCAP requires more than sixty (60) Days, and the Contractor is making every effort to correct the same, ANCAP shall grant the necessary term extension to complete the correction.

In all cases described in this Clause, the Contractor shall be responsible for damages arising from breach of contract. ANCAP shall retain the Contract Guarantee, until the Contractor's liability is finally resolved.

If the situation described in section g) occurs during the Exploitation Period, ANCAP shall pay the Contractor, on its own or on behalf of the State, the fair market price of the property referred to in Clause 12 in US Dollars or in kind, as agreed upon by the Parties.

CLAUSE 26 - DELINQUENCY AND BREACH OF CONTRACT

Breach of one or more of the obligations hereunder, or any act or omission that results in doing something contrary to the agreement, or not doing something as agreed, shall cause the Contractor to become delinquent by operation of law, without the need of any in-court or out-of-court procedure whatsoever. This provision expressly excludes cases of Unforeseeable Circumstances beyond the Control of the Parties (Clause 21) duly proved by the interested party.

CLAUSE 27 - TAXATION

- 27.1. Pursuant to the provisions of section 16 of Decree-Law No. 14,181, the activities hereunder are exempted from any present or future national or municipal Taxes and Charges. The above exemptions do not include employees' Social Security contributions nor do they apply to the prices of the services rendered when they correspond to their cost.
- 27.2. The above provisions apply notwithstanding other Taxes that may be levied on income resulting from the activities hereunder (Law 18,083, and its amendment and related laws, Corporate Income Tax).
- 27.3. The Contractor must comply with all labor laws, and regulations in force of *República Oriental del Uruguay*, including, but not limited to, those related to workday, occupational safety, Social Security contributions, etc.
- 27.4. The Contractor shall be responsible for any damages ANCAP may suffer as a result of noncompliance with the laws mentioned in section 27.3. Likewise, the Contractor shall be responsible in the event of Sub-contractors noncompliance, without prejudice to the responsibilities that ANCAP might assume as a Contractor Member.

27.5. If, after the Effective Date of this Contract, a new Tax or Levy is imposed on the activities hereunder, or the Corporate Income Tax, as created by Law No. 18,083, is modified, or a new tax that levies income is created, thus increasing the amount the Contractor is liable to pay as of the Effective Date of the Contract, the Contractor may request such increase as Cost, in accordance with the provisions of Clause 17.

CLAUSE 28 – LIABILITY AND INSURANCE

This clause contains the principles governing liability and insurance hereunder:

28.1. LIABILITY

28.1.1. The Contractor's and/or the Contractor Member's liability shall not be subject to any limit whatsoever, in case of foreseen or unforeseen events related directly, indirectly, or consequentially to the activities hereunder, that may cause losses, damages, delays, suspension of operations, or any other alteration or modification to its own interests, to the interests of ANCAP, the Uruguayan State, or third parties. This provision excludes breach of Contract by ANCAP which may cause directly, indirectly or consequentially losses, damages, delays, suspension of operations, or any other alteration or modification. All this without prejudice to the provisions of Clause 21 and other applicable legal provisions. Consequently, the Contractor shall provide for, and undertake relief, resolution or indemnification of any loss or damage that may arise hereunder.

28.1.2. The Contractor and/or the Contractor Member shall indemnify, and hold ANCAP and the competent state entities involved in the activities harmless, at all times, from any claim, petition, expenses or costs related to Petroleum Operations that may cause the abovementioned damages or losses, notwithstanding the obligations that ANCAP, as Contractor Member, may have to comply with.

28.2. INSURANCE

28.2.1. The Contractor and/or the Contractor Member must duly transfer risks that may arise from the activities hereunder, which may cause damages or losses. Prior to commencement of the activities, the Contractor must submit to the Management Committee a written proposal of the risk transfer program. The Committee shall approve it, or request such adjustments as may be necessary to make sure that, at the Committee's sole discretion, the precautions taken are in accordance with the best international petroleum industry practices, among the options available, in order to comply with the abovementioned principles. This program shall be adjusted each time the activities are extended in terms of size or importance. Even if the same working conditions are kept, the program shall be revised at least every six months.

No risk transfer shall release the Contractor from liability. Even if the Contractor purchases insurance, the Contractor's liability shall remain unchanged. The Contractor may not request ANCAP nor the competent state entities involved in the activities any amount on account of

deductibles, franchises, coverage difference, limit difference, exclusions from risk transfer agreements entered into by the Contractor, or errors in assessment or appraisal of risks undertaken, without prejudice to the obligations that ANCAP, as Contractor Member, may have to comply with.

Notwithstanding the above, ANCAP and the competent state entities involved in the activities shall be included as co-insured and/or additional insured in any risk transfer public liability, regarding operations and the environment. Competent courts in matters related thereto shall be those of Uruguay. Additionally, ANCAP may, at its sole discretion, purchase a primary or additional Civil Liability insurance policy, on its own account, but this shall not be deemed as a release of the Contractor's liability

- 28.2.2. Self-insurance, mutual funds or captive insurance shall not be accepted for risk transfer.
- 28.2.3. Only policies issued by local insurance companies authorized by the Central Bank of Uruguay shall be accepted.
- 28.2.4. Below are the minimum coverage requirements. The Management Committee may accept variations, upon duly grounded request of the Contractor. Once the risk transfer program has been accepted, the Contractor must send updates every six months of its status, including evidence of contracts in force, payment of premiums in due time and manner, and continued reliability on insurers and re-insurers, based on the ratings of major credit agencies. Purchase of insurance policies or other measures taken shall not release the Contractor from liability for deriving consequences. Therefore, the Contractor shall never be released from complying with the strictest security policies related to activities, procedures, and personnel training, in order to prevent damages, to the greatest extent possible, or minimize their impact if any incident should occur.
- 28.2.5. The Contractor and Sub-contractors must purchase all present or future mandatory insurance policies, pursuant to the laws of Uruguay. Specifically, all the personnel must be covered by an occupational accident insurance policy issued by *Banco de Seguros del Estado* (State Insurance Bank). Foreign personnel must be included in the abovementioned coverage, in addition to coverage issued in the country of origin.

28.2.6. The Contractor and each of the Sub-contractors must maintain an effective insurance policy for the entire duration of the Contract, covering operating risks on assets required for compliance herewith (property, machinery, equipment, etc.). Coverage may be optionally extended to cover income loss or extraordinary costs for interruption of activities due to loss.

28.2.7. The Contractor must have an insurance policy which shall cover total or partial loss of Hydrocarbons, at the replacement value of lost product, with a maximum deductible of ten per cent (10%) of the amount subject to risk, from the extraction (wellhead) until the moment ANCAP, or another entity, as applicable, takes possession and control of the product (Inspection Point).

28.2.8. The Contractor must have and maintain a Civil Liability (CL) policy for Operations carried out by the Contractor and Sub-contractors with respect to third parties for damages caused to people and/or property, for an amount consistent with the average value established internationally for similar policies, and that easily covers the most pessimistic estimate of damages in an incident or group of incidents, with a limit not less than:

- five million US Dollars (US\$ 5,000,000) for a Subperiod of the Exploration Period when the Work Program does not include drilling one well
- twenty five million US Dollars (US\$ 25,000,000) for a Subperiod of the Exploration Period when the Work Program includes drilling at least one well
- twenty five million US Dollars (US\$ 25,000,000) for the Exploitation Period

for each separate incident or all of them (Cross Liability), and a deductible not more than two per cent (2%) of the indemnification limit. Additionally, the Contractor and each of the Sub-contractors shall purchase the specific policies that correspond to their activities, which shall have coverage, limits, and deductibles consistent with the main policy, depending on the share of the Contract, and the importance and singularity of the involved equipment (P&I for vessels, Civil Liability for Truck Drivers, Aviation Civil Liability, etc.), all of which shall comply with legal provisions in Uruguay.

28.2.9. The Contractor must purchase and maintain a Civil Liability policy, for itself and Sub-contractors, for damages caused to the environment, for an amount consistent with the average value established internationally for similar policies, and that easily covers the most pessimistic estimate of damages in an incident or group of incidents, with a limit not less than:

- ten million US Dollars (US\$ 10,000,000) for a Subperiod of the Exploration Period when the Work Program does not include drilling one well
- fifty million US Dollars (US\$ 50,000,000) for a Subperiod of the Exploration Period when the Work Program includes drilling at least one well
- fifty million US Dollars (US\$ 50,000,000) for the Exploitation Period

and a deductible not more than two per cent (2 %) of the indemnification limit in each case. The entire Area must be covered by the insurance policies purchased. Alternatively, specially designated collateral funds must be set aside for this kind of contingencies. Specifically, the following must be covered: platforms, support vessels, tankers, Hydrocarbons ducts and storage equipment, etc.

Damages caused by contamination and/or filtration for any accidental, sudden and fortuitous reason, during the operations, shall be covered together with, or in addition to, the abovementioned General Civil Liability policy, by means of a coverage program proposed by the Contractor, and approved by the Management Committee, considering the aforementioned minimum coverage amounts.

- 28.2.10. The minimum coverage amounts set in sections 28.2.8 and 28.2.9 may be revised by the Management Committee, as circumstances may require.
- 28.2.11. If insurance for the Petroleum Operations hereunder, in the Operator's reasonable opinion, is not available or is available at an excessive price, the Management Committee shall discuss the issue and shall allow the Operator to submit alternatives.
- 28.2.12. Any insurance to be submitted hereunder shall be subject to approval from the Management Committee.

CLAUSE 29 - APPLICABLE LAW

This Contract shall be governed by, and construed according to the laws of *República Oriental del Uruguay*.

CLAUSE 30 - DISPUTE RESOLUTION

30.1. JURISDICTION

- 30.1.1. The Parties shall resolve any issue or dispute that may arise between them from, or in connection with the Contract, in good faith and using their best efforts, by mutual consent, and shall seek to achieve a satisfactory settlement of said issues or disputes ("**Disputes**"). Conflicts that may arise between the Parties, which cannot be solved within sixty (60) Days after one of the Parties is notified of said dispute by the other Party, shall be submitted to the Courts of *República Oriental del Uruguay*, located in the city of Montevideo. The Parties expressly waive any other jurisdiction.

30.1.2. Notwithstanding the above provisions, any of the Parties may require that Disputes related to technical and/or economic matters that may arise while this Contract is effective, be referred to advisors or arbitrators, pursuant to the proceedings described in section 30.2.

30.1.3. In the event that the Parties do not reach an agreement on the nature of a Dispute (legal or technical and/or economic) within the aforementioned term of sixty (60) Days, either Party shall be entitled to refer the Dispute to the Courts of *República Oriental del Uruguay*, in accordance with 30.1.1.

30.2. TECHNICAL – ECONOMIC ADVISORY AND ARBITRATION PROCEEDINGS

30.2.1. ADVISORY PROCEEDINGS

30.2.1.1. Conflicts about technical or economic matters related to the enforcement of the Contract, which the Parties themselves cannot resolve, shall be referred to Advisors.

30.2.1.2. If the involvement of Advisors is determined, the Parties accept that, if they do not agree on the appointment of Advisors, each of them shall prepare a list of up to three Advisors, from which one shall be chosen at random within ten (10) Days. If one or more of the proposed Advisors appears in both lists, the Advisor shall be appointed among those appearing in both lists.

30.2.1.3. The Advisor so appointed shall prepare a report and submit it within a maximum term of thirty (30) Days.

30.2.1.4. The advisor's opinion shall have the effect that the Parties mutually agree in advance.

30.2.1.5. In all cases, expenses arising from the involvement of Advisors shall be equally borne by both Parties.

30.2.2. ARBITRATION PROCEEDINGS

30.2.2.1. Any conflict between ANCAP and the Contractor about technical and/or economic matters arising from or related to the enforcement of the Contract that cannot be resolved in friendly terms between the Parties nor with the involvement of Advisors, within sixty (60) Days after one of the Parties is notified of said Dispute by the other Party, shall be referred by any of the Parties to an arbitrator, without prejudice to referring the matter to court, when applicable. Legal matters shall not be referred to arbitration, but to Courts and Judges of *República Oriental del Uruguay*, in accordance with section 30.1.

- 30.2.2.2. Arbitration proceedings shall take place in the city of Montevideo, and shall be governed by the Rules of Arbitration of the International Chamber of Commerce (ICC), in all aspects consistent with this Contract. The award shall be final and binding upon the parties.
- 30.2.2.3. The Parties agree that the arbitral tribunal shall be composed by three (3) arbitrators, unless both Parties agree to appoint only one arbitrator. If the Parties agree to appoint only one arbitrator, but they fail to agree on the selection, the competent Judge shall select the arbitrator. If the Judge does not make a decision within thirty (30) Days, either Party may request the president of the ICC to appoint one arbitrator.
- 30.2.2.4. If the Parties agree to appoint three arbitrators, each Party shall appoint one arbitrator, and these two arbitrators shall select the third arbitrator. If one of the Parties fails to appoint an arbitrator, or if the appointed arbitrators fail to agree on the third arbitrator, then the third arbitrator shall be selected by the competent Judge. If the Judge does not make a decision within thirty (30) Days, either Party may request the president of the ICC to appoint one arbitrator. The appointment of arbitrators by the Parties, or by the Party-appointed arbitrators shall be made within thirty (30) Days of the decision of any of the Parties to refer the matter to arbitration, or of the appointment of arbitrators by each of the Parties, respectively. The third arbitrator shall not be a citizen or a resident of a country where the shares or securities of one Party or its Affiliated Companies are listed, or as regards ANCAP, a citizen or a resident of Uruguay.
- 30.2.2.5. If the arbitrator must be selected by the Judge, the Judge shall make the selection from a list provided by the Parties. If the Judge does not make a decision within thirty (30) Days, either Party may request the president of the ICC to appoint one arbitrator.
- 30.2.2.6. The Parties shall contribute in all aspects with the arbitral tribunal, including, granting access to Petroleum Operations, so as to obtain any necessary information to settle the dispute. Failure by one of the parties to appear in any of the hearings shall not prevent, nor hinder any stage of the arbitration proceedings.
- 30.2.2.7. It shall not be necessary to suspend the Operations or activities that gave rise to the arbitration proceedings while the decision of the arbitral tribunal is still pending, unless the continuation of said operations or activities may adversely affect the development of the arbitration proceedings, or may have an impact on the events or circumstances that originated the proceedings.

30.2.2.8. Upon termination of this Contract, the provisions related to arbitration proceedings shall remain valid, if there are still matters to be referred, or to be solved by arbitration.

30.2.2.9. Expenses incurred in arbitration proceedings shall be borne by the Party designated in the award issued by the arbitral tribunal.

30.3. NO SOVEREIGN IMMUNITY

In all aspects directly or indirectly related to its participation in the Contract, ANCAP represents and warrants that as a state-owned corporation it is not entitled to sovereign immunity or any form of special privileges which may prevent, totally or partially, the execution of a court decision or arbitration award against it, and hereby irrevocably and in advance waives any rights, or the exercise or claim of any rights of sovereign immunity which may exist in the future.

CLAUSE 31 – GUARANTEES

The Contractor shall furnish the following guarantees:

- a) Corporate Guarantee;
- b) Exploration Period Guarantees;
- c) Exploitation Period Guarantees.

31.1. CORPORATE GUARANTEE

Within ninety (90) Days of Contract execution, each Contractor member must submit to ANCAP a document stating that their respective parent company provides financial and/or technical support, as applicable, to the Contractor, regarding the obligations undertaken by the Contractor. Said document shall be worded based on the form attached hereto as Annex III.

31.2. EXPLORATION PERIOD GUARANTEES

- 31.2.1. Within ninety (90) Calendar Days of Contract execution, the Contractor and/or Contractor Member shall furnish a guarantee in US Dollars in favor of ANCAP which may be in cash, bank guarantee with local representation, listed public securities, or any other kind of guarantee to the satisfaction of ANCAP for a value equivalent to the highest value between these 2 options:

- ten percent (10%) of the equivalent value of the new field activities, as established in section 13.1 of the Bidding Terms included as Annex V, to be carried out as part of the Committed Exploratory Program, or
- one hundred thousand Dollars (100,000 US\$)

The Exploration Period Guarantee shall remain in effect for at least one hundred and eighty (180) Days after the end of the Basic Subperiod of the guaranteed Exploration Period.

31.2.2. In the event the Contractor chooses to proceed to the Supplementary Subperiod of the Exploration Period, the abovementioned guarantee shall be replaced by a new guarantee, with any of the instruments referred to in the previous section, for a value equivalent to the highest value between these 2 options:

- ten percent (10%) of the equivalent value of the new field activities, as established in section 13.1 of the Bidding Terms included as Annex V, to be carried out as part of the Agreed Exploratory Program, or
- one hundred thousand Dollars (100,000 US\$)

The new guarantee must be constituted at the time of commencement of the Supplementary Subperiod and its validity must exceed at least one hundred and eighty (180) Days the term corresponding to the subperiod that it guarantees.

31.2.3. In the event the Contractor chooses to proceed to the Extension Subperiod of the Exploration Period, the abovementioned guarantee shall be replaced by a new guarantee, with any of the instruments referred to in section 31.2.1, for a value equivalent to the highest value between these 2 options:

- ten percent (10%) of the equivalent value of the new field activities, as established in section 13.1 of the Bidding Terms included as Annex V, to be carried out as part of the Agreed Exploratory Program, or
- one hundred thousand Dollars (100,000 US\$)

The new guarantee must be constituted at the time of commencement of the Extension Subperiod and its validity must exceed at least one hundred and eighty (180) Days the term corresponding to the subperiod that it guarantees.

31.2.4. The Guarantees for the Exploration Period described in sections 31.2.1, 31.2.2 and 31.2.3 can be reduced at the Contractor's request and by resolution of ANCAP, in the amount equivalent to the activities and exploratory work executed to the full satisfaction of ANCAP, including the corresponding data delivery, without prejudice to what is stipulated in section 31.2.6.

31.2.5. If the difference between the equivalent value of the new field activities used to calculate the Guarantees for the Exploration Period described in paragraphs 31.2.1, 31.2.2 and 31.2.3 and the value of the approved Budget for such activity, exceeds twenty percent (20%), the Contractor shall constitute the Guarantees for the Exploration Period described in paragraphs 31.2.1, 31.2.2 and 31.2.3, taking as a basis for calculation the value of the approved Budget for such activity, without prejudice to what is stipulated in section 31.2.6.

- 31.2.6. In no case, the value of the Guarantee for the corresponding Exploration Period can be less than one hundred thousand Dollars (100,000 US\$).
- 31.2.7. Each guarantee shall be returned to the Contractor or the pertinent Contractor Member upon expiration of each Subperiod of the Exploration Period, as applicable, once evidence of compliance with all Subperiod obligations has been submitted, or upon termination of the Contract by any of the reasons listed in Clause 25.
- 31.2.8. ANCAP shall enforce this (these) guarantee(s), as a penalty, in the event of unjustified breach of Contractor's fundamental obligations during any of the Subperiods of the Exploration Period. Enforcement of the guarantees shall not release the Contractor from the obligation to fully compensate ANCAP for damages arising from such noncompliance.

31.3. EXPLOITATION PERIOD GUARANTEES

- 31.3.1. Within thirty (30) Days following commencement of the Exploitation Period, the Contractor and/or each Contractor Member shall proportionately furnish a guarantee in US Dollars in favor of ANCAP, which may be in the form of a bank guarantee with local representation, listed public securities, or any other kind of guarantee, to the satisfaction of ANCAP, for a value equivalent to five per cent (5%) of the estimated investments to carry out the Development work in the first five (5) Years of the Exploitation Period.
- 31.3.2. Upon the Contractor's request, ANCAP may resolve to reduce up to fifty per cent (50%) of the original amount. Reduction shall be made every one year, during the first five (5) Years of the Exploitation Period, in proportion to work accomplished, and intended investment, as established by the Management Committee.
- 31.3.3. ANCAP shall enforce this (these) guarantee(s), as a penalty, in the event of unjustified breach of the Contractor's fundamental obligations during the Exploitation Period. Enforcement of guarantees shall not release the Contractor from the obligation to fully compensate ANCAP for damages arising from such breach of Contract.
- 31.3.4. This guarantee shall be returned to the Contractor or the pertinent Contractor Member in the event of early termination of the Contract, as established in Clause 25, once the Contractor has complied with all obligations hereunder, and upon payment of amounts agreed upon, if any. This guarantee shall also be returned upon termination of the Contract by mutual agreement of the Parties; upon expiration of the term, or upon any other cause provided for in this Contract, once the Contractor has paid all due amounts, if any.

- 31.3.5. ANCAP shall not acknowledge interest on the guarantee deposits; however, interests accrued on securities shall correspond to depositors, and may be collected by them when the issuing entity settles them.

CLAUSE 32 - MISCELLANEOUS

32.1. EXTERNAL COMMUNICATIONS

Public statements, announcements or press releases in relation to any Discoveries made, either declared or to be declared commercially exploitable and the volumes of Hydrocarbon reserves shall require the authorization of ANCAP and of the Executive Branch through the MIEM, which shall have a term of fifteen (15) Days from the receipt of the draft announcement proposed by the Contractor to review it. In the event that neither ANCAP nor the Executive Branch through the MIEM issue a decision within the aforementioned term, such draft shall be deemed accepted.

Whenever the Contractor needs to issue a public statement, announcement or press release with respect to this Contract concerning information that may affect its normal performance, the Contractor shall request ANCAP to approve the contents of such statements.

32.2. IMPORT OF EQUIPMENT, MACHINERY AND TOOLS

Export and import regulations, specifically, rules related to temporary admission or import of equipment, machinery, materials, and tools necessary to carry out Petroleum Operations hereunder, shall be those established in Decree No. 366/974 of the Executive Branch, and amendments.

32.3. RULES OF CONDUCT

32.3.1. The Contractor shall abide by the laws and regulations of *República Oriental del Uruguay*, and shall make every effort to make sure its personnel, including foreign personnel, comply with said laws and regulations.

32.3.2. The Contractor shall carry out the activities hereunder with reasonable skill, care and diligence, and shall comply with its responsibilities, pursuant to the best international petroleum industry practices.

32.3.3. Compensation of the Contractor for the works hereunder shall be the only compensation. Neither the Contractor nor ANCAP or its respective employees shall accept any commissions,

gratuities, or additional payment related to the supply of products, or rendering of services, or any other circumstances in connection with the Contract.

32.3.4. Each Party shall comply with all the applicable laws and regulations, and none of the Parties shall have a conduct that may cause a conflict of interests.

32.4. WAIVER

Failure of any Party to enforce any right shall not be construed as a waiver of such right, except for the following case.

Any of the Parties may waive a right resulting from this Contract. No waiver shall be effective unless expressly made in writing. Said waiver shall only apply with respect to the related matter, noncompliance, or breach, and shall not apply to any other matter, noncompliance, or breach. If said waiver applies to matters which were subject to authorization from the Executive Branch, approval by said Branch shall be sought.

32.5. RELATIONSHIP BETWEEN PARTIES

Nothing in this Contract shall be construed as creating a company, partnership, association, joint venture, business trust, or organized group of people, either incorporated or unincorporated, with any of the Parties. Nothing in this Contract shall be construed as creating or requiring a fiduciary relationship between the Parties.

32.6. SEVERABILITY

If any of the provisions of this Contract is held to be invalid, illegal or unenforceable by any competent court, such invalidity, illegality or unenforceability shall not affect the rest of the provisions, and each of the valid provisions shall be enforceable to the maximum extent permitted by law. Notwithstanding the above, the Parties shall make every reasonable effort to agree on clauses that shall replace those that have been declared invalid, illegal or unenforceable, to the purposes of maintaining the same commercial effect.

32.7. INTERPRETATION

Reference to any effective law or regulations includes reference to any modifications thereto.

32.8. PREVALENCE

The provisions of this Contract shall prevail over the provisions of the Bidding Terms (Annex V), any proceeding subscribed by and between the Parties and the Questions and Clarifications formulated by the Contractor and replied by ANCAP, as provided for in Clause 8 of the Bidding Terms (Annex V).

32.9. CORPORATE SOCIAL RESPONSIBILITY

As part of its social responsibility, the Contractor acknowledges the ethical obligation to be opposed to any manner of discrimination, and values the opportunities given by the cultural diversity of our society. In addition to complying with the legislation, the Contractor undertakes to grant equal opportunities, avoid discrimination and provide the personnel with safe, adequate working conditions. No sexual or racial harassment shall be tolerated. Child labor is strictly forbidden.

The Contractor and Sub-contractors shall faithfully observe these social responsibility commitments in the performance of this Contract.

32.10. NO THIRD-PARTY BENEFICIARIES

This Contract shall be construed as excluding any rights under legal provisions conferring rights under a contract to individuals that are not Parties of such contract, notwithstanding any term herein which may appear to confer, may confer or may be construed as conferring a benefit to a third party.

32.11. NOTICES

Any notice or communication related to this Contract shall be made in writing, and shall be deemed as having been duly delivered when an authorized representative of the other Party acknowledges receipt thereof.

The Parties are entitled to change their address for notice delivery by notifying the other Party in writing at least ten (10) Days before the effective date of change.

Notices under this Contract shall be effective when made by mail with acknowledgement of receipt or by fax.

The Parties may establish other methods of notice delivery or communication, which will be agreed in due time by the Management Committee.

SIGNATURES

pp. ANCAP:

pp. Contractor:

SPANISH VERSION VALID ONLY

ANNEX I: CONTRACT AREA

SPANISH VERSION VALID ONLY

ANNEX II: COMMITTED EXPLORATORY PROGRAM AND TOTAL COST

This Annex contains the Committed Exploratory Program and its Total Cost, as proposed by the Contractor, when submitting its proposal pursuant to the Regime for the Selection of Oil Operating Companies for Exploration and Exploitation of Hydrocarbons in Onshore Areas of *República Oriental del Uruguay*.

Exploratory Work Proposed	Amount	VALUATION (Per WU)	WU
TOTAL WORK UNITS PROPOSED			

TABLE 5: TOTAL WORK UNITS PROPOSED FOR THE COMMITTED EXPLORATORY PROGRAM

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ANNEX III: MODEL LETTER OF PARENT COMPANY GUARANTEE

I, the undersigned, citizen of _____ of legal age, domiciled at _____, hereby state that:

1. In my capacity as _____ I act in the name and on behalf of _____ (Parent Company), a company incorporated pursuant to the laws of _____ as per duly translated and legalized documents and certificates attesting to the formation, legal existence and representation of such company.
2. With reference to the obligations assumed, and any obligations that may arise from the Contract and any annexes thereof, by _____ (Subsidiary), which has been awarded Contract Area _____, _____ (Parent Company) hereby undertakes as follows:
3. _____ (Parent Company) hereby represents to ANCAP that:
 - 3.1. It has been incorporated pursuant to the applicable laws of its jurisdiction
 - 3.2. It has been invested with sufficient and lawful powers of representation to execute, present and enforce this Guarantee
 - 3.3. This Guarantee represents the legal obligations validly assumed by _____ (Parent Company) and is enforceable against _____ (Parent Company), in accordance with its terms.
 - 3.4. No approval is required for the presentation, execution and enforcement of this Guarantee.
 - 3.5. The presentation, performance and enforcement of this Guarantee by _____ (Parent Company) does not constitute a violation of any existing legal or regulatory provision by which it may be bound, any provision of the company bylaws of _____ (Parent Company) or any agreement or contract by which it may be bound.
4. _____ (Parent Company) hereby unconditionally and irrevocably guarantees to ANCAP, as principal debtor, the due and timely performance of all obligations of _____ (Subsidiary) in connection to the Contract and any annex thereof.
5. This guarantee is unconditional and irrevocable, and shall be effective and in force until all obligations arising from the Contract have been performed.
6. Since _____ (Parent Company) is joint and several guarantor of _____ (Subsidiary), it acknowledges and accepts that it is not entitled to claim any right to demand that creditor exhausts its remedies against the principal debtor or any other benefit granted to non-joint and several guarantors.
7. No delay or failure on the part of ANCAP in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder.
8. The Guarantor will, after requesting and receiving the corresponding invoices, pay for all costs effectively incurred by ANCAP as a result of the enforcement of this guarantee, including, without limitation, any reasonable legal fees and expenses.



Signed at _____, on this _____ day of _____, 201X

pp. _____ (Parent Company)

Signature: _____ Legal representative

SPANISH VERSION VALID ONLY

ANNEX IV: ACCOUNTING PROCEDURE

CLAUSE 1 – GENERAL CONDITIONS

1.1. PURPOSE

1.1.1. The purpose of this Accounting Procedure is to establish fair methods to determine Costs, Investments and Credits applicable to operations under the Contract that reflect the expenses of Petroleum Operations in accordance with section 17.1 of the Contract. It is the intention of the Parties to avoid duplication or excess of recoverable costs.

1.1.2. The obligations set forth under section 17.1.5 of the Contract may be delegated by the Contractor to the Operator, who must accept them for such designation to become effective. In that case, the Operator will act on behalf of the Contractor for the purposes of this Accounting Procedure.

1.1.3. With the objective of permitting each one of the Contractor Members to maintain accounting records as set forth in 1.4.1, the Contractor shall prepare the Operations Account in compliance with International Financial Reporting Standards, other generally accepted accounting practices of the international petroleum industry, and all other legal requirements applicable in *República Oriental del Uruguay*, as well as with the provisions of the Contract, in such a way as to allow each one of the Contractor Members to comply with their corresponding legal and contractual obligations.

1.1.4. Each one of the Contractor Members is responsible for maintaining its own accounting records so as to comply with all applicable legal requirements, file any applicable tax returns, and prepare any other accounting reports required by a state body or by ANCAP in relation to Petroleum Operations.

1.2. CONFLICT WITH THE CONTRACT AND MODIFICATION

1.2.1. In case of conflict between the provisions of this Accounting Procedure and those of the Contract, the terms of the Contract shall prevail.

1.3. DEFINITIONS

The terms defined and used in this Accounting Procedure shall have the same meaning ascribed to them in the Contract, except as set forth below:

- 1.3.1. **"Independent auditor"**: an internationally recognized independent firm of public accountants that is acceptable for the Contractor or a Contractor Member.
- 1.3.2. **"Accrual Basis "**: under accrual basis the Costs and Investments and the profits are recognized in the period when the liability is incurred for the Cost and/or Investment or the right to profits arises, regardless of when it is invoiced, paid or collected.
- 1.3.3. **"Credits"**: reduction of Costs or Investments reflected in the Cost Oil Account.
- 1.3.4. **"Cost Oil Account"**: the account where Costs, Investments and Credits of Petroleum Operations are recognized, which will be part of the Operations Account.
- 1.3.5. **"Revenue Account"**: the account where Hydrocarbon sale revenues are recognized, which will be part of the Operations Account.
- 1.3.6. **"Operations Account"**: the account where credits and debits for cash inflows and outflows in relation to Petroleum Operations are recognized.
- 1.3.7. **"Gross Negligence" or "Willful Misconduct"**: any act or omission (either individually, jointly or concurrently) performed by an individual or legal person with the intention of causing, or that by deceitful omission or reckless disregard causes, damaging effects that the individual or legal person was aware of, or that the individual or legal person should have been aware of the fact that the act or omission would have such consequences for the safety or the assets of another individual or legal person.
- 1.3.8. **"Material"**: machinery, equipment and supplies, including supplies acquired and held for use in Petroleum Operations.

1.4. OPERATIONS ACCOUNT RECORDS AND EXCHANGE RATE

- 1.4.1. The Contractor shall maintain at all times accurate records of the production and disposal of all Hydrocarbons and of all the Costs and Investments as set forth under the Contract and this Accounting Procedure, as well as of other data required to recover Costs and Investments, and for the accurate reconciliation of accounts between the Parties, in relation to their rights and obligations under the Contract, and to allow the Parties to comply with their respective obligations concerning income tax and other Applicable Laws.

- 1.4.2. The Operations Account will be maintained in Spanish and in Dollars and, as required by the regulations of *República Oriental del Uruguay* or the provisions of the Contract, in Uruguayan Pesos or any other currency. Currency conversions will be recorded at the exchange rate effectively used for the conversion. Currency conversions are used to express the amount of the inflows and outflows for which currency exchange has been performed.
- 1.4.3. In the event that there is no real conversion, the amounts of inflows and outflows will be converted into Dollars or into Uruguayan Pesos, at the arithmetic average between the buy and the sale rates published by the Central Bank of Uruguay the last week of the Month prior to the Month when the amounts were collected or paid. In the event of converting into Dollars a currency whose exchange rate is not published by the Central Bank of Uruguay, it will be converted at the arithmetic average between the buy rate and the sale rate published by the Citibank of New York, United States of America, the last week of the Month prior to the Month when the amounts were collected or paid. (Hereinafter the “**Exchange Rate**”).
- 1.4.4. Any gain or loss due to foreign currency exchange will be recorded in the Operations Account. Any realized or unrealized gain or loss due to foreign currency exchange arising from exchange rate fluctuations will be separately recognized in the Operations Account under the corresponding item.
- 1.4.5. All measurements will be in metric units and barrels or Barrel of Oil Equivalents in accordance with the Contract.
- 1.4.6. The Accrual Basis of accounting will be used to prepare all accounts related to Petroleum Operations.
- 1.4.7. Upon receiving a request in writing from ANCAP, the Contractor shall provide a description of the accounting classifications used by it.

1.5. ADJUSTMENTS

All invoices and statements submitted to ANCAP by the Contractor in any Calendar Year shall be deemed faithful and accurate after twenty-four (24) Months of the end of such Calendar Year have elapsed, except if during said twenty-four (24) Month period, ANCAP notes such exception in writing and submits a claim to the Contractor to make an adjustment. In the event that ANCAP does not make such claim to the Contractor within the established term, such invoices and statements shall be deemed accurate, and no exceptions or claims may be submitted for their adjustment. No adjustment will be made in favor of the Contractor, except if performed within the same established term. The Contractor will be able to make adjustments to the Operations Account after said term of twenty-four (24) Months has elapsed if these adjustments result from audit exceptions external to this Accounting Procedure, third-party claims or government requirements. Any such adjustment will be subject to an Audit within the term established in section 1.6.1.

1.6. ANCAP AUDITS

- 1.6.1. ANCAP, after notifying the Contractor in writing at least sixty (60) Days in advance, shall have the right to (a) audit or (b) appoint an Independent Auditor to audit the Operations Accounts and the records of the Contractor for any Calendar Year within the term of twenty-four (24) Months following the end of such Calendar Year ("Audit"). All audits shall be performed on the basis of generally accepted auditing principles.

ANCAP may request information before the start of the Audit; however, this will be limited to the usual pre-audit information, such as general balance, general ledger, and sub-ledger (for the avoidance of doubts, the information disclosed to ANCAP under the Audit procedure shall not be greater or more extensive than the information ANCAP is authorized to receive under the Contract, other than the data of the general balance, general ledger and sub-ledger). The Contractor shall provide the information only in digital format or in the form of printed copies. The Contractor shall provide the information requested within thirty (30) Days prior to the start of the Audit.

ANCAP shall have reasonable access to the accounts and records of the Contractor related to the Petroleum Operations during regular working hours. ANCAP shall have the right to request the Contractor to provide it with a copy of any vouchers, invoices, receipts or other supporting documents of the accounting records of the general balance, ledger, and sub-ledger.

The cost of each Audit shall be borne solely by ANCAP. The right to Audit may be exercised on a maximum of two occasions per Calendar Year. ANCAP shall use its best efforts to conduct joint or concurrent Audits along with those of any competent supervisory governmental authority so as to cause the Contractor as little inconvenience as possible. ANCAP must take note in writing of all discrepancies revealed by such Audit and make a claim to the Contractor within the term of twenty-four (24) Months established.

- 1.6.2. The Contractor shall present the information of its Affiliated Companies that is reasonably necessary to support the charges of such Companies to the Operations Account. Additionally, each Contractor Member shall present the information that is reasonably necessary to support its charges to the Operations Account.

- 1.6.3. The following provisions apply to all charges of (a) a non-Operator Contractor Member; and (b) Affiliated Companies of a Contractor Member, provided that such entities render services to the Contractor, which are charged to the Operations Account (hereinafter, "Service Provider Entities").

- 1.6.4. The internal records of a Service Provider Entity that provides services to the Petroleum Operations may not be audited by ANCAP. However, in addition to the information supplied by the Contractor under section 1.6.2 and upon request of ANCAP, within twenty-four (24) Months following the end of the same Calendar Year, in accordance with section 1.6.1, the Contractor or Contractor Member (as applicable) will submit or cause its Affiliated Companies to submit (as applicable) to ANCAP an annual report and an audit report of the independent external auditor of the Contractor or the independent external auditor of the Contractor Member (and such report shall cover, if requested, the services provided under section 3.6 of this Accounting Procedure). This report will confirm that the charges invoiced by such Contractor Member or Affiliated Company to the Operations Account (including the services provided under section 3.6) are consistent with the Accounting Procedure, the Contract, and that they are relevant for Petroleum Operations, excluding cost duplication as set forth in Clause 3 and Clause 4, and that they are consistent in relation to the application to all its activities. The report will be supplied by the

Contractor or Contractor Member within the term of twelve (12) Months following the request by ANCAP. The expense derived from the provision of this annual report shall be a Cost.

- 1.6.5. Any information obtained by ANCAP under the provisions of this section 1.6 shall be confidential and shall not be disclosed to any third party, except as otherwise permitted in the Contract.
- 1.6.6. At the end of each Audit, ANCAP and the Contractor will endeavor to solve pending issues in an expedited manner. With this aim, ANCAP will do everything in its power to prepare and distribute a written report to the Contractor, as soon as possible, and in any case, within sixty (60) Days following the end of each Audit. This report shall include all claims and their supporting documentation, arising from such Audit, along with comments relevant to the operation of accounts and records. The Contractor shall do everything in its power to respond the report in writing, as soon as possible, or in a term not exceeding thirty (30) Days after receiving the report. If ANCAP or the Contractor consider that the report or the response require further investigation concerning any of the items they include, ANCAP and the Contractor shall be entitled to conduct such investigation, notwithstanding the provisions of sections 1.5 and 1.6.1 even if the period of twenty-four (24) Months has elapsed. However, the fact of conducting this further investigation will not cause an extension of the term of twenty-four (24) Months established for the filing of exceptions in writing and of the claim to the Contractor for all the discrepancies revealed in such Audit. These additional investigations shall start within thirty (30) Days and shall conclude within sixty (60) Days of receiving such report or response, as the case may be.
- 1.6.7. The Contractor shall recognize immediately in the Operations Account, and inform ANCAP of all adjustments arising from an Audit agreed upon between the Contractor and ANCAP. In the event of a dispute in relation to an Audit, it will be submitted for its resolution to an international independent audit firm agreed upon by the Parties (which will act as the Consultant under Clause 30 of the Contract), and whose fees shall be shared on an equal basis by ANCAP and the Contractor.

1.6.8. All accounting books and records related to Petroleum Operations shall be kept in accordance with applicable laws in *República Oriental del Uruguay*.

1.7. ALLOCATIONS OF SHARED COSTS

If it were necessary to allocate any Costs or Investments to Petroleum Operations or between them and any other operations, such Costs and Investments shall be allocated in such a way as to avoid duplication of Costs or Investments, with the purpose of reflecting fairly the Costs and Investments attributed to Petroleum Operations and excluding the expenses that do not correspond to Petroleum Operations. For informational purposes only, the Contractor shall provide a description of its procedures to allocate Costs and Investments, as well as the fees of its personnel and other charges, along with each Budget proposed. This allocation basis shall be subject to Audit as established in section 1.6.

CLAUSE 2 – CLASSIFICATIONS OF COSTS AND INVESTMENTS DEFINITION

2.1. SEPARATION OF COSTS AND INVESTMENTS

Costs and Investments shall be separated according to the purpose for which said expenditure was made. All the Costs and Investments shall be classified exactly as set forth in this Clause.

2.2. EXPLORATION COSTS AND INVESTMENTS

Exploration Costs and Investments are Costs and/or Investments (as applicable) incurred while searching for or assessing Hydrocarbons in an area that is, or was at the time the costs and/or investments were incurred, part of the Contract Area, including expenditures in relation to:

- 2.2.1. data purchased or acquired in relation to Exploration activities;
- 2.2.2. aerial, geological, geophysical, geochemical, paleontological and topographic studies and testing, as well as their interpretation;
- 2.2.3. the planning of seismic acquisition, the seismic acquisition, its processing and interpretation, soil studies, ocean current measurements, rock and fluid studies, thermodynamic analysis,

interpretation of maps, charts and diagrams, analysis and studies of reservoirs, laboratory services and commercial studies;

- 2.2.4. probing to obtain cores, exploratory wells, evaluation wells and water well drilling;
- 2.2.5. labor, materials, supplies and services used to perform the activities under this section 2.2 with the purpose of finding and evaluating Hydrocarbons. In case those wells are completed as production or injection wells, the cost of completing them shall be classified as Development Costs pursuant to section 2.3.1;
- 2.2.6. supporting infrastructure and facilities for the objectives described in this section 2.2;
- 2.2.7. Direct Charges pursuant to Clause 3 and Indirect Charges pursuant to Clause 4;
- 2.2.8. any other expenditure approved by the Management Committee and incurred while searching for or evaluating Hydrocarbons, not included herein.

2.3. EXPLOITATION COSTS AND INVESTMENTS

Exploitation Costs and Investments are Costs and/or Investments (as applicable) incurred in the Development of Hydrocarbon discoveries and their production, from the Contract Area to the Inspection Point, as set forth below.

2.3.1. DEVELOPMENT COSTS AND INVESTMENTS

Development Costs and Investments shall include:

- 2.3.1.1. data purchased or acquired in relation to Development activities;
- 2.3.1.2. architectural and engineering studies, reservoir engineering and analysis, studies for water and gas injection, enhanced recovery studies, project management, laboratory services and commercial studies;
- 2.3.1.3. drilling of Development wells, regardless of whether these wells turn out to be dry or productive, and the drilling of injection wells, either for water or gas;
- 2.3.1.4. the completion of exploration and evaluation wells with the purpose of making a well operational as a production well, or a well for water or gas injection;

- 2.3.1.5. purchasing, setup or construction of production, collection, transport and storage facilities for the Petroleum Operations, such as pipelines, collection lines, production and treatment units, wellhead equipment, underground equipment, measurement equipment, enhanced recovery systems, marine and land platforms, floating production and storage operations, access roads, landing fields, terminals and export docks, ports and related facilities;
- 2.3.1.6. labor, materials, supplies and services used to perform the activities under this section 2.3.1;
- 2.3.1.7. Direct Charges pursuant to Clause 3 and Indirect Charges pursuant to Clause 4;
- 2.3.1.8. any other expenditure approved by the Management Committee and incurred to develop Hydrocarbon discoveries, not included in this section 2.3.1.

2.3.2. PRODUCTION COSTS AND INVESTMENTS

Production Costs and Investments up to the Inspection Point shall include:

- 2.3.2.1. data purchased or acquired in relation to Production activities;
- 2.3.2.2. expenditures related to the operation, maintenance and repair of production, collection, transport and storage facilities for Petroleum Operations;
- 2.3.2.3. fluid analysis, reservoir engineering and analysis, studies for water and gas injection, enhanced recovery studies, laboratory services, optimization studies, equipment improvement and control studies (including corrosion tests), cost control and commercial studies;
- 2.3.2.4. labor, materials, supplies and services used to perform the activities under this section 2.3.2;
- 2.3.2.5. Direct Charges pursuant to Clause 3 and Indirect Charges pursuant to Clause 4;
- 2.3.2.6. any other expenditure approved by the Management Committee and incurred to produce Hydrocarbons, not included herein.

2.4. SERVICES

Service Costs and Investments are expenditures incurred to support Petroleum Operations, including expenses incurred in workshops, ports, vessels, vehicles, motorized equipment, aircrafts, fire protection and safety stations, water and effluent treatment plants, power plant, power, safety equipment and other tools and equipment used in these activities.

Additionally, the following may be included in the service category: safety procedures, health, safety and environmental audit, environmental studies, commercial studies, supply and supply chain management, accounting, legal, and professional services, human resources and employee relations, or any of the services that support the activities listed in sections 2.2 and 2.3.

CLAUSE 3 - DIRECT CHARGES

The Contractor shall charge to the Operations Account all the Costs and Investments incurred in the performance of Petroleum Operations within the limits of the Budgets approved or as specified in the Contract or in the Governance Procedure, it being understood that those incurred by the Contractor Members are included. Charges for services, such as those under sections 3.6.2 and 3.6.3 that are provided by an Affiliated Company of a Contractor Member shall reflect the cost of providing such services for the Affiliated Company, except as provided in sections 3.5 and 3.6.1

Costs and Investments to recover pursuant to Clause 17 shall include the following:

3.1. LICENSES, PERMITS, FINANCING AND GUARANTEES

All expenses, if any, attributable to the acquisition, maintenance, renewal, or waiver of licenses, permits, contractual and/or surface rights acquired for Petroleum Operations.

The costs of financing loans, letters of credit, securities to third parties, Exploitation Period Guarantee, and other financial instruments required to be supplied under the Contract. Financing costs shall include interest (only in accordance with section 17.1.1.1 of the Contract), fees and other costs or obligations incurred in relation to such loans, letters of credit, guarantees or other financial instruments issued by third parties or by the parent company or Affiliated Company of a Contractor Member.

3.2. LABOR AND ASSOCIATED COSTS

Salaries, benefits and other associated costs that constitute the total remuneration of the employees involved in Petroleum Operations, on a temporary or permanent basis, regardless of whether they reside within or outside *República Oriental del Uruguay* including holidays, sick leave, disability benefits, insurance, medical coverage, retirement, other benefits included in the Contractor's expatriation policies, severance pay and other benefit

plans. For retirement benefits, severance pay and disability benefits, they will be prorated on the basis of the time worked in Petroleum Operations.

- 3.2.1. Reasonable expenses of employees whose salaries and wages are charged as Costs, pursuant to common practices of the Contractor.
- 3.2.2. If employees participate in other activities in addition to Petroleum Operations, the cost of such employees shall be allocated proportionally.

3.3. PROPERTY AND FACILITIES

The Cost to set up, operate, maintain, repair or replace offices, field offices, houses, campsites, warehouses, land-based stations, roads or other transport systems, transport vehicles and other facilities related to Petroleum Operations. If such facilities serve other operations in addition to Petroleum Operations, the costs shall be proportionally allocated to the property.

3.4. MATERIALS

3.4.1. GENERAL PROVISIONS

Only those materials that are appropriate and consistent with an efficient and cost-effective operation may be purchased or supplied by the Contractor as required for their predictable and reasonable use in Petroleum Operations and avoiding any excess inventory accumulation.

3.4.2. VALUE OF THE MATERIALS CHARGED TO THE OPERATIONS ACCOUNT

3.4.2.1. Except as otherwise provided in section 3.4.2.2, the materials purchased by the Contractor to be used in Petroleum Operations shall be valued so as to include the price of the invoice less any applicable discounts, purchasing and supply fees plus charges for the dispatch of goods between the supply point and the shipping point, loading and unloading fees, loading platform charges, dispatch and documentation duties, costs of packaging fees, shipping to the port of destination, insurance, taxes, customs duties, consular fees, other charges corresponding to imported materials, and where handling and transport expenses from the import point to the warehouse or site of operations and their costs shall not exceed those customary in normal open-market operations.

3.4.2.2. The materials provided by the Contractor or its Affiliated Companies shall be charged at a price not exceeding the following:

3.4.2.2.1. The price of New Materials (Condition "A") transferred from the warehouse or other location owned by the Contractor or by its Affiliated Companies shall be a net cost determined according to the provisions of section 3.4.2.1, as if the Contractor had purchased such new Materials, just before being transferred. Such net costs shall in no case exceed the market price effective at the time.

3.4.2.2.2. Used materials (Conditions "B" and "C")

- a) The Materials that are in proper conditions to be used without the need for repairs or refurbishment shall be classified as Condition "B", and their price shall be 75% of the net cost of new materials purchased at the time of the transfer.
- b) The materials that do not meet the requirements set forth in (a) above, but that are suitable to be used after being repaired or refurbished shall be classified as Condition "C" and their price shall be 50% of the net cost of purchasing new materials at the time of transfer. The cost of refurbishing shall also be a Cost, provided that the price of Condition "C" plus the cost of refurbishment does not exceed that of Condition "B", and provided additionally that the Materials have been classified so as to meet the requirement of Condition "B" Materials once repaired or refurbished.
- c) The Materials that may not be classified as Condition "B" or Condition "C" shall have the price applicable according to their usage.
- d) Tanks, rigs, buildings or other items of Materials that involve assembly costs, if transferred in completely disassembled conditions, shall be classified according to their condition, as set forth in section 3.4.2.2.2 herein, and their price will be set on the basis of the price of similar new and disassembled Materials.
- e) Materials that include drill pipes, coating and pipelines, which can no longer be used for their original purpose but that may be used for some other purpose, shall be classified according to the condition set forth in section 3.4.2.2.2 herein. Such Materials shall be priced on the basis of the current price of the items typically used for other purposes of the items sold to third parties.

3.4.3. DEFECTIVE MATERIALS

Any amount due to adjustments collected by the Contractor from vendors /manufacturers or their representatives in case of defective Materials shall be credited to the Operations Account.

3.4.4. OVERPRICE

Whenever it is not possible to purchase Materials for the prices set forth in section 3.4.2.2, due to Unforeseeable Circumstances Beyond the Control of the Parties, the Contractor may charge to the Operations Account the required Materials at the real Cost paid by the Contractor when purchasing such Materials, as well as the cost of adapting them for their use and their transport to the Area.

3.5. EQUIPMENT AND FACILITIES OWNED EXCLUSIVELY BY THE CONTRACTOR AND AFFILIATED COMPANIES

Charges for equipment, facilities and basic supplies owned exclusively by the Contractor or any of its Affiliated Companies shall be calculated at rates not exceeding the average commercial rates offered by non-affiliated third parties then effective for equipment, facilities and basic supplies to be used in the Area hereunder. Upon request, the Contractor shall supply ANCAP with a list of the rates and the criteria for their application. Such rates will be revised from time to time, but not more frequently than once every six (6) Months.

Drilling tools and other exclusively owned equipment that are lost in the well or damaged without repair may be charged at their cost of replacement less depreciation, plus transport costs to supply similar equipment to the site where they will be used.

3.6. SERVICES

- 3.6.1. The cost of services, including those activities listed in Clause 2, performed by the Affiliated Companies of the Contractor, technical and professional staff not based in *República Oriental del Uruguay* and not listed in item 3.2 shall be Costs or Investments (as applicable). Individual rates shall include salaries, wages and benefits of the technical and professional staff. Costs shall also include all supporting Costs required for the technical and professional staff to perform such services, including but not limited to rent, basic supplies, support staff, drafting of technical sketches and maps, telephone and other communication expenses, IT support, provisions, and supplies.
- 3.6.2. The cost of the services performed by technical and professional staff of any non-Operator Contract Member or its respective Affiliated Companies shall be charged to the Operations Account. The charges for such services shall be adjusted to those set forth in sections 2.2 and 2.3 above, and include expenses related to support personnel, projects, telephone and other communication expenses, IT support, provisions, depreciations and amortizations.
- 3.6.3. The charges for services, including the activities listed in Clause 2, supplied by third parties, including non-Operator Contractor Members or the Affiliated Companies of any Contractor Member hired by the Contractor to perform the services that are normally provided by other suppliers, other than the services listed in sections 3.6.1 and 3.6.2, shall be charged as Costs or Investments, according to the type of service performed by such other supplier, Contractor Members or Affiliated Company. Such charges for services rendered by other Contractor Members or Affiliated Companies of the respective Contractor Members shall not exceed those currently effective in case of being performed by non-affiliated third parties, taking into account the quality and availability of the services.
- 3.6.4. The costs incurred as payments to access or use technical data, intellectual property and know-how of any Affiliated Company of a Contractor Member shall be considered a Cost. Such costs shall be included in the annual Budgets as a separate item subject to approval from the Management Committee.
- 3.6.5. The services included in this section 3.6 shall be reviewed only by ANCAP according to the provisions set forth in section 1.6.4.

3.7. INSURANCE

Premiums paid for the insurance for the benefit of Petroleum Operations required by law and/or the Contract to be executed shall be considered Costs and/or Investments (as applicable). Payments made on account of deductibles, franchises, coverage difference or limit difference shall be considered Costs and/or Investments (as applicable).

3.8. DAMAGES AND PROPERTY LOSS

- 3.8.1. All costs and expenses required to replace, repair or remedy damages or losses resulting from fire, flooding, storms, theft, accidents or other reasons in the Contract Area, facilities and infrastructure of Petroleum Operations. The Contractor shall submit to ANCAP a detailed written account of the damages or losses exceeding One Million Dollars (US\$ 1,000,000) as soon as possible once the Contractor has received the report of such incidents. All losses exceeding One Million Dollars (US\$ 1,000,000) will be recorded separately in the monthly statement of Costs, Investments and Credits issued pursuant to section 6.3.
- 3.8.2. Any Credits received from insurance settlements covering the Contract Area, facilities and infrastructure of Petroleum Operations and/or for other losses or damages to properties or materials shall be credited to the Operations Account except when such receipts are derived from insurance purchased by the Contractor only with respect to a lesser value than the rest of the Parties, in which case such product shall be credited to such Parties for whom the insurance has been purchased in proportion to their respective contributions under the insurance coverage.
- 3.8.3. Expenses incurred due to settlement agreements, arbitration awards and court rulings in relation to Petroleum Operations.
- 3.8.4. In case that, in accordance with reasonable and prudent practice of the international petroleum industry, no insurance was purchased against a specific risk, all real expenses incurred and paid by the Contractor as settlement of all losses, claims, damages and rulings and any other expense, including legal services, shall be Costs and Investments (if applicable) provided that such loss, claim, damage, ruling or other expense is not the direct result of Gross Negligence and Willful Misconduct of the Contractor.
- 3.8.5. If an event or item is excluded from insurance or from other type of risk transfer agreement, the costs related to repairs or replacement of such item or the repairs or replacement due to such event are considered Costs.

3.9. LITIGATION, DISPUTE RESOLUTION AND RELATED LEGAL COSTS

Costs and expenses derived from litigation, dispute resolution and related legal services required to protect the Contract Area and/or carry out the Petroleum Operations under the Contract include:

- 3.9.1. Legal services, including those provided by the Parties or employees of the Affiliated Companies and all the costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, including reasonable lawyer fees and expenses, together with rulings issued against the Parties or any of them derived from the Petroleum Operations.
- 3.9.2. If agreed by the Management Committee, litigation, arbitration or other alternative dispute resolution procedures derived from actions and claims affecting the Petroleum Operations hereunder may be handled by the legal team of one or any of the Parties or their respective Affiliated Companies; and a charge in accordance with reasonable costs for providing such services shall be made by the Party or its Affiliated Companies when providing such service to the Contractor for the Operations Account, pursuant to section 3.6.2.

3.10. TAXES AND TARIFFS

All Taxes, tariffs, contributions and government charges, of any type or nature, assessed or levied in relation to Petroleum Operations, other than those based on the revenues, income, or net equity of a Contractor Member.

3.11. ECOLOGICAL AND ENVIRONMENTAL ASPECTS

Costs incurred in relation to any property, in terms of legal regulations for archeological and geophysical studies related to the identification and protection of cultural resources and/or tests or studies that may be required by any regulatory authority including the environmental management plan, as well as all permits and licenses, and the performance of environmental audits. Additionally, the costs for supplying and having equipment for contaminant removal and containment plus the costs of control, cleaning and repair derived from the responsibilities related to the contamination by Hydrocarbons, as provided for by Applicable Laws and regulations.

3.12. HEALTH AND SAFETY

The costs incurred in health and safety studies, permits and licenses, for the creation and implementation of safety procedures and the performance of health and safety audits.

3.13. TRANSPORT

The costs incurred to transport equipment, materials or supplies from and within *República Oriental del Uruguay*, and from a foreign country to *República Oriental del Uruguay* in order to perform the Petroleum Operations hereunder, including direct costs such as loading, unloading, port duties and land and sea freight, shall be included as direct charges.

3.14. DECOMMISSIONING (ABANDONMENT) AND RESTORATION

As provided for in Clause 11, the amounts allocated to the Abandonment Fund are considered Costs or Investments. All expenses in relation to the Dismantling (Abandonment) and restoration of the Area shall be covered with such Fund.

3.15. TRANSLATION

Translation costs and the Costs of maintaining records related to the Petroleum Operations, whether in English or Spanish, shall be considered Costs.

3.16. COMMUNICATIONS

The costs of acquiring, leasing, setting up, operating, repairing and maintaining communication systems and/or the communication expenses and equipment including, but not limited to, expenses of radio, satellite and microwave facilities for communication between the Contract Area and base facilities (including land and office equipment).

3.17. NON-RECOVERABLE COSTS AND INVESTMENTS

The expenses associated with the issues listed below shall not be Costs or Investments and shall not be recoverable by the Contract Members under the Contract:

- 3.17.1. costs and expenses incurred before the Effective Date, including costs associated to the preparation, execution and ratification of the Contract
- 3.17.2. costs of commercialization or transport of Hydrocarbons beyond the Inspection Point(s), except those incurred by the Contractor or any Contractor Member on behalf of ANCAP.
- 3.17.3. fines, interest, and penalties imposed by the Courts of *República Oriental del Uruguay*

- 3.17.4.donations and contributions
- 3.17.5.costs incurred for not purchasing insurance for what required insurance under the Contract, or not complying with the procedures set forth by an insurance policy
- 3.17.6.costs and expenses incurred as a result of Gross Negligence or Willful Misconduct of the Contractor, and
- 3.17.7.costs incurred to manage any inter-company agreement among Contractor Members (joint venture).

CLAUSE 4 - INDIRECT CHARGES

The Contractor shall charge to the Operations Account the Cost of indirect services of the Contractor and its Affiliated Companies. These costs are such that it is not practical to identify them separately, but they are necessary and required by the Contractor, they offer a real benefit to the Petroleum Operations, and shall be included in the Budget. None of the costs or charges included in Clause 3 will be included nor duplicated in Clause 4. General expenses and “overheads” from the parent company or the subsidiaries not directly related to Petroleum Operations are excluded. These charges shall be Costs pursuant to Clause 17 of the Contract.

CLAUSE 5 – MATERIAL DISPOSAL

5.1. DISPOSAL

No Contractor Member shall have the obligation to buy new or used leftover Materials, but shall be entitled to buy them. The Contractor shall be entitled to dispose of the Materials but shall notify and obtain the prior agreement of the Management Committee for the proposed disposal of the Materials that have an original value, either separately or as a whole, equal to, or exceeding Two Hundred and Fifty Thousand Dollars (US\$ 250,000). When the Petroleum Operations dispose of the Materials charged to the Operations Account, the Contractor shall communicate the Management Committee the original Cost of such Materials to the Operations Account. The credits for the Materials sold by the Contractor shall be made to the Operations account in the month when the payment for the Materials was received. The costs and expenses incurred by the Contractor in the disposal of the Materials shall be recognized as Costs.

5.2. MATERIALS PURCHASED BY ONE PARTY OR AFFILIATED COMPANY

The revenues received by the Contractor for the Materials purchased by any Contractor Member or an Affiliated Company shall be credited by the Contractor to the Operations Account, when the Materials are priced as new Materials pursuant to section 3.4.2.2.1 and used Materials are priced as used Materials pursuant to section 3.4.2.2.2 except as otherwise agreed by the Management Committee.

5.3. SALES TO THIRD PARTIES

Revenues received for the Materials purchased by third parties shall be credited by the Contractor to the Operations Account at the net value that the Contractor collected from the buyer. Any claim from the buyer in case of defective materials or other causes shall be charged again to the Operations Account once the Contractor has paid.

CLAUSE 6 - STATEMENTS

6.1. PRODUCTION

From the date of the first Production of Hydrocarbons of the Contract Area, the Contractor shall submit, for the purposes of Clause 17, a monthly Production statement to the Management Committee including the following information, separately for each Field and overall for the whole of the Contract Area:

- 6.1.1. The quantity of Crude or Condensed Oil produced and available measured at the Inspection Point(s);
- 6.1.2. The quality and features of the Crude or Condensed Oil produced and available;
- 6.1.3. The quantity of Associated and Non-Associated Natural Gas produced and available measured at the Inspection Point(s);
- 6.1.4. The quality and composition of such Natural Gas produced and available separately;
- 6.1.5. The quantity of Crude Oil, Condensed Oil and Natural Gas used for Petroleum Operations or unavoidably lost, including by burn off or venting;
- 6.1.6. The volume of the inventory of Hydrocarbons maintained from the first Day of the Month in question;
- 6.1.7. The volume of the inventory of Hydrocarbons maintained from the last Day of the Month in question; and
- 6.1.8. The number of Days of the Month when the Hydrocarbons were produced at each Field.

ANCAP may indicate, in writing, that the Production statement is to include other reasonable details related to the Production of Hydrocarbons, and Contractor Members shall comply with such instruction.

The Month Production statement shall be submitted to the Management Committee within fifteen (15) Days after the end of the Month.

6.2. VALUE OF PRODUCTION

The Contractor shall prepare, for the purposes of Clause 17, a statement reporting the calculations of the value of Crude Oil, Condensed Oil and/or Natural Gas produced and available during each Month.

The statement shall include:

- 6.2.1. if applicable, the basket of Crude Oils chosen pursuant to section 17.2.4 of the Contract;
- 6.2.2. if applicable, the price of Gas according to section 17.2.4 of the Contract;
- 6.2.3. the quantity of Crude Oil, Condensed Oil or Natural Gas produced and available;
- 6.2.4. The quantity of Crude Oil, Condensed Oil and Natural Gas used for Petroleum Operations or unavoidably lost, including by burn off or venting;
- 6.2.5. the quantity of Crude Oil or Condensed Oil or Natural Gas sold during the Month in question;
and
- 6.2.6. the calculation of the value of Crude Oil or Condensed Oil or Natural Gas.

The Statement shall be submitted to the Management Committee within thirty (30) Days after the end of the Month.

6.3. COSTS, INVESTMENTS AND CREDITS

The Contractor shall prepare, with respect to each Month, a statement of the Costs, Investments and Credits under section 17.1.5 of the Contract. The statement will break down the expenses of Exploration, Development and Production, and will break down all important items of the Costs, Investments and Credits classified in this Accounting Procedure. The statement shall break down the value of the sale of Hydrocarbons according to sections 17.2.4.1 and 17.2.4.2 of the Contract and incidental profit. If ANCAP does not agree with the breakdown of categories, it shall be authorized to request further details. The statement shall include the following:

- 6.3.1. Costs, Investments and Credits of the Month in question;
- 6.3.2. Costs, Investments and Credits accumulated of the Year in question;
- 6.3.3. Recent forecast of the Costs, Investments and Credits accumulated at the end of the Year; and
- 6.3.4. Variations between the budget and the recent forecast and the corresponding explanations.

The Statement shall be submitted to the Management Committee within thirty (30) Days after the end of the Month.

6.4. STATEMENT OF COST RECOVERY

The Contractor shall prepare, with respect to each quarter of the Calendar Year, a statement of Cost recovery containing the following information:

- 6.4.1. Non-recovered Costs and Investments realized from the previous calendar quarter;
- 6.4.2. Costs and Investments of the calendar quarter in question;
- 6.4.3. Quantity and value of the Cost Oil transported and used by Contractor Members during the calendar quarter in question;
- 6.4.4. Costs and Investments recovered during the quarter in question;
- 6.4.5. Total accumulated amount of the Costs and Investments recovered at the end of the calendar quarter in question; and
- 6.4.6. Amount of the Costs and Investments to be realized the following calendar quarter.

The Statement shall be submitted to the Management Committee within thirty (30) Days following the end of such calendar quarter.

6.5. PROFIT-SHARING STATEMENT

The Contractor shall prepare, with respect to each calendar quarter, a profit-sharing statement containing the following:

- 6.5.1. Pursuant to Clause 17 of the Contract, the appropriate percentages of the Profit Oil corresponding to ANCAP and to the Contractor in the calendar quarter in question;
- 6.5.2. The total amount of Profit Oil distributed between ANCAP and the Contractor in the calendar quarter in question;
- 6.5.3. The amount of Profit Oil owed to ANCAP and to the Contractor, as well as to each Contractor Member, for the calendar quarter in question;
- 6.5.4. The amount of Profit Oil taken or the payment received by ANCAP, by the Contractor, as well as by each Contractor Member, for the calendar quarter in question; and

6.5.5. The adjustments to be made, if necessary, in the future calendar quarters in the respective amounts of Profit Oil owed to ANCAP and to the Contractor as well as to each Contractor Member and the accumulated adjustments that are pending from previous quarters.

The Statement shall be submitted to the Management Committee before completing thirty (30) Days from the end of such calendar quarter. Any adjustment required in the profit sharing between the Parties shall be made within thirty (30) Days of submitting the statement.

6.6. R FACTOR CALCULATION

R Factor = Accumulated Total of the Revenues Account / Accumulated Total of the Cost Oil Account

For a better understanding of the R Factor calculation pursuant to Clause 17 and sections 2.1.19 and 2.1.27 of the Contract, an example of calculation is included below showing the recovery of Cost Oil during a hypothetical first quarter of production in an onshore Area.

This example calculation is done on the basis of the following Cost Oil recovery and R Factor assumptions:

- All investments until the end of the first quarter were three hundred million Dollars (US\$ 300,000,000).
- All Costs until the end of the first quarter were ten Dollars (US\$ 10) per barrel.
- Production during the first quarter was of 2,000 barrels per day.
- The price of oil calculated at FOB Uruguay value for the first quarter was of One Hundred Dollars (US\$ 100) per barrel
- The number of Days in the first quarter was ninety one (91).
- Gross Income = FOB Uruguay Oil Price * number of Days in the quarter * barrels per day.
- Cost Oil = Investments + Costs, according to section 2.1.19 of the Contract.
- Investments are recovered in twenty (20) quarterly installments, according to section 17.1.2 of the Contract.
- Cost Oil recovery = 60% of Gross Income (for Crude Oil) and 80% of Gross Income (for Natural Gas), according to Article 17.1 of the Contract.
- Any non-recovered accumulated Cost Oil amount in the current quarter is rolled over to the next, and to subsequent quarter(s) until its full recovery, or until the expiry or termination of the Contract, pursuant to sections 17.1.3 and 17.1.1.1 of the Contract
- The hypothetical calculation of the R Factor for the first quarter on the basis of an Oil Development and the assumptions described above, shall be as described below:
 - o Gross Income = US\$100/bbl*91 Days/quarter*2,000 bbl/day = US\$18.2 million.
 - o Investments = 300/20 = US\$15 million
 - o Costs = US\$10/bbl*91 Days*2,000 bbls/day = US\$1.82 million.
 - o Cost Oil = Investment + Costs = US\$ 15 million + US\$ 1.82 million = US\$ 16.82 million
 - o R Factor = accumulated Gross Income / accumulated Cost Oil = 1.08

Accumulated Cost Oil is used for the calculation of the R Factor. Therefore, R shall be lower than 1 until the accumulated Gross Income is equal to the accumulated Costs and Investments.

In the example above, only 60% of the Gross Income may be applied to the Cost Oil recovery and the remaining 40% is rolled over to subsequent quarters. Therefore, the recovery Cost Oil in the first quarter = 18.2*60% = US\$10.92 million. As the accumulated Cost Oil is US\$16.82 million, the balance to be recovered of US\$ 5.90 million (US\$16.82 million – US\$10.92 million = US\$ 5.90 million) is rolled over to the subsequent quarter.

The table below shows this example through 100 consecutive quarters, with the following assumptions:

- There were no further investments after the first quarter.
- The Costs in each quarter were of US\$10 per barrel.
- Production in each quarter was of 2,000 barrels per day.
- The price of Oil calculated at FOB Uruguay value for each quarter was of US\$ 100 per barrel
- The number of Days in each quarter was 91.
- Gross Income = FOB Uruguay Oil Price * number of Days in the quarter * barrels per day.
- Cost Oil = Investments + Costs, according to section 2.1.19 of the Contract.
- The Investments are recovered in 20 quarterly installments, according to section 17.1.2 of the Contract.
- Cost Oil recovery = 60% of Gross Income (for Crude Oil) and 80% of Gross Income (for Natural Gas), according to Article 17.1 of the Contract.
- Any non-recovered accumulated Cost Oil amount in the current quarter is rolled over to the next, and to subsequent quarter(s) until its full recovery, or until the expiry or termination of the Contract, pursuant to sections 17.1.3 and 17.1.1.1 of the Contract

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Quarter	Income (MMUS\$)	Accumulated income (MMUS\$)	OPEX (MMUS\$)	CAPEX (MMUS\$)	COST OIL (MMUS\$)	Accumulated COST OIL (MMUS\$)	R FACTOR	COST OIL limit (MMUS\$)	Carried forward COST OIL (MMUS\$)	Paid COST OIL (MMUS\$)	PROFIT OIL (MMUS\$)
1	18,20	18,20	1,82	15,00	16,82	16,82	1,08	10,92		10,92	7,28
2	18,20	36,40	1,82	15,00	16,82	33,64	1,08	10,92	5,90	10,92	7,28
3	18,20	54,60	1,82	15,00	16,82	50,46	1,08	10,92	11,80	10,92	7,28
4	18,20	72,80	1,82	15,00	16,82	67,28	1,08	10,92	17,70	10,92	7,28
5	18,20	91,00	1,82	15,00	16,82	84,10	1,08	10,92	23,60	10,92	7,28
6	18,20	109,20	1,82	15,00	16,82	100,92	1,08	10,92	29,50	10,92	7,28
7	18,20	127,40	1,82	15,00	16,82	117,74	1,08	10,92	35,40	10,92	7,28
8	18,20	145,60	1,82	15,00	16,82	134,56	1,08	10,92	41,30	10,92	7,28
9	18,20	163,80	1,82	15,00	16,82	151,38	1,08	10,92	47,20	10,92	7,28
10	18,20	182,00	1,82	15,00	16,82	168,20	1,08	10,92	53,10	10,92	7,28
11	18,20	200,20	1,82	15,00	16,82	185,02	1,08	10,92	59,00	10,92	7,28
12	18,20	218,40	1,82	15,00	16,82	201,84	1,08	10,92	64,90	10,92	7,28
13	18,20	236,60	1,82	15,00	16,82	218,66	1,08	10,92	70,80	10,92	7,28
14	18,20	254,80	1,82	15,00	16,82	235,48	1,08	10,92	76,70	10,92	7,28
15	18,20	273,00	1,82	15,00	16,82	252,30	1,08	10,92	82,60	10,92	7,28
16	18,20	291,20	1,82	15,00	16,82	269,12	1,08	10,92	88,50	10,92	7,28
17	18,20	309,40	1,82	15,00	16,82	285,94	1,08	10,92	94,40	10,92	7,28
18	18,20	327,60	1,82	15,00	16,82	302,76	1,08	10,92	100,30	10,92	7,28
19	18,20	345,80	1,82	15,00	16,82	319,58	1,08	10,92	106,20	10,92	7,28
20	18,20	364,00	1,82	15,00	16,82	336,40	1,08	10,92	112,10	10,92	7,28
21	18,20	382,20	1,82	0,00	1,82	338,22	1,13	10,92	118,00	10,92	7,28
22	18,20	400,40	1,82	0,00	1,82	340,04	1,18	10,92	108,90	10,92	7,28
23	18,20	418,60	1,82	0,00	1,82	341,86	1,22	10,92	99,80	10,92	7,28
24	18,20	436,80	1,82	0,00	1,82	343,68	1,27	10,92	90,70	10,92	7,28
25	18,20	455,00	1,82	0,00	1,82	345,50	1,32	10,92	81,60	10,92	7,28
26	18,20	473,20	1,82	0,00	1,82	347,32	1,36	10,92	72,50	10,92	7,28
27	18,20	491,40	1,82	0,00	1,82	349,14	1,41	10,92	63,40	10,92	7,28
28	18,20	509,60	1,82	0,00	1,82	350,96	1,45	10,92	54,30	10,92	7,28
29	18,20	527,80	1,82	0,00	1,82	352,78	1,50	10,92	45,20	10,92	7,28
30	18,20	546,00	1,82	0,00	1,82	354,60	1,54	10,92	36,10	10,92	7,28
31	18,20	564,20	1,82	0,00	1,82	356,42	1,58	10,92	27,00	10,92	7,28
32	18,20	582,40	1,82	0,00	1,82	358,24	1,63	10,92	17,90	10,92	7,28
33	18,20	600,60	1,82	0,00	1,82	360,06	1,67	10,92	8,80	10,62	7,58
34	18,20	618,80	1,82	0,00	1,82	361,88	1,71	10,92	0,00	1,82	16,38
35	18,20	637,00	1,82	0,00	1,82	363,70	1,75	10,92	0,00	1,82	16,38
36	18,20	655,20	1,82	0,00	1,82	365,52	1,79	10,92	0,00	1,82	16,38
37	18,20	673,40	1,82	0,00	1,82	367,34	1,83	10,92	0,00	1,82	16,38
38	18,20	691,60	1,82	0,00	1,82	369,16	1,87	10,92	0,00	1,82	16,38
39	18,20	709,80	1,82	0,00	1,82	370,98	1,91	10,92	0,00	1,82	16,38
40	18,20	728,00	1,82	0,00	1,82	372,80	1,95	10,92	0,00	1,82	16,38
41	18,20	746,20	1,82	0,00	1,82	374,62	1,99	10,92	0,00	1,82	16,38
42	18,20	764,40	1,82	0,00	1,82	376,44	2,03	10,92	0,00	1,82	16,38
43	18,20	782,60	1,82	0,00	1,82	378,26	2,07	10,92	0,00	1,82	16,38
44	18,20	800,80	1,82	0,00	1,82	380,08	2,11	10,92	0,00	1,82	16,38
45	18,20	819,00	1,82	0,00	1,82	381,90	2,14	10,92	0,00	1,82	16,38
46	18,20	837,20	1,82	0,00	1,82	383,72	2,18	10,92	0,00	1,82	16,38
47	18,20	855,40	1,82	0,00	1,82	385,54	2,22	10,92	0,00	1,82	16,38
48	18,20	873,60	1,82	0,00	1,82	387,36	2,26	10,92	0,00	1,82	16,38
49	18,20	891,80	1,82	0,00	1,82	389,18	2,29	10,92	0,00	1,82	16,38
50	18,20	910,00	1,82	0,00	1,82	391,00	2,33	10,92	0,00	1,82	16,38
51	18,20	928,20	1,82	0,00	1,82	392,82	2,36	10,92	0,00	1,82	16,38
52	18,20	946,40	1,82	0,00	1,82	394,64	2,40	10,92	0,00	1,82	16,38
53	18,20	964,60	1,82	0,00	1,82	396,46	2,43	10,92	0,00	1,82	16,38
54	18,20	982,80	1,82	0,00	1,82	398,28	2,47	10,92	0,00	1,82	16,38
55	18,20	1001,00	1,82	0,00	1,82	400,10	2,50	10,92	0,00	1,82	16,38
56	18,20	1019,20	1,82	0,00	1,82	401,92	2,54	10,92	0,00	1,82	16,38
57	18,20	1037,40	1,82	0,00	1,82	403,74	2,57	10,92	0,00	1,82	16,38
58	18,20	1055,60	1,82	0,00	1,82	405,56	2,60	10,92	0,00	1,82	16,38
59	18,20	1073,80	1,82	0,00	1,82	407,38	2,64	10,92	0,00	1,82	16,38
60	18,20	1092,00	1,82	0,00	1,82	409,20	2,67	10,92	0,00	1,82	16,38
61	18,20	1110,20	1,82	0,00	1,82	411,02	2,70	10,92	0,00	1,82	16,38
62	18,20	1128,40	1,82	0,00	1,82	412,84	2,73	10,92	0,00	1,82	16,38
63	18,20	1146,60	1,82	0,00	1,82	414,66	2,77	10,92	0,00	1,82	16,38
64	18,20	1164,80	1,82	0,00	1,82	416,48	2,80	10,92	0,00	1,82	16,38
65	18,20	1183,00	1,82	0,00	1,82	418,30	2,83	10,92	0,00	1,82	16,38
66	18,20	1201,20	1,82	0,00	1,82	420,12	2,86	10,92	0,00	1,82	16,38
67	18,20	1219,40	1,82	0,00	1,82	421,94	2,89	10,92	0,00	1,82	16,38
68	18,20	1237,60	1,82	0,00	1,82	423,76	2,92	10,92	0,00	1,82	16,38
69	18,20	1255,80	1,82	0,00	1,82	425,58	2,95	10,92	0,00	1,82	16,38
70	18,20	1274,00	1,82	0,00	1,82	427,40	2,98	10,92	0,00	1,82	16,38
71	18,20	1292,20	1,82	0,00	1,82	429,22	3,01	10,92	0,00	1,82	16,38

72	18,20	1310,40	1,82	0,00	1,82	431,04	3,04	10,92	0,00	1,82	16,38
73	18,20	1328,60	1,82	0,00	1,82	432,86	3,07	10,92	0,00	1,82	16,38
74	18,20	1346,80	1,82	0,00	1,82	434,68	3,10	10,92	0,00	1,82	16,38
75	18,20	1365,00	1,82	0,00	1,82	436,50	3,13	10,92	0,00	1,82	16,38
76	18,20	1383,20	1,82	0,00	1,82	438,32	3,16	10,92	0,00	1,82	16,38
77	18,20	1401,40	1,82	0,00	1,82	440,14	3,18	10,92	0,00	1,82	16,38
78	18,20	1419,60	1,82	0,00	1,82	441,96	3,21	10,92	0,00	1,82	16,38
79	18,20	1437,80	1,82	0,00	1,82	443,78	3,24	10,92	0,00	1,82	16,38
80	18,20	1456,00	1,82	0,00	1,82	445,60	3,27	10,92	0,00	1,82	16,38
81	18,20	1474,20	1,82	0,00	1,82	447,42	3,29	10,92	0,00	1,82	16,38
82	18,20	1492,40	1,82	0,00	1,82	449,24	3,32	10,92	0,00	1,82	16,38
83	18,20	1510,60	1,82	0,00	1,82	451,06	3,35	10,92	0,00	1,82	16,38
84	18,20	1528,80	1,82	0,00	1,82	452,88	3,38	10,92	0,00	1,82	16,38
85	18,20	1547,00	1,82	0,00	1,82	454,70	3,40	10,92	0,00	1,82	16,38
86	18,20	1565,20	1,82	0,00	1,82	456,52	3,43	10,92	0,00	1,82	16,38
87	18,20	1583,40	1,82	0,00	1,82	458,34	3,45	10,92	0,00	1,82	16,38
88	18,20	1601,60	1,82	0,00	1,82	460,16	3,48	10,92	0,00	1,82	16,38
89	18,20	1619,80	1,82	0,00	1,82	461,98	3,51	10,92	0,00	1,82	16,38
90	18,20	1638,00	1,82	0,00	1,82	463,80	3,53	10,92	0,00	1,82	16,38
91	18,20	1656,20	1,82	0,00	1,82	465,62	3,56	10,92	0,00	1,82	16,38
92	18,20	1674,40	1,82	0,00	1,82	467,44	3,58	10,92	0,00	1,82	16,38
93	18,20	1692,60	1,82	0,00	1,82	469,26	3,61	10,92	0,00	1,82	16,38
94	18,20	1710,80	1,82	0,00	1,82	471,08	3,63	10,92	0,00	1,82	16,38
95	18,20	1729,00	1,82	0,00	1,82	472,90	3,66	10,92	0,00	1,82	16,38
96	18,20	1747,20	1,82	0,00	1,82	474,72	3,68	10,92	0,00	1,82	16,38
97	18,20	1765,40	1,82	0,00	1,82	476,54	3,70	10,92	0,00	1,82	16,38
98	18,20	1783,60	1,82	0,00	1,82	478,36	3,73	10,92	0,00	1,82	16,38
99	18,20	1801,80	1,82	0,00	1,82	480,18	3,75	10,92	0,00	1,82	16,38
100	18,20	1820,00	1,82	0,00	1,82	482,00	3,78	10,92	0,00	1,82	16,38
TOTAL	1820,00		182,00	300,00	482,00					482,00	1338,00

TABLE 6: EXAMPLE OF R FACTOR CALCULATION

CLAUSE 7 - INVENTORIES

7.1. PERIODIC INVENTORIES – NOTIFICATION AND REPRESENTATION

On a reasonable periodic basis, but at least once a year, the Contractor shall take inventory of all the Materials stored in the warehouse where accounting records are normally kept. The expense of managing periodic inventories shall be considered a Cost. The Contractor shall notify ANCAP in writing at least sixty (60) Days in advance its intention to take such inventory, and ANCAP, on its own account and at its own expense, shall be entitled to have a representative present. The absence of a representative of ANCAP during such inventory control shall oblige ANCAP to accept the inventory performed by the Contractor. In either case, the Contractor shall submit to ANCAP a reconciliation of stock surpluses and shortages. Inventory adjustments to the Operations Account shall be performed for stock surpluses and shortages. Any adjustment equivalent to or higher than Five Million Dollars (US\$ 5,000,000) accumulated annually shall be communicated to the Management Committee.

ANNEX V

REGIME FOR THE SELECTION OF OIL OPERATING COMPANIES FOR
THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF
REPÚBLICA ORIENTAL DEL URUGUAY (OPEN URUGUAY ROUND)
(WITHOUT ANNEXES)

SPANISH VERSION VALID ONLY

ANNEX N: MODEL CONTRACT FOR ALLOCATION OF AREAS FOR EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN OFFSHORE AREAS OF *REPÚBLICA ORIENTAL DEL URUGUAY*

This contract is entered into by and between: *Administración Nacional de Combustibles, Alcohol y Portland* (hereinafter ANCAP), with domicile for the purposes hereof at “Edificio ANCAP” at the intersection of Paysandú and Avenida Libertador Brig. Gral. Lavalleja, represented herein by _____, _____, _____ in their capacities as President, Secretary General and General Manager respectively, PARTIES OF THE FIRST PART, and _____, hereinafter _____, with domicile for the purposes hereof at _____, represented herein by _____, in his/her capacity as _____, PARTY OF THE SECOND PART, who agree as follows:

SECTION I GENERAL CONDITIONS

CLAUSE 1 - PREFACE

- 1.1. Whereas ownership of all Hydrocarbons, found in the territory of *República Oriental del Uruguay* is vested in the Uruguayan State.
- 1.2. Whereas the Executive Branch, under Decree _____ approved the REGIME FOR THE SELECTION OF OIL OPERATING COMPANIES FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF *REPÚBLICA ORIENTAL DEL URUGUAY* (OPEN URUGUAY ROUND)
- 1.3. Whereas, on _____, 201X, upon the Executive Branch’s previous approval, allocated the following Area _____ to _____
- 1.4. Whereas the Executive Branch under Decree _____ authorized ANCAP, pursuant to the competence granted by Decree-Law N°15,242 modified by Law N° 18,813, to execute this “CONTRACT FOR ALLOCATION OF AREAS FOR EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN OFFSHORE AREAS OF *REPÚBLICA ORIENTAL DEL URUGUAY*”

Now, therefore, for and in consideration of the premises and mutual covenants hereinafter set forth, the Parties agree as:

CLAUSE 2 - DEFINITIONS AND INTERPRETATIONS

2.1. DEFINITIONS

The following terms and their plural forms, within the context of the Contract, shall mean as follows:

- 2.1.1. **“Abandonment”**: All activities involved in abandonment of all or part of the Contract Area, including, but not limited to, the closing and abandonment of non- productive wells (including exploratory and evaluation wells which are dry or are not put into production), closing and dismantling of Hydrocarbons production and transport facilities which are not in use, remedying of environmental threats and restoring of the Contract Area and places used for Exploratory Operations and Exploitation Operations to the conditions required by the laws and regulations in force.
- 2.1.2. **“Supplementary Activities”**: All activities necessary to conduct Petroleum Operations adequately.
- 2.1.3. **“Evaluation Activity”**: All Exploratory operations carried out by the Contractor near a Hydrocarbons discovery in order to assess the extent and significance of such discovery, including, but not limited to, extension wells, or evaluation wells, detailed seismic surveys, geological, geochemical, gravimetric and magnetometric studies, well logs interpretation, formation tests, or any other activity aimed at assessing the significance of the discovery.
- 2.1.4. **“Sole Risk Agreement”** means the agreement to be entered into between ANCAP and the Contractor, which will govern the rights, obligations and responsibilities arising from the Sole Risk Project.
- 2.1.5. **“Affiliated Company”**: Any legal entity that: (a) directly or indirectly controls a Party , or (b) is directly or indirectly controlled by such Party, or (c) is directly or indirectly controlled by a company or legal entity which is in turn directly or indirectly controlled by such Party.
- 2.1.6. **“ANCAP”**: Autonomous Industrial and Commercial State Entity, with exclusive competence in hydrocarbon exploration and exploitation in *República Oriental del Uruguay*, which has commissioned the Contractor to conduct such activities within the Area, and also, in the event of exercising the powers set forth in Clause 18, a Contractor Member.
- 2.1.7. **“Calendar Year”**: A period of twelve (12) consecutive months, beginning on January 1, and ending on December 31, both dates inclusive.

- 2.1.8. **“Contract Year”**: A period of twelve (12) consecutive months according to the Gregorian Calendar, computed from the date on which this contract enters into force, or any anniversary thereafter.
- 2.1.9. **“°API”**: 141,5 / Relative Density – 131.5.
- 2.1.10. **“Contract Area”** or **“Area”**: An area, the extension and location of which are indicated in Annex A, subject to the modification provided for in Sections 9.2, 9.5 and 9.6.
- 2.1.11. **“Barrel”**: An amount or unit of Crude Oil equivalent to one hundred and fifty-eight point nine eight seven four (158.9874) liters or forty-two (42) American gallons, at a temperature of fifteen point fifty-six (15.56) Celsius degrees, sixty (60) Fahrenheit degrees, and at a one (1) atmosphere pressure.
- 2.1.12. **“Barrel of Oil Equivalent”**: The equivalence between Natural Gas and Crude Oil, in units of energy. The equivalence established is 5800 scf/BOE or 164,3 m³/BOE.
- 2.1.13. **“Bidding Terms”**: It refers to the Bidding Terms of the REGIME FOR THE SELECTION OF OIL OPERATING COMPANIES FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF REPÚBLICA ORIENTAL DEL URUGUAY (OPEN URUGUAY ROUND)
- 2.1.14. **“Unforeseeable Circumstances beyond the Control of the Parties”**: Any human or natural circumstance beyond the reasonable control of the Party claiming such circumstance, occurring after this contract’s entry into force, and unforeseeable, or, if foreseeable, inevitable, which prevents or delays, directly or indirectly, partially or totally, compliance with the Parties’ obligations pursuant to Clause 21.
- 2.1.15. **“Management Committee”**: The body in charge of managing the operations hereunder undertaken. This Committee shall comprise two (2) main representatives and two (2) alternates appointed by ANCAP, and two (2) main representatives and two (2) alternates appointed by the Contractor, to ensure performance of the tasks herein established.
- 2.1.16. **“Contractor”**: shall mean _____, and additional Parties, or authorized assignees. Should the Contractor appoint an Operator, the Contractor acknowledges that he/she is accountable for the Operator’s actions under this Contract.
- 2.1.16.1. **“Contractor Member”**: shall mean each legal person that is a member of the Contractor.
- 2.1.17. **“Contract”**: This document, including its Annexes, and amendments. In case the Annexes and the Contract are not consistent, the latter shall prevail.

- 2.1.18. **“Control”**: means the right to exercise more than fifty per cent (50%) of the rights to vote in order to designate the directors or similar representatives of such company or entity.
- 2.1.19. **“Cost Oil”**: The portion of Actual Production used to compensate the Contractor for Costs and Investments associated with the Exploration and Exploitation Periods and approved by the Management Committee.
- 2.1.20. **“Technical Matters”**: All matters relating to the petroleum industry, the solutions of which mainly depend on establishing facts or circumstances regarding a certain art or profession, excluding all legal and juridical matters.
- 2.1.21. **“Declaration of Commercial Discovery”**: The moment the Contractor decides to develop and exploit a discovery.
- 2.1.22. **“Development or Development Stage”**: comprises drilling, well completion, installation of production platforms and equipment required, elements and systems, as well as any other activity required for production of discovered Hydrocarbons.
- 2.1.23. **“Day”**: A calendar day of twenty-four (24) hours, beginning at 00:00 and ending at 24:00.
- 2.1.24. **“Working Day”**: Any day in which ANCAP headquarters operate.
- 2.1.25. **“Dollar”**: The currency of the United States of America.
- 2.1.26. **“Exploration-Exploitation Stage”**: The stage that comprises all Exploratory and evaluation operations aimed at determining the existence of Hydrocarbons suitable for exploitation, as well as all operations necessary to exploit discovered Reservoirs, including, but not limited to, geological and geophysical works required, wells for delimitation and exploitation of Hydrocarbons, any facilities of any kind, which may be necessary for the collection and treatment thereof, and the equipment used for maintaining pressure in the primary and Secondary Recovery.
- 2.1.27. **“R- factor”**: Ratio between the accumulated Gross Income and Cost Oil corresponding to the Area in both cases and calculated on a quarterly basis.
- 2.1.28. **“Date of Discovery”**: means the date of Hydrocarbons discovery, for the purposes of calculating terms, the deadline for the completion of the discovery well defined under section 20.2.1.
- 2.1.29. **“Effective Date”**: The date stated in section 5.4.

- 2.1.30. **“Money Flows from Production at Sole Risk”**: The value of Production at Sole Risk directly derived from the Sole Risk Project, calculated at market price in Dollars, adjusted to the corresponding Inspection Point, minus expenses and costs of Production at Sole Risk. Said expenses and costs shall be determined according to the Accounting Procedure and the conditions set forth in the Sole Risk Agreement.
- 2.1.31. **“Natural Gas” or “Gas”**: Mixture of Hydrocarbons in gaseous state under normal pressure and temperature conditions (760 mmHg and 15°C), in any of the forms defined herein below:
- 2.1.31.1. **“Associated Gas”**: Gas associated with oil reservoirs, which may be found, under the reservoir’s pressure and temperature conditions, as gas dissolved in oil, or as free gas, forming a gas cap in contact with oil.
- 2.1.31.2. **“Gas from Gas Reservoir”**: Gas being in such state under the reservoir’s pressure and temperature conditions which lacks retrograde condensation properties.
- 2.1.31.3. **“Gas from condensed gas reservoir”**: Gas being in such state under the reservoir’s pressure and temperature conditions which includes components that on account of isothermal pressure decrease, suffer from retrograde condensation.
- 2.1.32. **“Petroleum Operations Expenses”**: Expenses arising from Exploration, Development, Production and Abandonment, incurred by the Contractor while complying with obligations hereunder. These expenses shall be determined pursuant to the Accounting Procedure.
- 2.1.33. **“Levies”**: Charges imposed by the State or by any of its entities, whether they are of fiscal, monetary or exchange rate nature.
- 2.1.34. **“Hydrocarbons”**: Generic denomination of carbon and hydrogen compounds that includes Crude Oil, Natural Gas, as well as Natural Gas Liquids (Condensate) in any of the conditions and relationships in which they are linked, that are contained or are produced from conventional Reservoirs.
- 2.1.35. **“Gross Income”**: The result of the valuation of the Actual Production in the course of each quarter done pursuant to Section 17.2.4.
- 2.1.36. **“Sole Risk Investment ”**: The investments made by ANCAP within the Sole Risk Project up to the Inspection Point computed in Dollars according to the Accounting Procedure.
- 2.1.37. **“Applicable Law”**: means all laws, regulations, decrees, and in general all applicable rules, issued by any public authority with competence in the subject in question, in force during the effective term of the Contract.

- 2.1.38. **“Natural Gas Liquids (Condensate)”**: Any light Hydrocarbons that can be separated from natural gas without external energy or through means such as compression, cooling or absorption, which remain in liquid state when stored in atmospheric or moderately low-pressure containers.
- 2.1.39. **“Lot”**: A rectangular area defined by two parallels and two meridians separated from one another by five (5) minutes.
- 2.1.40. **“Evaluation Lot”**: Areas delimited by the Contractor and approved by ANCAP, comprised of a total number of Lots or a portion of them in areas adjacent to territorial boundaries or to borders of areas, in order to determine whether the discovery(ies) is(are) commercially exploitable.
- 2.1.41. **“Exploitation Lot”**: Areas delimited by the Contractor and approved by ANCAP, comprising a total number of Lots or a portion of them in areas adjacent to territorial boundaries or to bordering areas comprising reservoirs which have been declared commercially exploitable, and which must coincide, as much as possible, with productive entrapments.
- 2.1.42. **“Pressure Maintenance”**: In the case of closed reservoirs with a production mechanism mainly dependent on the presence of Natural Gas, whether dissolved in the oil or separated in the form of a gas cap, Maintenance of that reservoir's Pressure at appropriate levels through the injection of Gas and/or water is considered good operative and conservation practice in the petroleum industry.
- 2.1.43. **“Offshore Operations’ Guidelines”**: is the document drafted by ANCAP with the purpose of providing guidelines, recommendations and requirements for the design and execution of Petroleum Operations that are developed in the Uruguayan offshore, in a safe and environmentally sustainable manner, in an atmosphere of good relations with the main stakeholders of the maritime industry and in compliance with the good practices of the international petroleum industry. The latest version approved by ANCAP of the Offshore Operations’ Guidelines is available on the web page: <http://exploracionyproduccion.ancap.com.uy> (www.rondauruguay.gub.uy).
- 2.1.44. **“MER” (Maximum Efficient Rate)**: A field's production rate when each of the commercial Hydrocarbons Reservoirs within that field is exploited through good operative and conservation practices as used in petroleum industry. In order to determine this rate, the following aspects shall be taken into account: the characteristics of the rocks containing Hydrocarbons and of the fluids contained in such rocks, the natural energy of the reservoir itself and of its adjacent aquifer, if any; the effects of the injection of appropriate fluids, and the spacing between the wells. This concept shall be applied both to primary depletion and to Secondary Recovery which shall be part of the proposal for the Exploitation Program pursuant to Section 9.4.5.

- 2.1.45. **“Month”**: A consecutive time period beginning on the specific Day of a Calendar Month, and ending on the Day before the next Calendar Month, or, in case the latter does not exist, on the first subsequent Day.
- 2.1.46. **“Calendar Month”**: Each one of the twelve (12) months that constitute a Calendar Year.
- 2.1.47. **“MIEM”**: The Ministry of Industry, Energy and Mining.
- 2.1.48. **“MVOTMA”**: The Ministry of Housing, Territorial Planning and Environment (*Ministerio de Vivienda, Ordenamiento Territorial y Medio Ambiente*, by its Spanish initials).
- 2.1.49. **“Ancillary Operations”**: Operations comprising the design, construction, operation and maintenance of all facilities required to transport and store Hydrocarbons produced and accumulated in the Contract Area.
- 2.1.50. **“Supplementary Operations”**: The means and measures necessary to preserve, treat, measure, handle, and deliver Hydrocarbons produced at Inspection Point. These operations shall also comprise dehydration and desalination of oil in order to obtain commercially viable products
- 2.1.51. **“Petroleum Operations”**: Performance of Exploration, Exploitation, and Supplementary and Ancillary Operations.
- 2.1.52. **“Operator”**: This means the Contractor or a Contractor Member who carries out Petroleum Operations (on its own or through a Sub-contractor), with the approval of the Management Committee.
- 2.1.53. **“Party”**: ANCAP and/or _____, as applicable.
- 2.1.54. **“Exploration Period”**: The period corresponding to the initial Hydrocarbons **Exploration** Period, ending, among other causes, due to expiration of its term (maximum ____ (____) Years), without prejudice to provisions under 9.6.5. The Exploration Period comprises three Subperiods, subject to the provisions herein: a) Basic Subperiod; b) Supplementary Subperiod; c) Extension Subperiod.
- 2.1.55. **“Exploitation Period”**: This period shall begin for each Lot allocated for **Exploitation** as from the Declaration of Commercial Discovery and the approval of the delimitation thereof pursuant to Section 9.4.5. During this period, there shall be a Development Stage and an Exploitation Stage. Maximum duration of the Exploitation Period shall be twenty-five (25) Years, subject to the Contract’s maximum term.
- 2.1.56. **“Retention Period”**: Means the term during which the Contractor exercises the right of retention in accordance with the provisions of section 9.4.9.

- 2.1.57. **“Crude Oil” or “Oil”**: A mixture of liquid Hydrocarbons in their natural state or obtained by condensation or extraction of Natural Gas which remain liquid under normal pressure and temperature conditions (760 mm Hg and 15°C).
- 2.1.58. **“Evaluation Well” or “Demarcation Well”**: Any well drilled by the Contractor in order to assess the commercial feasibility of a discovery, and any other well deemed to be so by the Parties.
- 2.1.59. **“Exploration Wells” or “Exploratory Well”**: Any well drilled in a possible separate trap in which no well deemed economically productive by the Parties had previously been drilled, as well as any other well deemed to be so by the Parties.
- 2.1.60. **“Exploitation Well” or “Production Well”**: A well used for the exploitation of the Hydrocarbons discovered within each Reservoir production Area, and any other well deemed to be so by the Parties.
- 2.1.61. **“Budget”**: the annual financial plan submitted by the Contractor and approved by the Management Committee, for the execution of the Work Program.
- 2.1.62. **“Accounting Procedure”**: means the accounting procedure described in Annex IV herein.
- 2.1.63. **“Governance Procedure”**: means the procedure to be agreed by the Parties for its application by the Management Committee in the performance of its duties, or by the Parties, as applicable.
- 2.1.64. **“Accumulated Production”**: The volume of Hydrocarbons produced in a Reservoir since the beginning of its production stage until the particular time under consideration.
- 2.1.65. **“Production at Sole Risk”**: The monthly amount of Oil produced from the reservoir or reservoirs included in the “Sole Risk Project”, minus the monthly amount that the reservoir or reservoirs would have produced had the Sole Risk Project not been carried out, as per the estimation made by the Management Committee prior to the Sole Risk Project commencement and regularly revised.
If, as a result of the conduction of the "Project at ANCAP's Sole Risk", there is a decrease in primary production for a specific month, ANCAP shall compensate the Contractor in kind for any such decrease as set forth in the Sole Risk Agreement.
- 2.1.66. **“Available Production”**: The volume of Hydrocarbons that may be produced during a specific Calendar Year, according to MER, from the wells to be drilled and the facilities to be built according to the schedules approved by the Management Committee.

- 2.1.67. **“Actual Production”**: The total amount of Hydrocarbons actually extracted from each reservoir, minus the volumes used in Petroleum Operations, flared or venting, once they are ready for commercialization.
- 2.1.68. **“Production” or “Production Operation” or “Production Stage”**: All appropriate operations required in order to extract Hydrocarbons according to the best international practices of the petroleum industry, including, in addition to collection, the treatment and storage of Hydrocarbons, inter alia, the recompression, Maintenance of Pressure, water displacement, as well as any other activity within Primary, Secondary and Tertiary Recovery.
- 2.1.69. **“Profit Oil”**: The amount of Production after deducting Cost Oil from the Actual Production.
- 2.1.70. **“Abandonment Program”**: is the program that the Operator must submit to the Management Committee to comply with the provisions of Clause 11.
- 2.1.71. **“Development Program”**: is the program whose contents are described in section 10.1.3, which shall be submitted upon the approval of the Exploitation Lot demarcation.
- 2.1.72. **“Evaluation Program”**: The program which shall determine whether the Reservoir is commercially exploitable or not, approved pursuant to Section 9.4.1.
- 2.1.73. **“Committed Exploratory Program (PEC)”**: The Work Program proposed by the Contractor for the Basic Subperiod described in Annex II.
- 2.1.74. **“Agreed Exploratory Program (PEA)”**: The Work Program proposed by the Contractor and approved by the Management Committee for Supplementary A or B, and Extension Subperiods.
- 2.1.75. **“Exploitation Program”**: is the Program that must be submitted when making the Declaration of Commercial Discovery, whose contents are described in section 9.4.5.
- 2.1.76. **“Work Program”**: is the document submitted by the Contractor and approved by the Management Committee that describes all the Petroleum Operations to be performed in a Calendar Year.
- 2.1.77. **“Sole Risk Project”**: The project of carrying out Secondary or Tertiary Recovery operations, at ANCAP's sole cost and risk, and to its benefit.
- 2.1.78. **“Inspection Point”**: The place(s) agreed upon by the Executive Branch and the Contractor where volumetric measurements shall be taken in order to determine production volumes, and where ANCAP shall compensate the Contractor in kind for the services rendered hereunder by transferring the full ownership of the corresponding portion of the Actual Production, as set forth in Clause 17. Its location shall be proposed as part of the Exploitation Program, pursuant to section 9.4.5.

- 2.1.79.. **“Secondary recovery”**: The operations carried out in order to increase the final recovery of Hydrocarbons in a Reservoir. “Pressure Maintenance”, as defined in section 2.1.42 is not considered Secondary Recovery. In order to determine the maximum economically viable and efficient rate for Secondary Recovery, the following shall be taken into account: the characteristics mentioned in section 2.1.44 hereinabove, investments and expenses arising from operations carried out during Exploitation under several alternative programs and economic factors thereof so that the Contractor shall not be bound to make any investment, including increases thereof, which are not reasonably profitable, under the assumption that all reserves of liquid Hydrocarbons, if produced, shall be marketable at a reasonable commercial price.
- 2.1.80. **“Reserves”**: The total amount of Hydrocarbons which may be extracted from a Reservoir during the Contract term, under the assumption that such field is exploited at MER.
- 2.1.81. **“Sub-contractor”**: Company that conducts some Petroleum Operations at the Contractor’s request.
- 2.1.82. **“Tax”**: Taxes, duties and special contributions of any type or nature, as defined by the National Tax Code of *República Oriental del Uruguay*.
- 2.1.83. **“Reservoir” or “Production Field”**: One or several Hydrocarbon reservoirs grouped or related between them within what is interpreted as the termination of a geological structure or a stratigraphic trap. This shall also comprise any Hydrocarbon reservoir located near such structure or trap, which can be developed through wells managed from a sole platform, and/or which may use the same Production equipment or facilities.

2.2. INTERPRETATIONS

2.2.1. HEADINGS

The headings in this Contract are for convenience only and shall not be construed as having special importance, or as an indication that all the provisions of this Contract on a certain topic shall be found in a specific clause or provision.

2.2.2. SINGULAR AND PLURAL

All references to the singular herein shall also include the plural and vice versa.

2.2.3. INCLUDE

The words "include(s)" and "including" mean including without limitation. They are used in an illustrative, non-restrictive sense and shall not be construed to limit the generality of any description preceding or following such term.

CLAUSE 3 - OBJECT

- 3.1. ANCAP hereby commissions the Contractor to undertake, on an exclusive basis, on behalf of ANCAP, any works relating to the Exploration, and eventual Exploitation of Hydrocarbons in the Contract Area.
- 3.2. The Contractor shall undertake all risks, costs, and liabilities related to Petroleum Operations notwithstanding the provisions of Section 10.5. The Contractor must, on its own account, provide technology, machinery, equipment, personnel, capital, and other investments as may be necessary for the Exploration of the Area, as well as subsequent Development and Production of the Reservoirs, that may be eventually discovered and deemed commercially exploitable.
- 3.3. The Contractor shall not be entitled to any mining right whatsoever on the Reservoirs that may be discovered in the Area, nor to any right on the Hydrocarbons that may be extracted, notwithstanding, for the latter, the provisions of Clause 17.
- 3.4. ANCAP does not make any warranty as to the existence, quality or quantity of Hydrocarbons that may possibly exist in the Area. Consequently, ANCAP is not bound to provide any indemnification whatsoever.

CLAUSE 4 - TYPE OF CONTRACT

Under this Contract, the Contractor shall assume all risks; ANCAP shall compensate the Contractor with a portion of the Production available; compensation shall be paid according to percentages previously agreed upon in Clause 17 of the Contract (Production Sharing Agreement).

CLAUSE 5 - TERM

- 5.1. The term of the Contract shall be thirty (30) Years, counted as from the effective date of the Contract, pursuant to the provisions of section 5.3. without prejudice to the provisions of Section 5.2., and shall comprise all Exploration and Exploitation Periods,
- 5.2. ANCAP may extend the term of the Contract up to a maximum of ten (10) Years, upon the Contractor's well-founded request, provided that the Contractor has fully complied with the obligations arising from the Contract, at ANCAP's entire discretion, and upon approval by the Executive Branch.

- 5.3. The extension may be requested after twenty-five (25) Years as from the effective date of the Contract, and two (2) Years before expiration notwithstanding an agreement between the Parties, which will be subject to the previous approval of the Executive Branch.
- 5.4. The Contract shall be effective ninety (90) Days after execution. The Parties may agree on an Effective Day earlier than said initial term.
- 5.5. The provisions of section 5.1 or 5.2 shall remain valid notwithstanding the provisions of Clause 21.

SECTION II RIGHTS AND OBLIGATIONS OF THE PARTIES

CLAUSE 6 - RIGHTS AND OBLIGATIONS OF THE CONTRACTOR

- 6.1. The Contractor shall have the exclusive right to carry out the activities hereunder within the Area.
- 6.2. The Contractor binds itself to perform the obligations hereunder in an efficient, diligent, and expert manner. In addition to the obligations undertaken pursuant to other clauses of the Contract, the Contractor must:
 - 6.2.1. Carry out Petroleum Operations in accordance with the good practices used in the international petroleum industry regarding operations, security, conservation of resources and environment protection by employing modern, efficient machinery and applying suitable technology and methods in order to carry out the activities so as to maximize oil recovery from the reservoirs.
 - 6.2.2. Maintain buildings, wells, facilities, machinery, equipment, and any other property necessary to perform the activities hereunder in good operating conditions.
 - 6.2.3. Keep ANCAP regularly informed of the operations, and of any other matter related to Petroleum Operations and provide any other piece of information related with the Contract upon ANCAP's request.
 - 6.2.4. Keep sufficient accounting records in its local offices pursuant to the legal and regulatory provisions and common practices of *República Oriental del Uruguay*, and those practices specific of the petroleum industry, as well as any other book or record related to the activities hereunder.

- 6.2.5. Allow ANCAP, according to the Accounting Procedure, and any other competent State inspection entity, in accordance with the applicable law, to audit the accounting records.
- 6.2.6. Keep complete records of Hydrocarbons produced and stored in the Contract Area, which may be audited by ANCAP and/or the Executive Branch through the Ministry of Industry, Energy and Mining.
- 6.2.7. Assume full and exclusive responsibility for any and all damages caused by the Contractor, its personnel or Subcontractors.
- 6.2.8. Adopt preventive safety measures regarding its personnel, the facilities, buildings, and vehicles used, including those belonging to Subcontractors.
- 6.2.9. The Contractor shall abide by the laws of *República Oriental del Uruguay* regarding maritime navigation and areas related to Petroleum Operations. To such end, the Contractor shall take all necessary steps to minimize any inconveniences that the activities hereunder may cause to other economic activities carried out in the Area, such as fishing, tourism, biological and oceanographic research, navigation or submarine cables.
- 6.2.10. Take, at its own expense and risk, all the appropriate steps for the conservation of reservoirs and of any other natural resources, and for the protection of the air, the soil, surface waters and aquifers, in compliance with the legislation of Uruguay and environmental authority regulations, or in their absence, with the petroleum industry best practices.
- 6.2.11. Comply with all national laws of *República Oriental del Uruguay*, International Treaties and Agreements about Environment protection in force or passed during the Contract term.
- 6.2.12. Take into consideration the guidelines, recommendations and requirements included in the latest edition of the Offshore Operations' Guidelines approved by ANCAP.
- 6.2.13. Take all appropriate measures in emergency situations and upon any Unforeseeable Circumstances beyond the Control of the Parties, including, but not limited to, the performance of all necessary activities to clean and decontaminate water, beaches and any other land, in the event of contamination.
- 6.2.14. Notify competent authorities in advance, at least two (2) Working Days, the commencement of activities aimed at fixing or anchoring facilities, devices, instruments or signals within the Contract Area.
- 6.2.15. Request written authorization from ANCAP or any other competent authority, to disassemble and decommission facilities.

- 6.2.16. Mark all buildings, facilities, devices, instruments or signals fixed or anchored within the Contract Area with buoys and signals, in accordance with effective laws.
- 6.2.17. Have all necessary resources to determine latitude and longitude, of any spot within the Contract Area, with a maximum error margin of $\pm 1/5$ second.
- 6.2.18. Keep any information, document, or trade secret related to ANCAP or its activities under strict confidentiality as set forth in Clause 23.
- 6.2.19. Fully inform ANCAP or any other competent Government Entity of the existence of mineral, hydrological and other reserves discovered as a result of the Petroleum Operations.
- 6.2.20. Allow ANCAP and other competent Government Entities to control compliance with the Contractor's obligations, and facilitate activities of inspectors appointed to supervise Petroleum Operations.
- 6.2.21. Provide, at its own expense, all the information, environmental impact assessments and specific technical studies required for the purposes of obtaining applicable environmental licenses. The documents shall be reviewed by ANCAP and, if necessary, corrected by the Contractor until a mutually satisfying agreement is reached on their content.
- 6.2.22. Provide ANCAP with any technical and economic data collected as a result of the Contract execution, in accordance with the provisions set forth in Clause 19. Provide the Executive Branch with any technical and economic data collected as a result of the Contract execution, as requested by such body, in accordance with the provisions set forth in Clause 19.
- 6.2.23. Inform ANCAP of the names and relevant background of Subcontractors hired to carry out one or more activities hereunder, for the purposes of section 8.4.7. Inform the Executive Branch, when it so requests, the names and relevant background of Subcontractors hired to carry out one or more activities hereunder
- 6.2.24. Make sure Subcontractors comply with the same obligations undertaken by the Contractor which also apply to them.
- 6.2.25. Have adequate transfer of the risks of suffering and/or causing damages or loss, which may arise as a result of the activities hereunder. The amounts of the insurance to be taken for the transfer of risks shall be analyzed in due time in accordance with existing petroleum industry best practices.
- 6.2.26. Request, apply for, and obtain all the permits and authorizations, as may be required, related to the activities hereunder and bear all related costs.

- 6.2.27. Pay all expenses of any kind that may directly or indirectly arise from steps taken to obtain the abovementioned authorizations, permits, etc. referred to in the previous paragraph.
- 6.2.28. The Contractor shall not suspend Petroleum Operations totally or partially, without prior authorization of the Management Committee, except as a result of Unforeseeable Circumstances beyond the Control of the Parties, pursuant to Section 21.6, or any emergency related to the health, safety and/or the environment.
- 6.2.29. Train ANCAP's personnel selected by ANCAP and the Contractor in the Management Committee, within the limit provided in Section 6.2.35. By way of example, but not limited to, the Contractor must train ANCAP's personnel so that when transfer provided for in Clause 12 takes place, said personnel is capable of maintaining the operation.
- 6.2.30. Grant officials authorized by ANCAP and other officials from competent State bodies full powers so that they can comply with their duties and obligations herein undertaken, including transportation, lodging, food, and other services, in the same conditions as those granted to the Contractor's personnel.
- 6.2.31. Refrain from exploiting natural resources other than Hydrocarbons discovered in the Contract Area (except from water used to perform Petroleum Operations and only for such usage), even if they are discovered while exploring for Hydrocarbons.
- 6.2.32. Indemnify and hold ANCAP harmless, as the case may be, from any claim, legal action and other charges from third parties that may be damaged by the Contractor's and Subcontractors' activities. Expenses incurred by the Contractor on this account shall not be considered Cost Oil.
- 6.2.33. Timely notify ANCAP about any legal proceeding related to this Contract.
- 6.2.34. Within thirty (30) Days after the end of each Calendar Month, the Contractor must provide ANCAP with a list of the contracts executed with Subcontractors during said Month, and when ANCAP and/or the Executive Branch so requests, the Contractor must provide a copy of the relevant information of the contracts entered into with the Subcontractors.
- 6.2.35. Make available to ANCAP in each Calendar Year, and during the Exploration Period of the Contract, the amount of US\$25,000 (twenty five thousand US Dollars), for investment in training, net and free from any bank charges. Make available to the Executive Branch through the MIEM in each Calendar Year, and during the Exploration Period of the Contract, the amount of US\$25,000 (twenty five thousand US Dollars), for investment in training, net and free from any bank charges.
- In the first and last year of the Exploration Period, the abovementioned amounts shall be prorated for the months in which the Contract is effective.
- Said amounts shall not be considered a Cost to the purposes of section 17.1.1.
- The Contractor must inform ANCAP of the training programs developed for the Contractor's personnel. ANCAP has the right to request the inclusion of designated employees in such programs, taking into account the cost of such request within the maximum amount established in this clause.
- Likewise, within said maximum amount, upon ANCAP's request, the Contractor binds itself to develop a training program for Uruguayan professionals.

6.2.36. Make available to ANCAP in each Calendar Year, and during the Exploitation Period of the Contract, the sum in Dollars equivalent to 5,000 (five thousand) barrels of oil valued at the price stipulated in 17.2.4.1, for investment in training, net and free from any bank charges. Make available to the Executive Branch through the MIEM in each Calendar Year, and during the Exploitation Period of the Contract, the sum in Dollars equivalent to 5,000 (five thousand) barrels of oil valued at the price stipulated in 17.2.4.1, for investment in training, net and free from any bank charges.

In the first and last year of the Exploitation Period, the abovementioned amounts shall be prorated for the months in which the Contract is effective.

Said amounts shall not be considered a Cost to the purposes of section 17.1.1.

The Contractor must inform ANCAP of the training programs developed for the Contractor's personnel. ANCAP has the right to request the inclusion of designated employees in such programs, taking into account the cost of such request within the maximum amount established in this clause.

Likewise, within said maximum amount, upon ANCAP's request, the Contractor binds itself to develop a training program for Uruguayan professionals.

- 6.3. In case of Contract expiry or termination and provided that the Contractor has complied with all its obligations in full, the Contractor shall be released of all responsibility except for:
- c) Events, breaches, actions or omissions of any nature occurring, or arising from causes or claims occurring, prior to the date of Contract expiry or termination.
 - d) Any amounts that ANCAP or the Executive Branch has an obligation to pay for liabilities of any kind, including employer, social security, environmental, and fiscal liabilities, and those arising from professional fees and any hidden liabilities and contingencies of any kind or nature arising from events, breaches, actions or omissions of any nature occurring, or arising from causes or claims occurring, prior to the date of Contract expiry or termination.

CLAUSE 7 – LOCAL CONTENT

- 7.1. The Contractor shall hire, to the extent possible, Uruguayan technical and non-technical personnel for the Petroleum Operations hereunder. Moreover, the Contractor shall ensure that its Subcontractors also comply with this obligation
To such end, the Contractor and/or its Subcontractors agree to provide training to Uruguayan personnel in technical tasks, so that said personnel may gradually replace foreign personnel in said activities. The above excludes executive positions, and those positions necessary to carry out specialized tasks in relation to Petroleum Operations.
- 7.2. The Contractor shall use, to the extent possible, products and materials manufactured in Uruguay, and services rendered by Uruguayan companies, as long as said products, materials, and services are comparable and competitive in terms of price and quality with products, materials, and services that may be obtained abroad. Moreover, the Contractor shall ensure that its Subcontractors also comply with this obligation.
- 7.3. For the purposes of complying with the requirements of sections 7.1 and 7.2, the Contractor shall submit an annual local content acquisition and hiring plan for the Petroleum Operations, which shall contain an analysis of the acquisition and hiring of local products, materials, services and personnel in the Petroleum Operations. The Executive Branch shall be informed of it through the MIEM, and the Management Committee shall approve it.

CLAUSE 8 - RIGHTS AND OBLIGATIONS OF ANCAP

- 8.1. ANCAP, owner of the technical information, shall have the right to use the data related to the Area that the Contractor discloses pursuant to sections 6.2.3 and Clause 19. During the term of this Contract, said information may not be disclosed to third parties, without the Contractor's prior consent, which shall not be unreasonably denied. Once an Area or a portion of it has been returned, ANCAP shall have the right to use and disclose the technical information on such Area returned by the Contractor to third parties without restrictions.
- 8.2. ANCAP shall have the amplest powers to control and inspect all the Contractor's activities comprised in the purpose of the Contract.
- 8.3. ANCAP reserves the right to request from the Contractor the presentation of the names and relevant background of its hierarchical personnel entrusted to carry out the Petroleum Operations.
- 8.4. In addition to the obligations undertaken by virtue of other clauses of the Contract, especially the obligation to compensate the Contractor in the event of Exploitation of a Reservoir, ANCAP shall diligently:

- 8.4.1. Cooperate and assist the Contractor in obtaining all permits, authorizations, registrations, inspections, water use, encumbrances and rights of way that the Contractor must request and apply for where relevant.
- 8.4.2. Execute, when the Contractor and/or any Contractor Member so requires, certificates of necessity for the prosecution and execution of all permits, visas, labor authorizations, and other similar requirements for the Contractor's, Contractor Members' and Subcontractor's foreign personnel, enabling employees to enter the country and stay in Uruguay for as long as the Contractor needs for the performance of Petroleum Operations hereunder. This obligation includes spouse and members of the family of said foreign employees, when they wish to join them and stay in the country
- 8.4.3. Upon the Contractor's request, execute the necessary certificates to obtain radio frequencies and licenses, or authorizations to operate planes, helicopters, and vessels and to allow foreign personnel maintain said means of transport.
- 8.4.4. Upon the Contractor's request, execute any certificate to submit before competent entities, for temporary admission or import of raw materials, manufactured or semi-manufactured products, tools, and vehicles for marine, land and air transportation, complete and incomplete facilities, structures, devices, and any other element related to Petroleum Operations.
- 8.4.5. Assist and cooperate with the Contractor to obtain environmental licenses that may be applicable for compliance with the Contract.
- 8.4.6. Allow the Contractor to use means of transport or facilities mentioned in section 10.5, provided this does not hinder ANCAP's operations. The Contractor shall pay ANCAP the fee mutually agreed upon considering international rate indexes for similar situations.
- 8.4.7. Within the framework of the Administration Committee, authorize the Subcontractors hired by the Contractor to perform one or more Petroleum Operations, except when ANCAP deems it inconvenient and duly justifies said decision.

SECTION III

PERFORMANCE OF PETROLEUM OPERATIONS

CLAUSE 9 - EXPLORATION PERIOD

9.1. TERM

The Exploration Period shall comprise the following subperiods:

- 9.1.1. Basic Subperiod: This period shall last four (4) Years.
The Contractor may, at the end of the Basic Subperiod, choose either to proceed to the Supplementary Subperiod A or to proceed to Supplementary Subperiod B.
- 9.1.2. Supplementary Subperiod A: It shall last three (3) Years and it shall be optional for the Contractor.
- 9.1.3. Supplementary Subperiod B: It shall last two (2) Years and it shall be optional for the Contractor.

The Contractor, at the end of Supplementary Subperiod A or Supplementary Subperiod B, depending on the option it had taken, may choose to proceed to the Extension Subperiod.

- 9.1.4. Extension Subperiod: It shall last three (3) Years, without prejudice of provisions in section 9.6.5 and it shall be optional for the Contractor as well.
- 9.1.5. The Contractor must notify ANCAP and the Executive Branch through the MIEM in writing, no later than thirty (30) Days before the expiration of each Subperiod, of its decision, should it chooses to proceed to the subsequent Subperiod. The Contractor must also then submit to the Management Committee any information and studies regarding the obligations arising from the Work Program for said Subperiod, together with the Work Program Proposal and Budget corresponding to the requested Subperiod, which shall be subject to ANCAP's authorization.
- 9.1.6. The Contractor must start Petroleum Operations before thirty (30) Days have elapsed from the effective date of the Contract.

9.2. MINIMUM CONDITIONS

For the Area, the following conditions and obligations apply to each Subperiod of the Exploration Period:

- 9.2.1. Basic Subperiod: The Contractor must fully comply with the "Committed Exploratory Program" (PEC), which includes _____, as described in Annex II.

- 9.2.2. Supplementary Subperiod A: By the end of the Basic Subperiod, the Contractor may choose to proceed to this second Subperiod, and this implies that the Contractor assumes the commitment to drill at least one (1) Exploration Well in this Subperiod.
- 9.2.3. Supplementary Subperiod B: By the end of the Basic Subperiod, the Contractor may choose to proceed to this second Subperiod, and this implies that the Contractor assumes the following commitments:
- c) Return at least fifty percent (50%) of the Area, which may be divided in up to two parts.
 - d) Commit to perform a minimum of _____ WU (1000 WU for shallow offshore Areas or 2000 WU for deep offshore Areas) in this Subperiod, valued according to Table 5 and 6 of the Bidding Terms, as applicable.
- 9.2.4. Notwithstanding the abovementioned condition, the Contractor may submit to ANCAP a proposal to modify the Committed Exploratory Program of the Basic Subperiod, or the Agreed Exploratory Program of the Supplementary Subperiod B, provided that it meets the following conditions:
- c) That the total value of Working Units of the new PEC or PEA is the same or higher than the original PEC or PEA; and
 - d) That the proposal is technically justified in such a way that the exploratory work committed in the original PEC or PEA is substituted by others that, in the opinion of ANCAP, mean qualitatively equal or greater technical contribution than the originally proposed programs.
- ANCAP will decide on such proposal to modify the PEC or PEA and will not deny it for unfounded reasons. In case ANCAP approves such modification, the Management Committee shall approve the new Work Program and the new Budget in accordance with the modified PEC or PEA.
- 9.2.5. Extension Subperiod: This Subperiod is also a voluntary option for the Contractor. In order to choose for this Subperiod, the Contractor must assume the following commitments:
- c) Return at least thirty per cent (30%) of the Area, which may be divided in up to two parts.
 - d) Commit to drill one (1) new Exploratory Well in this Subperiod.
- 9.2.6. The provisions of sections 9.2.3a) and 9.2.5a) shall apply to the Contract Area, excluding the areas corresponding to Evaluation Lots and/or Exploitation Lots.

- 9.2.7. During the Contract Basic Subperiod, the Contactor shall have the obligation to submit to the Management Committee for its approval a Work Program and a Budget in accordance with the Committed Exploratory Program.
- 9.2.8. To be able to proceed to an Exploration Subperiod that includes the drilling of an Exploratory Well, the Contractor must have a qualification that allows it to do so. Therefore, the Contractor must:
- When proceeding from the Basic Subperiod to the Supplementary Subperiod A, or at the time of moving to the Extension Subperiod, prove that it meets the requirements stipulated in 7.2 and 7.3 of the Bidding Terms for the Exploration Subperiod with Exploratory Well, as appropriate to the corresponding area, or
 - Transfer, subject to the provisions of paragraph 24.1.1, between 35% and 90% of the Contract to a company that meets the requirements stipulated in 7.2 and 7.3 of the Bidding Terms for Exploration Subperiod with Exploratory Well, as appropriate to the corresponding area, which will have the role of Operator of the Exploration Subperiod with Exploratory Well.

In the event that the Contractor requests to proceed to an Exploration Subperiod or to carry out a Committed Exploratory Program that includes the drilling of an Exploratory Well, but is not qualified to do so, because of not complying with the provisions of this section, the area must be returned to ANCAP, according to the provisions of Clause 19.

9.3. SUSPENSION OF TERMS DURING ENVIRONMENTAL AUTHORIZATIONS PROCESSES

- 9.3.1. The calculation of the corresponding terms provided in this Clause 9 of the Contract shall be suspended from the accreditation by the Contractor of having submitted to the competent authority the information required in sections 6.2.21 and 22.9, until the corresponding environmental authorization has been granted, subject to the provisions of paragraph 9.3.2.
- 9.3.2. The suspension terms of the Basic, Supplementary A, Supplementary B and Extension Subperiods will be one (1) Year per Subperiod respectively, provided that the corresponding environmental authorization has been requested for performing activities included in the Committed Exploratory Program or the Agreed Exploratory Program. The same period of one (1) Year of suspension will apply for the execution of activities included in the Evaluation Program, the Exploitation Program and the Ancillary and/or Supplementary Operations, as long as the corresponding environmental authorization has been requested for specific activities included in these programs and operations or were necessary to perform these activities.
- 9.3.3. The request for environmental authorizations for the purpose of performing other supplementary tasks not included in the aforementioned programs or operations, shall not suspend the calculation of the terms of the Contract, unless the Management Committee decides otherwise, according to the importance of the activity. In any case, the calculation of the suspension term of the Contract, may not exceed what is stipulated in section 9.3.2.

9.4. IN THE EVENT OF A COMMERCIAL DISCOVERY

- 9.4.1. In the event Hydrocarbons are discovered in an Area, the Contractor shall notify ANCAP and the Executive Branch through the MIEM of such event within thirty (30) Days of such discovery, and the Operator shall submit to the Management Committee within one hundred and eighty (180) Days of such discovery, the Evaluation Program to be developed in order to determine if the Reservoir is commercially exploitable or not. Likewise, the Operator shall inform if such well may be exploited together with other discoveries and shall delimitate the other discovery(ies) in the program mentioned above. Additionally, the Operator shall delimitate the Evaluation Lot(s) in the Evaluation Program and submit the Work Program and Budget to the Management Committee to carry out the program proposed. The Management Committee shall make every reasonable effort to approve the Evaluation Program within a maximum term of thirty (30) Days after it has been submitted to the Management Committee. Upon expiration of said term, if the Management Committee has not replied, or has rejected the Evaluation program, the provisions of section 30.2 shall apply. Notwithstanding this, the Parties may agree to use their best efforts to adjust the Evaluation Program in order to obtain the Management Committee's approval.
- 9.4.2. The Contractor shall have two (2) Years, as from the approval of the Evaluation Program, to comply with said program, and to declare whether the Reservoir is commercially exploitable or not, notwithstanding compliance with pending Exploration obligations in the remaining Area.
- 9.4.3. Upon the Contractor's request, the evaluation term may be extended by ANCAP if technical/and or commercial reasons justify it, and such request shall not be unreasonably denied. If the Management Committee approves an Evaluation Program with an execution term of more than two (2) Years, this will be deemed grounds for ANCAP to authorize the extension of the term of execution of the Evaluation Program and, as a result, the withholding of the Lot under Evaluation.

The extension of the term of the Evaluation Program will be computed for the purposes of the term provided in section 5.1, so it does not imply in any case the extension of the maximum term of this Contract.

- 9.4.4. Upon completion of the Evaluation Program, the Contractor shall decide whether to issue a Declaration of Commercial Discovery. In order to proceed to issue a Declaration of Commercial Discovery and be enabled to move to the Exploitation Period, the Contractor shall:
- Provide, at the time of the Declaration of Commercial Discovery, evidence of compliance with the requirements set forth in 7.2 and 7.3 of the Bidding Terms as applicable for the area in question, or
 - Assign 40% or more of the Contract to a company that complies with the requirements set forth in 7.2 and 7.3 of the Bidding Terms, as applicable for the area in question, which shall take on the role of Operator for the Exploitation Period.

In the event that the Contractor has chosen to issue the Declaration of Commercial Discovery, but does not comply with the provisions of this section, it shall return the area to ANCAP, and the provisions of Clause 19 shall apply.

- 9.4.5. In the event the Contractor determines that the Reservoir is commercially exploitable, the Contractor must notify ANCAP and the Executive Branch through the MIEM of the Declaration of Commercial Discovery and demarcate Exploitation Lot(s). Likewise, the Operator shall submit the proposed "Exploitation Program", which shall contain the following, without limitation to the best international practices of the petroleum industry:
- Geological evaluation and interpretation of all reservoirs under development.
 - Physical and chemical characteristics of discovered Hydrocarbons and percentage of associated products and impurities contained therein.
 - An estimate of proven, probable, and possible reserves, which must include, without limitation, most probable estimate, including rock and fluid parameters used for the estimates.
 - Estimated production profiles for the reservoir(s), during the term of this Contract.
 - Development schedule, together with estimated number of Development wells and production capacity.
 - Proposal of location of the Inspection Point.
 - Proposal of MER.
 - Environmental and safety measures.
 - General proposed tentative schedule of all the activities to be performed.
 - Estimated date when Production shall begin.
 - Detailed economic evaluation, including Hydrocarbons prices, and production and operation costs, in the most probable scenario, and other pertinent alternative scenarios.
 - Estimated investments, expenses, and specific Production and Abandonment costs, as well as any other information the Contractor deems appropriate must be included.
- 9.4.6. Upon previous approval by the Executive Branch, ANCAP shall have up to one hundred and twenty (120) Days to evaluate Exploitation Lot(s) demarcation and the Exploitation Program. Upon expiration of such term, if ANCAP has not objected in writing, the proposed demarcation and program shall be deemed accepted.

Should ANCAP reject the Exploitation Program, provisions of Section 30.2 shall apply, notwithstanding that the Parties may agree to use their best efforts to adjust the Exploitation Program proposal in order to secure ANCAP's approval.

- 9.4.7. The approval of the demarcation of the Exploitation Lot (s) and the Exploitation Program shall enable the Contractor to move on to the Exploitation Period, in accordance with the terms and conditions of this Contract.
- 9.4.8. If, upon completion of the Evaluation program, the Reservoir is found to be commercially exploitable for the Contractor, and subsequent discoveries which may allow joint exploitation are made, the Contractor may choose not to propose the Declaration of Commercial Discovery for a term equivalent to the term remaining for the expiration of the Exploration Period, including all Subperiods, as defined in section 9.1. In such an event, and as long as the Reservoir is not declared commercially exploitable, the corresponding area shall still be considered as Evaluation Lot(s).
- 9.4.9. 9.4.9. If the Contractor makes one or more discoveries of Hydrocarbons, which due to lack of market or limitations to their access and/or non-existence or insufficiency of transportation, cannot be declared commercial, the Contractor may retain the corresponding Evaluation Lot(s) for a term that will be set by the Parties and will not exceed 5 Years. The term of the corresponding Retention Period will be defined independently of the remaining time for the expiration of the Exploration Period and will be computed for the purposes of the term provided in section 5.1, so it does not imply in any case the extension of the maximum term of this Contract.
- 9.4.10. In the event the Contractor finds that a discovery is not commercially exploitable by itself or together with others, the Contractor must notify so immediately to ANCAP, and the corresponding Evaluation Lot shall be removed from the Area. ANCAP may order exploitation for its own convenience, and the Contractor shall not be entitled to any indemnification whatsoever.
- 9.4.11. During the Exploration Period, the Contractor is authorized to carry out other activities consistent with the purpose of the Contract, but that may not fall within the scope of the programs undertaken for each Subperiod, if authorized by the Management Committee. These activities shall not decrease the Contractor's obligation regarding work undertaken, and shall be considered, if applicable, as partial compliance with the obligations assumed for subsequent Exploration Periods.
- 9.4.12. If any commercially exploitable discoveries are made during any of the Subperiods, the Contractor shall continue with the Work Program for said Subperiod, according to the decisions of the Management Committee, in such Areas situated outside the boundaries of the Exploitation Lots, upon which the Contractor has rights.

9.5. MANDATORY RELINQUISHMENT

For the Area, the following conditions shall apply for the mandatory relinquishment of Lots:

- 9.5.1. In order to proceed to the Supplementary Subperiod B, the Contractor must relinquish part of the Contract Area, pursuant to the provisions of section 9.2.3. This would not apply to Evaluation Lots since, if their area exceeds fifty percent (50%) of the Contract Area, the Contractor shall have to relinquish only the remaining part.
- 9.5.2. In order to proceed to the Supplementary Subperiod B, the Contractor must relinquish part of the Contract Area, pursuant to the provisions of section 9.2.5. This would not apply to Evaluation Lots since, if their area exceeds seventy percent (70%) of the Contract Area, the Contractor shall have to relinquish only the remaining part.
- 9.5.3. If the Contractor does not comply with the provisions of section 9.4.12, the Area outside the limits of the Exploitation Lots must be removed.
- 9.5.4. In the case established in section 9.4.10, the Contractor must remove the Evaluation Lot.

9.6. VOLUNTARY RELINQUISHMENT

Provided the Contractor has fully complied with the obligations undertaken by virtue of this Contract, the Contractor may, at any time of the corresponding Subperiod, voluntarily waive any portion of the Area, without incurring in any penalty whatsoever, giving written notice of such decision to ANCAP at least thirty (30) Days in advance. The remaining area must comply with the requirements established in section 9.5.

9.7. EARLY TERMINATION OF THE CONTRACT DURING EXPLORATION PERIOD

- 9.7.1. The Contractor may, at any time during the Exploration Period, terminate the Contract, without incurring in any penalty whatsoever, giving written notice of such decision to ANCAP at least thirty (30) Days in advance, provided the obligations established in section 9.2 have been fully complied with for each corresponding Subperiod.
- 9.7.2. In any case of Contract termination, the Contractor must submit evidence that the Contractor has performed the activities, paid the corresponding amounts, and disclosed the information established in Clause 19.
- 9.7.3. Should the Contractor choose to terminate the Contract during any of the Exploration Period Subperiods without having complied with the obligations established for the corresponding Subperiod, the Contractor shall pay ANCAP the total costs of the works undertaken for said specific Subperiod.
 - For the Basic Subperiod, the amount to be paid shall be calculated on the basis of the difference between committed and effectively completed Working Units, multiplied by the value of the Working Units stated in section 13.1 of the Bidding Terms (Annex V). The total value of the Working Units of the Committed Exploratory Program of the Basic Subperiod is set at _____ Dollars (_____ US\$).

- For the Supplementary Subperiod and the Extension Subperiod, the amount to be paid shall be calculated using the estimated costs approved by the Management Committee in the Agreed Exploratory Program(s).
- 9.7.4. The Contract shall expire when the Contractor does not make a commercial discovery during the Exploration Period.
- 9.7.5. Notwithstanding the above, in the event the Contractor makes a discovery during the last year of the Extension Subperiod and, at ANCAP's sole discretion, the Contractor has complied with its obligations related to the number of drillings, the Contractor may choose to extend the term for one (1) additional Year, in order to determine if such discovery is commercial or not, pursuant to the provisions of section 9.4. The Contract shall expire when the Contractor declares that the discovery does not have any commercial interest. If the Contractor fails to issue any declaration, Contract shall terminate at the end of said additional year.

CLAUSE 10 - EXPLOITATION PERIOD

10.1. TERM AND TECHNICAL CONDITIONS

- 10.1.1. The Contractor shall have a maximum term of twenty-five (25) Years to carry out Development and Production activities in each Exploitation Lot, notwithstanding the provisions of Clause 5, regarding total duration of the Contract. This term shall be counted as from the approval of the delimitation of the Exploitation Lot, pursuant to the proceedings described in sections 9.4.5 and 9.4.6.
- 10.1.2. The Contractor shall commence exploitation activities on Hydrocarbons discovered, in accordance with the Development Program approved by ANCAP and the Executive Branch through the MIEM, which shall specify that production shall be accomplished according to the MER rate. Said Development Program must be submitted by the Operator within one hundred and eighty (180) Days after the delimitation of the Exploitation Lot has been approved.
- 10.1.3. The "**Development Program**" shall be prepared by the Operator, and submitted to ANCAP and the Executive Branch through the MIEM for approval. Among others, It must include the following:
 - details of the work proposed to be performed and the recommendation about the characteristics of the Development, including the size and features of the reservoir, the facilities and the Wells, together with the project execution plan
 - an estimate of the total Hydrocarbons Recoverable Reserves of the Lot under Exploitation and a tentative date when Production will begin, as well as the characteristics of the annual Production expected for Oil and Gas according to the MER rate until Abandonment
 - specifically, appropriate conservation and exploitation standards, so that the Production rate can be maintained for as long as possible, without incurring in material losses in the final recovery of Hydrocarbons, under generally accepted international oil engineering and economic principles
 - an estimate of the personnel required, capital and operating expenses to be incurred, including the frequency of said expenses per Calendar Year
 - an economic evaluation, including Hydrocarbons prices,
 - safety measures to be taken, including emergency measures

- an environmental chapter, with details of the Environmental Management Plan to be implemented, which shall include effective measures for environment protection
 - estimated total future cost of Abandonment of the facilities in the Exploitation Lot
 - any other information the Operator may deem relevant or which is required by ANCAP and/or the Executive Branch through the MIEM, pursuant to Section 10.1.
- 10.1.4. Within a term of thirty (30) Days from the approval of the Development Program by ANCAP and by the Executive Power through the MIEM, and with the purposes of complying with said Program, the Operator must submit to the Management Committee a new Work Program and annual Budget for the then current Calendar Year, as well as provisional Work Programs and Budgets for the remaining of the discovery development. Moreover, every year the Operator shall submit to the Management Committee a Work Program and Budget corresponding to the Lot under Exploitation for the following Calendar Year no later than sixty (60) Days prior to the end of each Calendar Year, which must be consistent with the approved Development Program.
- 10.1.5. In particular, the Development Program shall provide for adequate security and environmental conservation measures.
- 10.1.6. If the technical parameters set forth in section 10.1.3 permit, production rate shall be equal to foreseen production levels.
- 10.1.7. The Contractor may, at any time, propose the Management Committee to modify the production rate allowed per well or Reservoir, due to unexpected changes in the Production, or updates in the reserves. If the changes in the annual Production approved for the Development Program are significant, the Contractor must request the authorization of ANCAP and the Executive Branch through the MIEM.

- 10.1.8. The Contractor shall conduct activities according to good operating and conservation practices used in the petroleum industry, including, without limitation, maintaining the Reservoir pressure at adequate levels.

10.2. PRODUCTION

- 10.2.1. If the Contractor proceeds to the Exploitation Period, it has the right and obligation to produce maximum Hydrocarbons volumes, in accordance with the provisions of section 10.1.

- 10.2.2. The Contractor must prepare, on its own account, the facilities necessary to store, measure, and deliver Hydrocarbons, at the corresponding Inspection Points. In the event facilities are built outside the Area, they shall be considered as being within the Area, to the purposes herein. The abovementioned facilities and locations shall be approved by the Executive Branch through the MIEM. Denial shall only be based on reasonable grounds.

- 10.2.3. Terms for commencement of Reservoir production shall be set forth in the Work Program approved by the Management Committee, as provided for by section 20.2.1.

- 10.2.4. Within sixty (60) Days of the end of each Calendar Year, the Operator shall submit to the Management Committee a proposal of a Work Program and Budget, specifying the Petroleum Operations to be carried out in the Lot under Exploitation and the Production program planned for the following Calendar Year. The Management Committee shall meet to consider the Work Program and Budget proposal within twenty (20) Days of such delivery.

10.3. MEASUREMENT, TRANSPORTATION AND DELIVERY

10.3.1. OIL

- 10.3.1.1. Crude Oil shall meet commercial conditions of delivery, and shall be subject to the necessary treatment. Crude Oil for local consumption in the country must have at least the following characteristics at the corresponding Inspection Point:

- Maximum limit of water and impurities shall be one per cent (1%).
- Maximum total salt content shall be one hundred grams per cubic meter (100 g/m³) expressed in Sodium Chloride (NaCl).

- 10.3.1.2. Oil physical volume shall be determined at the corresponding Inspection Point. Measurement shall be considered on a dry-to-dry basis, at a temperature of fifteen centigrade (15° C).

10.3.1.3. If water, solids, or salt content of Crude Oil for local consumption in the country exceeds the limits specified in the foregoing paragraphs, ANCAP is not bound to accept it, and the Contractor must apply further treatment in order to attain specified values.

10.3.2. NATURAL GAS

10.3.2.1. Natural gas shall meet commercial conditions of delivery, and shall be subject to the necessary treatment. For local consumption in the country, Natural Gas must have at least the following characteristics at the corresponding Inspection Point:

Carbon Dioxide (CO₂)	2% molar
Water (H₂O)	65 mg/sm ³
Total of Inert Gases (N₂ + CO₂)	4% molar
Hydrogen Sulfide (H₂S)	3 mg/sm ³
Total Sulfur	15 mg/sm ³
Condensable Hydrocarbons	-4°C @ 5500 KPa Abs
Superior Calorific Value	Min. 8850 Kcal/sm ³ – Max. 10200 Kcal/sm ³

TABLE 1: NATURAL GAS - MINIMUM CHARACTERISTICS REQUIRED

10.3.2.2. If Natural Gas for local consumption in the country does not meet the above Bidding Terms, ANCAP is not bound to accept it, and the Contractor must apply further treatment in order to attain specified values.

10.4. UNITIZATION OF SHARED FIELDS

If a discovery occurs outside the Contract Area pursuant to Section 9.4.1., the Contractor shall notify ANCAP and the Executive Branch of said discovery within thirty (30) Days of said event. The interested parties shall proceed to unitize Exploitation thereof, in order to rationalize its use and distribution according to the best international petroleum industry practices. The Exploitation Program of the shared Reservoir shall be approved by ANCAP, upon authorization of the Executive Branch, pursuant to Section 9.4.

If the discovery extends to bordering countries, such unitization agreement shall take into account related Treaties with said countries. To such end, the Executive Branch shall be in charge of the international negotiation to execute a unified exploitation agreement, through the competent organizations .

10.5. SOLE RISK PROJECT

10.5.1. ANCAP may propose a Secondary or Tertiary Recovery Project, hereinafter referred to as "Sole Risk Project", provided the following conditions have been met:

- ANCAP has submitted a complete Secondary or Tertiary Recovery Project pursuant to Section 10.5.2
- The Management Committee has not approved said project
- ANCAP has notified the Contractor in writing of its intention to carry out said Project as a Sole Risk Project

- 10.5.2.A Secondary or Tertiary Recovery Project shall be considered complete if it includes:
- Appropriate oil engineering studies about the reservoir(s) in Primary Recovery to be included in the Sole Risk Project
 - Appropriate studies that show a comparison between the recommended project and applicable alternatives
 - An estimate of investment and operating expenses required both for the recommended project, and the alternative systems
 - An analysis of the project and alternative projects

10.5.3.As of the date of receipt of ANCAP's notice of its intention to carry out a Project at its Sole Risk, pursuant to Section 10.5.1, the Contractor shall have ninety (90) Days to answer whether the Contractor has decided to participate or not, either in the whole Project or in part of it.

10.5.4.The Contractor may participate in the entire Sole Risk Project or in part of it. If the Contractor chooses to participate in the project proposed by ANCAP, said project shall be totally or partially considered a Project approved by the Management Committee, and the Contractor shall execute the same, pursuant to the conditions of this Contract, as a Petroleum Operation. If the Contractor decides not to participate in the Project proposed by ANCAP and ANCAP decides to proceed nonetheless, the Contractor shall execute the project or the part of the project in which the Contractor does not participate as a Sole Risk Project, on behalf of ANCAP, according to the provisions in this clause and in the Sole Risk Project, taking into account the following:

10.5.4.1.If the Contractor's answer to ANCAP establishes that, at the Contractor's sole discretion, the Sole Risk Project may hinder Hydrocarbons recovery from the Reservoir(s) therein included, the project shall undergo other previous studies and a "pilot test" run within the Area, before the Sole Risk Project is launched at full scale.

10.5.4.2.As a general rule, the Sole Risk Project shall not interfere substantially, with current or future programs or operations, already approved by the Management Committee, or under the Committee's serious and formal consideration. If said project does not substantially interfere with said programs or operations, existing wells, facilities, and equipment may be used in the project.

10.5.4.3.The Parties shall agree on the terms and conditions of a Sole Risk Agreement before the beginning of the Sole Risk Project.

10.5.4.4. Before the Sole Risk Project begins, the Management Committee must agree upon the following:

- An estimate of future behavior and production of Hydrocarbons of the Reservoir(s), in the event the Sole Risk Project is not accomplished.
- A method to allocate operating expenses to the Sole Risk Project.
- A method for ANCAP to provide funds on a monthly basis to the Contractor, in order to cover monthly expenses arising from such project.

10.5.5. When Money Flow from Production at Sole Risk is more than five (5) times (500%) the Investment at Sole Risk, this Project shall become part of the Petroleum Operations, and the Contractor shall pay all applicable future costs, and shall receive the corresponding compensation based on the Production percentage, as provided for in Clause 17.

10.5.6. The Contractor may choose to participate in the Sole Risk Project by giving written notice of the decision to ANCAP, and making a one-time payment in cash, within the following thirty (30) Days. Said payment shall equal the resulting balance of five (5) times (500%) the Investment at Sole Risk, minus Money Flow from Production at Sole Risk. The Sole Risk Project shall become part of the Petroleum Operations as of that moment, and the Contract shall continue its normal course

10.5.7. The Contractor shall build, with the technical characteristics to be agreed upon in the Sole Risk Agreement, and upon request of ANCAP, any of the means of transport or facilities required under the Sole Risk Project. These shall be paid by ANCAP in cash or in kind, as set forth in section 10.5.

10.6. ANCILLARY OPERATIONS

10.6.1. When technical and economic reasons so require, the Contractor shall build, at its own expense, oil pipelines, gas pipelines, or other facilities, necessary to transport the Hydrocarbons produced in the Contract Area, from and to the Area, as well as the facilities necessary to store Hydrocarbons, inside or outside the All the Ancillary Operations before the Inspection Point shall be deemed Costs and Investments.

10.6.2. Subject to the quality and other standards applied by the Operator, ANCAP shall be entitled to use said oil pipelines, gas pipelines, and other facilities built by the Contractor, on its own account, but Hydrocarbons from the Contract Area shall have priority, as regards transportation and storage, at all times. In such case, ANCAP may:

10.6.2.1. Pay prorated costs to use said oil pipelines, gas pipelines, and facilities beyond the Inspection Point according to the facilities used.

If there is no sufficient capacity when ANCAP intends to enforce its right, ANCAP's right shall be limited to the then current available capacity. If there is a remaining production, ANCAP may use capacity as it becomes available.

10.6.2.2. Purchase said oil pipelines, gas pipelines, and facilities beyond the Inspection Point up to the percentage of Hydrocarbons which may correspond to ANCAP, during the productive life of commercial discoveries. The price to be paid by ANCAP to acquire such right shall be fixed by another Contract, to be negotiated between the Parties. Said price shall be based on current fair market value, and shall be paid in cash or in kind.

10.6.2.3. Payment by ANCAP to the Contractor of the costs established in section 10.6.2.1 shall not entail a waiver to exercise at any time the option provided in section 10.6.2.2 above.

10.7. EARLY TERMINATION OF THE CONTRACT DURING THE EXPLOITATION PERIOD

10.7.1. During the Exploitation Period, upon notifying ANCAP and the Executive Branch through the MIEM at least one hundred and eighty (180) Days in advance, the Contractor may opt to return, totally or partially, the Exploitation Lot(s), thus being released from any obligation in relation to the Exploitation Lot(s) returned, except as stated in Clause 11 and those derived from any breach of the provisions hereunder, in which case the provisions of Clause 12 and Clause 19, shall fully apply.

CLAUSE 11 – ABANDONMENT

11.1. The Contractor shall be responsible to carry out the activities regarding Abandonment, and shall exclusively bear all costs, expenses, and liabilities related thereto, except as otherwise provided in section 11.7. To such end, and in accordance with the provisions of section 22.9, the Contractor shall submit an Abandonment Program to the Management Committee for approval.

11.2. After Production begins, the Contractor shall prepare, on an annual basis, and submit to the Management Committee for approval an Abandonment report along with the Work Program and Budget, pursuant to laws and regulations effective in *República Oriental del Uruguay*, and specifically, in accordance with environmental laws. The Abandonment Report must include, at least, the following information:

- total accumulated Hydrocarbon Production of the Area
- total estimated Hydrocarbon Reserves of the Area
- total estimated future cost of the Abandonment of the premises up to the Inspection Point pursuant to applicable legal provisions and regulations of *República Oriental del Uruguay*
- estimated date when 50% of the total estimated Hydrocarbon Reserves of the Area will have been produced
- the amount that the Contractor or the Contractor Member must deposit in the Abandonment Fund with respect to the Calendar Year, indicating the basis for calculating such amount
- the amount effectively paid to the Abandonment Fund by the Contractor or Contractor Member to date
- the amount of the expenses incurred by the Operator in abandoning the facilities during the Calendar Year, and

- the amount of money from the Abandonment Fund received by the Operator during the Calendar Year.

11.3. In order to cover abandonment expenses, an annual provision shall be established, which shall be included in annual budget expenses, and once approved by the Management Committee shall be considered, to the purposes hereof, Petroleum Operation Expenses and as Cost Oil.

11.4. With the purpose of complying with the provisions of section 11.3, the Contractor shall:

11.4.1. no later than ninety (90) Days before the start of the Calendar Year during which the Operator estimates that the accumulated production of the Area will exceed 50% of the total estimated Recoverable Reserves of Hydrocarbons of the Area, submit to the Management Committee for approval an updated estimate of the total future cost of Abandonment of the facilities up to the Inspection Point pursuant to Applicable Law.

11.4.2. in the first quarter of the Calendar Year mentioned in 11.4.1 and each natural quarter thereafter until the termination or expiry of the Contract, calculate the amount to be deposited in the Abandonment Fund on the basis of the following formula:

$$FA_i = CA \cdot (NP_i - EUR \cdot 0,5) / (EUR \cdot 0,5) - FAA_i$$

Where:

- FA_i: Amount to be deposited in the Abandonment Fund in the quarter (US\$)
- CA: Total Updated Estimated Abandonment Costs (US\$)
- NP_i: Accumulated production until the beginning of the i quarter (Barrel of Oil Equivalents)
- EUR: Total Estimated Recoverable Reserves (Barrel of Oil Equivalents)
- FAA_i: Total of amounts paid to the Abandonment Fund before the i quarter (US\$)

11.4.3. deposit two hundred and fifty thousand Dollars (US\$ 250,000) per quarter as from the first Production Year, in the event the condition set forth in 11.4.1 is not met, or that the amount calculated according to 11.4.2 is lower than two hundred and fifty thousand Dollars (US\$ 250,000) to be deposited in the quarter considered.

- 11.5. To such effect, the Contractor shall open a bank account in a bank of *República Oriental del Uruguay*, where funds shall be deposited to cover Abandonment expenses, as approved by the Management Committee.
- 11.6. Upon termination or cancellation of this Contract, the Contractor shall transfer unused funds onto ANCAP. If funds accumulated in said bank account are insufficient to cover Abandonment expenses, the Contractor shall be liable to defray remaining costs on its own account.
- 11.7. If upon termination or expiry of this Contract, due to any of the foregoing reasons, there remain enough Reserves to make ANCAP, exclusively on its own, decide to continue the Production process, which may delay the Abandonment of wells and facilities in use, the Contractor shall:
- Agree with ANCAP, through the Management Committee, on an Abandonment Program regarding wells that are not required to continue Production.
 - Submit to the Management Committee an estimate of the cost for the Abandonment, upon Contract termination, of all the facilities and wells which could not be abandoned because they were still in use. Should the funds to be transferred pursuant to 11.5 be insufficient to cover Abandonment costs, the Contractor shall provide, on its own, the remaining amount.

CLAUSE 12 - TRANSFER OF PROPERTY

- 12.1. Upon termination of this Contract, whether for expiration of the agreed term, noncompliance of the Contractor, early termination of the Contract mutually agreed upon by the Parties, or any of the above grounds, the Contractor shall transfer the title to all buildings, wells whether of Exploratory, Demarcation, Production, injection nature, or otherwise, facilities, machinery, equipment, pipelines, platforms, collection and storage systems, water plants, electric power plants and networks, well equipment, and any other property of similar nature required to carry out Production, onto ANCAP, without any charge, payment, or indemnification whatsoever, free and clear of any encumbrances or debts, in good conservation, maintenance, and operating conditions, save for the normal wear and tear. To such purposes, it is hereby agreed that the Contractor shall own the property listed in this section. Should any taxes or encumbrances be imposed on the transfer of property mentioned in the foregoing paragraph, they shall be borne by ANCAP.
- 12.2. While the Contract is effective, the Contractor may not transfer, encumber, or withdraw any of the abovementioned property, except with ANCAP's express consent, and shall keep said property in good operating condition. The above excludes withdrawals or transfers due to standard maintenance, repairs, or replacements, in which case, the Contractor must seek the Management Committee's written authorization.

- 12.3. In order to comply with the provisions of Section 12.1, the Contractor shall keep an inventory of the assets and submit it to ANCAP on an annual basis.

SECTION IV

DISPOSAL OF HYDROCARBONS

CLAUSE 13 - OIL AND NATURAL GAS LIQUIDS

- 13.1. The Contractor shall have the right to use, free of charge, Hydrocarbons produced in such Contract Area required to conduct Exploitation activities, and operation of related machinery. If Natural Gas is available in the Area, it will be used with preference for the above purposes.
- 13.2. The Contractor shall receive in kind the portion of Oil it is entitled to according to Clause 17 hereof at the Inspection Point, as compensation for the activities hired hereunder.
- 13.3. The Contractor shall have no restrictions to dispose of, and export the portion of Oil and/or Natural Gas Liquids' production it is entitled to as compensation for the activities hired hereunder, except for the limitation mentioned in Clause 15.
- 13.4. Any Party that does not lift its portion of available Oil and/or Natural Gas Liquids' production, or any portion thereof, during any Calendar Year, except for the adjustments based on lift tolerance according to section 13.5.2, shall be entitled to accumulate in the future the portion that was not lifted up and collect it together with the volumes corresponding to such other Calendar Year, notwithstanding the provisions in section 13.6.
- 13.5. Prior to commencement of Oil Production in the Contract Area, the Parties shall enter into an "**Offtake Agreement**", which shall include, among others, the following terms and conditions:
- 13.5.1. **Claims:** Once the Available Production for any calendar quarter has been established, each Party shall:
- Indicate the portion of the available production to be lifted, approximate dates and quantities of each lift.
 - Specify which portion of the Available Production that has not been claimed by the other Party, the Party intends to claim, pursuant to the provisions of section 13.6.
- 13.5.2. **Lift tolerance:** refers to the volume of Oil a Party may credit for future or past Years, to compensate unequal lifts due to use of oceanic tankers.

- 13.5.3. **Vessel itinerary:** refers to the specific procedure to establish how each Party may claim an oceanic tanker to lift Oil from the Contract Area terminal.
- 13.6. If one of the Parties does not claim the entire portion of available production for any calendar year, the other Party is entitled to lift the unclaimed portion, by paying the former the price established in Clause 17, without prejudice to the provisions of Clause 16.
- 13.7. The Contractor may separate liquids from any Natural Gas produced in the Contract Area. To the purposes of calculating Contractor's compensation, the percentage of Natural Gas Liquids that corresponds to the Contractor for any quarter shall be equal to the percentage of Oil that corresponds to the Contractor, unless the Parties agree otherwise.
- 13.8. Provided authorization from ANCAP has been requested at least six (6) Months before the beginning of a calendar year, the Contractor shall be entitled to purchase regularly during any Calendar Year the portion of Available Oil Production corresponding to ANCAP from the Contract Area intended for export, up to a quantity to be mutually agreed upon, and at a price established according to Clause 17.

CLAUSE 14 - NATURAL GAS

- 14.1. The Contractor shall have the right to use, free of charge, the portion of Natural Gas produced in the Contract Area required to conduct Exploitation activities, and operation of machinery related thereto.
- 14.2. Liquid Hydrocarbons obtained from gas phase after separation of Oil input shall be referred to as Natural Gas Liquids (Condensate), and shall be considered as Crude Oil to all purposes.
- 14.3. If Natural Gas is found in the Contract Area, whether associated or not, in such quantity that it may be attractive to commercially exploit it, the Contractor shall receive at the Inspection Point the portion of the production established in Clause 17, in consideration of the activities hired hereunder. The Contractor shall be entitled to use and export its portion of the Gas production.
- 14.4. In the case of Associated Gas Production, if the Contractor determines that there is no possibility to commercialize Gas under adequate economic conditions, then:
- 14.4.1. Gas shall be used, to the greatest extent possible, as fuel for Production equipment.
- 14.4.2. Gas shall be re-injected in the Contract Area Reservoirs, to the greatest extent possible, as recommended by industry practices.
- 14.4.3. ANCAP may choose to take, at the outlet of the gas-oil separator, surplus of Associated Gas Production from Petroleum Operations. This Gas shall be received by ANCAP free of charge.

- 14.5. In the event the Contractor determines that the Exploitation of a certain Natural Gas Reservoir (non-associated Gas) is not economically feasible, then the corresponding Evaluation Lot(s) shall be automatically removed from the Contract Area, provided said Evaluation Lot is not under evaluation for other Hydrocarbons. ANCAP may order the Exploitation of it at its own convenience, but the Contractor shall not be entitled to any indemnification whatsoever.
- 14.6. Provisions of sections 13.4, 13.5 and 13.6 also apply to Natural Gas, as the case may be.

CLAUSE 15 - ANCAP'S PREFERENTIAL RIGHT

- 15.1. If required to meet domestic consumption needs, ANCAP shall have a preferential right to acquire all or part of Hydrocarbons received by the Contractor as a compensation for the operations hereunder.
- 15.2. If, at any time, one or more other Contractors are producing Hydrocarbons of similar characteristics, ANCAP shall exercise its preferential right in proportion to the volume of Hydrocarbons each Contractor is entitled to as compensation, unless the Parties agree otherwise.
- 15.3. ANCAP shall pay such price as established in Clause 17 for Hydrocarbons acquired under this preferential right.
- 15.4. In order to exercise its preferential right, ANCAP shall notify the Contractor in writing one (1) Year in advance, specifying the volume of Hydrocarbons of the portion corresponding to the Contractor that shall be acquired, and the period during which the purchase shall be made.
- 15.5. If the quality of Hydrocarbons delivered to the Contractor as compensation for the activities hereunder does not meet the requirements for national refineries, as set forth in sections 10.3.1. and 10.3.2., ANCAP shall be entitled to purchase said Hydrocarbons from the Contractor, at an international price fixed according to Clause 17, and upon mutual agreement by the Parties, exchange them for an equivalent volume of other Hydrocarbons owned by the Contractor which meet the necessary refinery requirements in Uruguay; or, after purchasing Hydrocarbons from the Contractor, whether or not requirements are met, exchange them for Hydrocarbons owned by third parties.

CLAUSE 16 - HYDROCARBONS COMMERCIALIZATION

ANCAP is authorized to request the Contractor to sell, on its own account, Hydrocarbons selected by ANCAP belonging to the Uruguayan State and/ or to ANCAP.

ANCAP shall notify the Contractor of its decision regarding the commercialization of the Hydrocarbons belonging to the Uruguayan State and/or ANCAP within one hundred and eighty (180) Days, and the Parties shall mutually agree upon the conditions of commercialization. To such purposes, the Contractor must submit a commercialization offer based on a national and/or international public bidding process.

The conditions of the commercialization of the Uruguayan State's portion shall be approved by the Executive Branch.

SECTION V CONTRACTOR'S COMPENSATION

CLAUSE 17 - ITEMS RECOVERED BY THE CONTRACTOR

ANCAP shall compensate the Contractor for Cost Oil and its corresponding percentage of Profit Oil only if the Reservoir(s) enter the Production period.

If a Reservoir produces liquid and gas Hydrocarbons, the Contractor shall receive the corresponding share of each type of Hydrocarbons according to this section.

The portion of the Actual Production of Hydrocarbons extracted from Reservoir(s) which the Contractor is entitled to as compensation for the operations under this Contract shall be composed of Cost Oil and its share of Profit Oil during each quarter according to the Accounting Procedure.

17.1. COST OIL

As defined in section 2.1.19, Cost Oil includes the Expenses and Investments associated with the Exploration Period and the Exploitation Period approved by the Management Committee. Increase which has not been duly justified and approved by the Management Committee as well as Expenses and Investments incurred before Contract execution shall be disregarded.

The maximum share of the Actual Production available to recover Cost Oil in a quarter shall be:

- sixty percent (60%) in the case of Oil
- eighty percent (80%) in the case of Natural Gas

Cost Oil recovery shall begin as from the quarter of commencement of Production.

17.1.1. COSTS

“Cost” refers to every expense incurred whose lifespan is less than a Year and has been approved by the Management Committee.

Expenses incurred during a given quarter corresponding to the following activities shall be included:

- Petroleum Operations
- Exploration in the Contract Area following the commencement of Production
- Expenses incurred during Development stage (Development of other Reservoirs in the Contract Area following the commencement of Production)
- Expenses incurred to furnish and maintain the Exploitation Period Guarantee pursuant to section 31.3.

17.1.1.1. LIMITATIONS ON RECOVERABLE COSTS

Overheads of parent company or subsidiaries that are not directly related to the Petroleum Operations shall not be recovered.

Salaries and expenses paid in works or studies done outside Uruguay, yet related to the Petroleum Operations of the Contract Area shall be recoverable, provided they are included in the Management Committee-approved Budget, and the hourly cost of the different participating technicians has been mutually accepted. A monthly report must be submitted to the Management Committee with a detailed list of expenses.

Payment of interest on loans shall be recoverable up to the LIBOR rate, and provided the annual financial plan submitted together with the Work Program and the corresponding Budget has been approved by the Management Committee.

Each quarter the percentage indicated in section 14.1., as applicable and as a maximum, shall be applied to Costs. Non-recovered balance of costs, if any, shall be carried over to the following quarter.

17.1.2. INVESTMENTS

“Investment” refers to any expense incurred whose lifespan exceeds a year and has been approved by the Management Committee.

Investments made during the following periods shall be recovered:

- Exploration Period
- Development stage
- Production stage

Investments made shall be recovered in twenty (20) quarterly equal installments, effective when Production starts.

- 17.1.3. Non-recovered balance of Costs and Investments in each quarter, due to depletion of the amount fixed as Cost Oil according to the maximum percentage fixed in Actual Production, Section 17.1., as applicable, shall be carried over to the following quarter, and so forth.
- 17.1.4. When recoverable Costs and Investments in a given quarter require a smaller amount of the Actual Production than the established cap under section 17.1, the excess shall integrate the Profit Oil, pursuant to section 17.2.

17.1.5. COSTS AND INVESTMENTS REGISTRATION

In order to determine the Costs and Investments to be recovered, the Contractor shall keep a record of them in Dollars and convert the expenses incurred in other currencies on the date payments are made.

The registration procedure shall be submitted to the Management Committee for consideration and approval. It must comply with the legal provisions in force and with the generally accepted accounting principles and practices of *República Oriental del Uruguay* and in the international petroleum industry. The guidelines for the registration procedure are established in the Accounting Procedure.

17.2. PROFIT OIL

As defined in Section 2.1.69, Profit Oil is the amount of Production after deducting Cost Oil from the Actual Production.

The Parties shall be entitled to a percentage of Profit Oil, as shown in the following tables:

17.2.1. OIL OF UP TO 25 °API

R Factor	Percentage of Actual Production surplus for the Contractor	Percentage of Actual Production Surplus for the Uruguayan State
≥ 0,0		
≥ 1,0		
≥ 1,5		
≥ 2,0		

TABLE 2: PROFIT OIL DISTRIBUTION FOR °API < 25 OIL

17.2.2. OIL HIGHER THAN 25 °API

The following table applies to °API > 25 Oil, Gas from Condensed Gas Reservoirs and Natural Gas Liquids, pursuant to Section 14.2.

R Factor	Percentage of Actual Production surplus for the Contractor	Percentage of Actual Production Surplus for the Uruguayan State
≥ 0,0		
≥ 1,0		
≥ 1,5		
≥ 2,0		

TABLE 3: PROFIT OIL DISTRIBUTION FOR °API > 25 OIL

17.2.3. NATURAL GAS

Factor R	Percentage of Actual Production surplus for the Contractor	Percentage of Actual Production Surplus for the Uruguayan State
≥ 0,0		
≥ 1,0		
≥ 1,5		
≥ 2,0		

TABLE 4: PROFIT OIL DISTRIBUTION FOR NATURAL GAS

17.2.4. HYDROCARBONS VALUATION

Produced hydrocarbons price, to the purposes of:

- Determination of the Contractor's Gross Income;
- Determination of Oil volume allocated to cost recovery;
- Purchase and sale transactions between the Parties;

shall be as follows:

17.2.4.1. OIL

Oil Price shall be fixed in US Dollars under FOB terms (Uruguay), so that it reflects the actual value of the international market for Oil with similar characteristics to that produced in the Reservoirs adjusted according to transportation costs.

Prices shall be determined based on the monthly average of Oil Price, to be applied to the Production of the month under consideration. To such effect, the Parties shall select a pool of oil prices corresponding to Oil with similar characteristics to the above referenced Oil, which shall be determined as follows:

- At least ninety (90) Days in advance before the Date of Commencement of Production, the Parties shall determine the approximate amount of Oil to be produced in the Contract Area.
- Within thirty (30) Days after the abovementioned agreement, the Parties shall select a pool of up to four (4) components, which shall meet the following criteria:
 - o Oils shall have a similar quality to the Oil that shall be measured at the Production Inspection Point;
 - o Oil's quotes shall appear regularly in "Platt's Oilgram Price Report" or another source acknowledged by the international petroleum industry, and mutually agreed by the Parties; and,
 - o Every six (6) Months, or earlier, if requested by any of the Parties, the Parties may revise the pool established for valuation of Inspected Oil, in order to verify if it still meets the abovementioned requirements. If any of the conditions is no longer met, the Parties must modify the pool within thirty (30) Days from the beginning of pool revision. Upon expiration of this term, if the Parties fail to agree on a new pool, the provisions of Clause 30 shall apply.
- If API gravity (weighed average), sulfur content, or other element measuring the quality of the Oil at the Inspection Point suffers a significant variation in comparison to the components of the pool (simple arithmetic average), the Parties shall modify pool components, so that they reflect the quality of the Oil at the Inspection Oil.
- If, at any time in the future, the price of one or more kinds of Oil composing the pool is quoted in a currency other than US Dollars, said prices shall be converted into US Dollars at the exchange rate in force when said quotes were made. Exchange rates to be used shall be those of *Banco Central del Uruguay* (Central Bank of Uruguay).

17.2.4.2. NATURAL GAS

Gas price shall be fixed in US Dollars per million BTU (US\$/MMBTU) and it will result from an average of the following concepts:

- Gas price according to Henry Hub index in US\$/MMBTU.
- Gas price according to NBP (National Balancing Point, UK) in US\$/MMBTU.
- The result of the following formula: $0,1 * P - 3$, where P is the Price of Oil established in section 17.2.4.1.
- A Gas Price index (within the region if possible) mutually agreed by ANCAP and the Contractor.

17.2.4.3. Without prejudice to the provisions of sections 17.2.4.1 and 17.2.4.2, the Parties may agree to take into account the actual market price for the Hydrocarbons produced in the Area.

17.2.5. GROSS INCOME

According to Section 2.1.35, Gross Income is the result of the valuation of the Actual Production in the course of each quarter. Accumulated Gross Income is the accumulation of Gross Income from the beginning of Production until a given date.

Gross Income accumulated until a given quarter shall be computed in order to calculate the R Factor, and determine the distribution of the Profit Oil accordingly.

17.3. AUDITS

ANCAP shall be entitled to inspect and audit the accounting records related to the Contract according to the Accounting Procedure.

Any observation resulting from such audit shall be submitted in writing within sixty (60) Days following completion of inspection or audit. The Contractor must make its best efforts to overcome the observation or correct the cause within the following thirty (30) Days.

SECTION VI GENERAL CONDITIONS

The provisions of this section apply to the Exploration and/or Exploitation Period, as the case may be.

CLAUSE 18 - ASSOCIATION

18.1. ANCAP may, upon the express consent of the Executive Branch and in its own discretion, associate with the Contractor to exploit any Exploitation Lot. ANCAP must notify the Contractor of its decision in writing within one hundred and twenty (120) Days as from the approval of Exploitation Lot demarcation. Failure of ANCAP to submit said notice within the specified term shall be deemed a decision not to associate for the Exploitation of said Exploitation Lot.

18.2. If ANCAP decides to associate for the Exploitation of an Exploitation Lot, ANCAP must notify the Contractor, together with its decision to do so, the percentage of its participation, which shall be _____ per cent (____ %), as a maximum.

- 18.3. In such an event, ANCAP shall pay direct costs of drilling and completion of the discovery Exploration Well to the Contractor in proportion to its share.
- 18.4. Regarding production Evaluation Wells (which are not dry), ANCAP shall pay all direct disbursements to the Contractor, on a pro rata basis to its share. Regarding Evaluation Wells that result in dead wells (dry), ANCAP shall only pay twenty-five per cent (25%) of its total cost, on a pro rata basis to its share. An amount equivalent to fifteen percent (15%) of such expenses shall be added as indirect expenses. ANCAP shall make the abovementioned payments within one hundred and eighty (180) Calendar Days after execution of the corresponding association agreement.
- 18.5. Upon notification of ANCAP to the Contractor of its intention to associate for the Exploitation of an Exploitation Lot, with the previous consent of the Executive Branch, the Parties shall negotiate and execute the association agreement and a joint venture operating agreement, according to the standard models of the international petroleum industry (e.g.: AIPN models), which must be approved by the Executive Branch. Said association agreement may be executed by ANCAP or by a company controlled by the ANCAP Group.
- 18.6. Notwithstanding the above provisions, the Contractor must continue with the Development Program approved by ANCAP and the Executive Branch through the MIEM.

CLAUSE 19 - DELIVERY OF TECHNICAL INFORMATION

- 19.1. Any information collected in the Area shall become the property of ANCAP. Use of such information by the Contractor, ANCAP and/or the Executive Branch shall be governed by the provisions set forth in the following sections.
- 19.2. During Contract performance, and specifically at the end of each Exploratory Subperiod, or upon removal of Exploration areas, Evaluation Lots and/or Exploitation Lots, or termination of the Contract, the Contractor shall deliver to ANCAP any information gathered. Additionally, the Contractor shall deliver to the Executive Branch any information it may require.

Specifically, without limitation to the above, the Contractor must deliver, in the formats required by ANCAP:

- 19.2.1. Field data and support information, with the different processing stages; base maps (seismic grid) in magnetic or optical media, as well as transparencies and paper copies of all the information and data recorded, regardless of the physical or chemical principles used to gather such Information.
- 19.2.2. Whenever wells are drilled, special attention shall be paid to:
- Lithological logs, samples, logging of any kind (wireline logs); formation testing; Hydrocarbons control during drilling; flow measurement; pressure; cementation and stimulation works
 - Samples of cuttings, washed and unwashed, of each Exploration, Evaluation, and Exploitation Well
 - Palinologic and paleontologic studies.
 - Petrographic studies
 - Geochemical, and Hydrocarbon generation studies
 - Stratigraphic correlation with wells of the Area.
 - Physical and chemical characteristics of liquid and gas Hydrocarbons
 - Photographs
 - Videos
 - Drilling reports

- Geological reports
- Drilling data
- Other data and Geological control reports
- HSE reports
- Meteorological data
- Any other report or data obtained during the survey

19.2.3. All measurements, reports, studies, and analysis, deriving from works performed hereunder, whether there was a commercial discovery or not.

19.2.4. Upon the declaration of non-commercial interest of a Reservoir, pursuant to section 9.4.10, the Contractor shall deliver to ANCAP and to the Executive Branch through the MIEM all information related thereto, listed in the foregoing section, in addition to the evaluation submitted to the Management Committee that supported such declaration.

19.3. Technical information, studies, processed and unprocessed data, as well as results provided by the Contractor to ANCAP, pursuant to this Clause, shall have the highest quality attained by the Contractor.

19.4. Technical information requested by ANCAP and/or the Executive Branch, pursuant to this Clause, shall be delivered no later than one hundred and eighty (180) Days as of the date the request was received.

19.5. If the Contractor's proprietary methods or systems are used to obtain such information and results, the Contractor shall not be bound to disclose said methods or systems together with the information.

19.6. Officials from ANCAP and/or the Executive Branch who receive information hereunder shall keep it strictly confidential, pursuant to Clause 23.

SPANISH VERSION (FIELD ONLY)

CLAUSE 20 - MANAGEMENT COMMITTEE

20.1. MEMBERS, DUTIES AND ACTIVITIES

20.1.1. The Management Committee shall be formed within thirty (30) Days of Contract execution. It shall comprise two (2) representatives and two (2) alternates appointed by ANCAP and two (2) representatives and two (2) alternates appointed by the Contractor. The Parties may, at any time, replace their representatives, by giving written notice thereof at least 15 Days before.

The Management Committee shall analyze, evaluate, and oversee Work Programs, and inspect the performance of Petroleum Operations.

20.1.2. The Contractor shall bear administrative costs of the Management Committee, which shall keep complete, detailed records of its minutes, discussions, and decisions.

20.1.3. The Management Committee shall decide by unanimous vote of the Parties' representatives. Each Party shall cast only one vote.

20.1.4. In the event of disagreement, Parties' representatives shall make their best efforts to reach a mutually acceptable and convenient solution. If within sixty (60) Days as of the date of the first meeting of the Management Committee convened to solve the disagreement, the Parties fail to reach an agreement, the dispute shall be directly referred to the highest authorities by any of the Parties. If the authorities fail to reach an agreement, the issue shall be submitted to Technical Advisory or Arbitration Proceedings, which shall be governed by the provisions of Clause 30.

20.1.5. The Management Committee shall hold ordinary meetings from time to time as the Parties establish. Extraordinary meetings shall be held upon request of any of the Parties' representatives. Time between ordinary meetings shall not exceed one hundred and twenty (120) Days. Meetings shall be called by written notice which will include the agenda at least fifteen (15) Days before the meeting, except for urgent meetings which may be called within the shortest period possible.

20.1.6. Each Party shall bear the expenses of its corresponding representatives in the Management Committee.

20.2. DUTIES

20.2.1. The Management Committee shall act during the whole term of this Contract and its decisions shall be in writing and well-founded. Notwithstanding the duties already described in this Contract, as well as other duties that the Parties may agree upon, and the provisions of the Governance Procedure, the Committee shall have the following main obligations:

- Agree with the Contractor on an adequate method to carry out Work plans and Programs of Petroleum Operations hereunder.
- Approve plans, programs, schedules, and Budgets timely submitted by the Contractor to the Management Committee before the beginning of each Calendar Year.
- Evaluate Budget compliance.
- Analyze and evaluate technical grounds for locating Exploratory, Demarcation, and Development Wells, and completion programs.
- Determine the technical criteria to establish the deadline for the completion of each well.
- Analyze Evaluation and Exploration Lots demarcation, proposed by the Contractor, in order to seek the approval of ANCAP and the Executive Branch through the MIEM.
- Supervise the completion of the Development Program established in sections 10.1.2 and 10.1.3.
- Oversee the operations in terms of technical and accounting aspects.
- Verify determination of Recoverable Reserves and average daily Available Production per Reservoir.

20.2.2. To all the above purposes, the Management Committee is hereby empowered to request advisory opinions, and delegate such duties as it may deem necessary. Expenses arising therefrom shall be borne by the Parties, in equal parts, i.e. fifty percent (50%) each.

20.2.3. The Governance Procedure may be modified by the Management Committee based on well-founded reasons.

CLAUSE 21 - UNFORESEEABLE CIRCUMSTANCES BEYOND THE CONTROL OF THE PARTIES

21.1. If due to an Unforeseeable Circumstance beyond the Control of the Parties, any Party is delayed in, or unable to perform in whole or in part, any of its obligations or conditions hereunder, the Party shall notify such event to the other Party in writing no later than five (5) Days after said circumstance. Notice shall include reason for non-performance, steps taken and, if possible, estimated time to solve the situation. The other Party shall reply in writing within fifteen (15) Days of receipt of notification. Failure to reply shall be construed as acceptance of the invoked cause.

- 21.2. Non-performance or delays in performance shall be excused for as long as, and to the extent to, said non-performance or delays in performance are caused by an Unforeseeable Cause beyond the Control of the Parties. The other Party is not entitled to any indemnification whatsoever during the inactive period. Without prejudice to the provisions of Section 21.1, the Party shall promptly deliver an estimate of the duration of the Unforeseeable Cause beyond the Control of the Parties. Actual duration of delay or non-performance shall be added to the time scheduled to conduct affected operations, as well as any other obligations depending on the first one, provided that this shall not imply extending the maximum duration of the Contract, without prejudice to the provisions of sections 21.3 and 21.4.
- 21.3. If an Unforeseeable Circumstance beyond the Control of the Parties occurs during any of the Subperiods of the Exploration Period, and continues for two (2) Years the Contractor shall have the option to terminate its obligations hereunder by giving written notice thereof to ANCAP within ninety (90) Days before expiration of the then current Subperiod. Contract guarantee shall be returned pursuant to section 31.2.
- 21.4. In the event of an Unforeseeable Circumstance Beyond the Control of the Parties due to causes unrelated to Uruguay that prevent compliance with the Contract during two (2) consecutive years, ANCAP shall have the option to terminate the Contract. Contract guarantee shall be returned pursuant to sections 31.2 and 31.3. In order to exercise this option, during the Exploitation Period, ANCAP shall pay for the property mentioned in Clause 12 to the Contractor, on its own account, or on behalf of the Government, the fair market price in US Dollars or in kind agreed by the Parties.
- 21.5. Obligations not affected by an Unforeseeable Circumstance beyond the Control of the Parties shall be complied with in due time and manner, in accordance with the provisions hereunder.
- 21.6. If the Contractor deems, at its sole discretion, that an Unforeseeable Circumstance Beyond the Control of the Parties requires immediate action, then the Contractor shall take any necessary steps, and make any necessary disbursements to protect its interests and those of ANCAP, even if those amounts have not been included in Work Program and Budget in effect in the corresponding Calendar Year.
- 21.7. The abovementioned unforeseeable disbursements shall be considered Cost Oil, provided they are approved by the Management Committee.
- 21.8. The Parties hereby accept that, among others, the following situations shall be regarded as Unforeseeable Circumstances Beyond the Control of the Parties:
- General strike or strike of the trade union involved in the activities;
 - Inability to access technical means necessary to comply with the purpose of the Contract.

These circumstances must be conclusively proved.

CLAUSE 22 - ENVIRONMENT PROTECTION

- 22.1. The Contractor shall develop the activities hereunder in a manner consistent with the protection of the environment and any other resource. Therefore, the Contractor is bound to use the most advanced techniques available to prevent and mitigate damages to the environment. Furthermore, the Contractor shall use the natural resources in a rational way.
- 22.2. The Contractor shall implement an Environmental Management System designed according to recognized international models for the activities hereunder.
- 22.3. The Contractor shall comply with all Legal and Regulatory provisions of *República Oriental del Uruguay*, International Agreements and Treaties with reference to the environment signed and ratified by the country, with the specific guidelines set by the National Directorate of the Environment of the Ministry of Housing, Land Management and Environment (MVOTMA, by its Spanish initials), and it shall abide by the principles of conduct, established in the ARPEL Environmental Code of Conduct, Declaration of San José, 1997, Cartagena de Indias.
- 22.4. Notwithstanding the provision of the foregoing clause, in order to develop the activities hereunder, the Contractor shall specifically comply with the provisions of Law No. 16,466, as well as related decrees, amendments and/or variations thereof in coordination with ANCAP.
- 22.5. The Contractor must comply with all the requirements set forth in the Resolutions of MVOTMA, to obtain the Previous Environment Authorizations and the Environment Authorizations for the Operations.
- 22.6. The contingency plans, the characteristics of facilities and equipment to be used in order to prevent and manage contamination, personnel training plans and procedures to prevent and mitigate a potentially harmful environmental impact, and inspection and reports to be established to such purposes in Petroleum Operations shall be submitted to the Management Committee for approval.
- 22.7. Contingency Plans for Hydrocarbon Spills for the activities must be drawn and submitted to the competent authority, in compliance with Law No.16.688 and Law No.19.012, and any regulatory provisions thereof.
- 22.8. The Contractor shall have service contracts in place in order to provide a response to hydrocarbon spills, sized in accordance with the risks associated to the operations, which shall be communicated to the competent environmental authority.
- 22.9. Prior to the commencement of each activity hereunder, the Contractor shall submit an Environmental Management Plan to be approved by the Management Committee. Said Plan must meet DINAMA's requirements for the corresponding environment authorizations and contain at least the following:
- Statement of the activities to be conducted and the equipment to be used to carry out the Contract
 - Demarcation of the locations where the Petroleum Operations shall be carried out
 - A description of the marine environment of the demarcated area comprising the physical, biotic and anthropogenic composition
 - Delimitation of exclusion zones eventually defined on the basis of environment sensitivity criteria
 - A description of the environmental management measures to be adopted for Petroleum Operations
 - Standards for the management of atmospheric emissions, liquid effluents, solid waste, noise pollution, chemical products, water and energy consumption

- Risk management and contingency program for the following scenarios, as applicable: spills, fire, explosion, abnormal situations (power cuts, etc.), road accidents
- Environment surveillance and audit program including, as applicable, the description of the variables to be controlled, the technology to be used, the monitoring frequency and the contents of the regular environment performance reports
- Scheme for communication of the activities conducted aimed at interested parties
- Abandonment Program, including the activities to be performed with the purpose of restoring the intervened zones to their initial state

22.10. The Environmental Management Plan shall have the contents established in the section above and additionally, any other that is from time to time established as a requirement in the Resolutions of the Ministry of Housing, Territorial Planning and Environment, MVOTMA, granting Environmental Permits.

22.11. The Contractor shall be responsible for any environmental liabilities derived from the Petroleum Operations and shall bear the cost of any remedial actions required to eradicate them.

22.12. The Contractor shall also be responsible for any damages to the Environment caused by its personnel or its Sub-contractors and shall indemnify the affected parties, either the Uruguayan State or any other local or foreign individual or legal person. The Contractor shall also hold ANCAP and the competent state entities involved in the activity harmless.

CLAUSE 23 - CONFIDENTIALITY

23.1 The Contractor hereby warrants that the Contractor shall keep, and shall cause its personnel, and Sub-contractors to keep strict confidentiality of any data, design, or information related to its activity hereunder either provided by ANCAP or arising from compliance with the purpose of this contract, and therefore, they shall not use any of the above nor allow the use thereof, unless it is necessary to comply with the obligations hereunder.

23.2 The Contractor and/or Contractor Member may only disclose the confidential information without ANCAP's prior consent if such information:

- a) was known by the Contractor and/or Contractor Member before the date whereon it was received, on a non - confidentiality basis;
- b) is a matter of public domain, is or becomes available to the public through no Contractor's and/or Contractor Member's fault –whether act or omission;
- c) is required to be provided by the Contractor and/or Contractor Member or by one or several of its Affiliated Companies under the Applicable Laws, a government order, decree, rules or regulations of a stock exchange of recognized standing where its shares or the shares of its Affiliated Companies are registered. Nevertheless, the Contractor and/or the Contractor Member will make every reasonable effort to notify ANCAP in writing before disclosing the information;
- d) is independently acquired by the Contractor and/or Contractor Member or by one or several of its Affiliated Companies from a third party entitled to disclose such information at the time it is acquired by the Contractor or its Affiliated Companies;

- e) is acquired by transfer of ownership by the Contractor and/or Contractor Member or one or several of its Affiliated Companies.

23.3 The Contractor and/or Contractor Member may disclose the confidential Information to an Affiliated Company without ANCAP's prior written consent, provided that the Contractor or Contractor Member, or both guarantee such Affiliated Company's adherence to the purpose of this Agreement.

23.4 The Contractor and/or the Contractor Member may disclose the confidential Information without ANCAP's prior written consent to the following individuals, who should have a genuine reason to have access to it and evaluate it:

- a) employees, officers and directors of the Contractor and/or Contractor Member;
- b) employees, officers and directors of an Affiliated Company;
- c) any adviser or agent hired by the Contractor and/or Contractor Member or its Affiliated Company for the purpose of assessing the confidential Information;
- d) any entity consulted for the purpose of financing the Contractor and/or Contractor Member or its Affiliated Company in connection with the confidential information, including any adviser or agent hired by such entity/entities for the purpose of assessing the confidential information or a potential buyer who is assigned the Contract.
- e) any buyer of the working interest of the Contractor and/or Contractor Member.

Before disclosing the confidential information to the individuals/entities detailed in paragraphs (c), (d) and (e) above, the Contractor and/or Contractor Member shall obtain from them a confidentiality commitment whose form and content shall be substantially the same as the form and content in this Agreement

23.5 The Contractor and/or the Contractor Member shall be responsible for any direct damage arising from, and/or related to disclosure of data, designs, and information protected by the provisions of this Clause, whether that disclosure is made by the Contractor and/or Contractor Member, or its personnel, directors, agents, advisors, counselors, employees, Sub-contractors, or third parties, bound, or authorized to disclose such information.

23.6 If any of the Parties uses proprietary technology in order to conduct the operations established herein, the other Party may not use nor disclose said technology, without the owner's prior written consent.

23.7

23.8 Any information concerning Contract Areas that, for whatever reason, are returned to ANCAP shall be delivered to ANCAP no later than one hundred and eighty (180) Days. ANCAP shall freely dispose of the information as Areas are returned; however, the confidentiality obligation of the Contractor shall survive for up to five (5) Years after complete return of the Area from which information was collected.

23.9 The Contractor acknowledges that ANCAP makes no guarantee, whether express or implicit, as to the quality, accuracy and completeness of the data, designs and information provided. The Contractor assumes all the potential risk of errors entailed in the acquisition, processing and interpretation of said data, design and information.

CLAUSE 24 - CONTRACT TRANSFER OR ASSIGNMENT

24.1. CONTRACT TRANSFER BY THE CONTRACTOR

24.1.1. The Contractor or Contractor Member, or both may not transfer or assign this Contract, in whole or in part, without ANCAP's prior written consent and previous notification to the Executive Branch through the MIEM, which shall not be denied nor delayed on unfounded grounds. In the event of transfer or assignment to third parties, including Affiliated Companies or Contractor Members, the buyers or assignees shall provide contract guarantees in proportion to their working interest. The assigning Contractor or Contractor Member, or both will be relieved of its guarantees proportionally once the new guarantees are furnished. The buyer or assignee shall have the financial or technical and financial capacity required in the Bidding Terms described in Annex V hereto in order to qualify for the Contract Area.

24.1.2. Likewise, if the Contractor is a Consortium, or any other kind of company association, the consortium or association agreement may not be modified without ANCAP's prior written consent and prior notification to the Executive Branch through the MIEM.

24.2. CONTRACT TRANSFER BY ANCAP

24.2.1. In the event national legislation is modified, and such modification determines that, regarding the purpose of this Contract, ANCAP be replaced by another government entity, this Contract shall be deemed transferred to the new entity.

CLAUSE 25 - GROUNDS FOR CONTRACT TERMINATION

25.1. In addition to the early termination grounds established in section 9.7 and 10.7, this Contract may be terminated based on the following grounds:

25.1.1. Expiration of term established in Clause 5.

25.1.2. Voluntary agreement between ANCAP and the Contractor.

25.1.3. Causes attributable to the Contractor or Contractor Member, or both, as applicable, such as:

- a) If the Contractor or Contractor Member, or both do not begin activities included in the Work Program within the terms established herein or approved by the Management Committee, as applicable.
- b) If the Contractor or Contractor Member, or both carry out the activities at a pace inconsistent with the terms of the Contract or approved by the Management Committee, as applicable.
- c) If the Contractor or Contractor Member, or both abandon, or cease the activities, either in whole or in part.
- d) Por incumplimiento de la obligación de entregar las informaciones previstas o de permitir y facilitar las inspecciones y fiscalizaciones establecidas. Non-compliance with the obligation to deliver specified reports, or to allow and facilitate scheduled inspections.
- e) In case of serious breach of contractual obligations by the Contractor or Contractor Member, or both.
- f) If the Contractor or Contractor Member, or both assign or transfer this Contract, in whole or in part, without ANCAP's authorization.
- g) If the Contractor or Contractor Member, or both are absorbed, or acquired by other Companies without ANCAP's prior authorization, which shall not be denied or delayed on unfounded grounds.

If ANCAP determines that one or more of the causes specified in paragraphs a), b), c), d), e), f) or g) of section 25.1.3 apply, notwithstanding the provisions of Clause 21, ANCAP shall notify the Contractor thereof. If within sixty (60) Days of receipt of said notice, the Contractor has not corrected, nor eliminated said situation, ANCAP shall be entitled to terminate the Contract and its decision shall be well-founded. However, if correction of the situation informed by ANCAP requires more than sixty (60) Days, and the Contractor is making every effort to correct the same, ANCAP shall grant the necessary term extension to complete the correction.

In all cases described in this Clause, the Contractor shall be responsible for damages arising from breach of contract. ANCAP shall retain the Contract Guarantee, until the Contractor's liability is finally resolved.

If the situation described in section g) occurs during the Exploitation Period, ANCAP shall pay the Contractor, on its own or on behalf of the State, the fair market price of the property referred to in Clause 12 in US Dollars or in kind, as agreed upon by the Parties.

CLAUSE 26 - DELINQUENCY AND BREACH OF CONTRACT

Breach of one or more of the obligations hereunder, or any act or omission that results in doing something contrary to the agreement, or not doing something as agreed, shall cause the Contractor to become delinquent by operation of law, without the need of any in-court or out-of-court procedure whatsoever. This provision expressly excludes cases of Unforeseeable Circumstances beyond the Control of the Parties (Clause 21) duly proved by the interested party.

CLAUSE 27 - TAXATION

- 27.1. Pursuant to the provisions of section 16 of Decree-Law No. 14,181, the activities hereunder are exempted from any present or future national or municipal Taxes and Charges. The above exemptions do not include employees' Social Security contributions nor do they apply to the prices of the services rendered when they correspond to their cost.
- 27.2. The above provisions apply notwithstanding other Taxes that may be levied on income resulting from the activities hereunder (Law 18,083, and its amendment and related laws, Corporate Income Tax).
- 27.3. The Contractor must comply with all labor laws, and regulations in force of República Oriental del Uruguay, including, but not limited to, those related to workday, occupational safety, Social Security contributions, etc.
- 27.4. The Contractor shall be responsible for any damages ANCAP may suffer as a result of noncompliance with the laws mentioned in section 27.3. Likewise, the Contractor shall be responsible in the event of Sub-contractors noncompliance, without prejudice to the responsibilities that ANCAP might assume as a Contractor Member.
- 27.5. If, after the Effective Date of this Contract, a new Tax or Levy is imposed on the activities hereunder, or the Corporate Income Tax, as created by Law No. 18,083, is modified, or a new tax that levies income is created, thus increasing the amount the Contractor is liable to pay as of the Effective Date of the Contract, the Contractor may request such increase as Cost, in accordance with the provisions of Clause 17.

CLAUSE 28 – LIABILITY AND INSURANCE

This clause contains the principles governing liability and insurance hereunder:

28.1. LIABILITY

28.1.1. The Contractor's and/or the Contractor Member's liability shall not be subject to any limit whatsoever, in case of foreseen or unforeseen events related directly, indirectly, or consequentially to the activities hereunder, that may cause losses, damages, delays, suspension of operations, or any other alteration or modification to its own interests, to the interests of ANCAP, the Uruguayan State, or third parties. This provision excludes breach of Contract by ANCAP which may cause directly, indirectly or consequentially losses, damages, delays, suspension of operations, or any other alteration or modification. All this without prejudice to the provisions of Clause 21 and other applicable legal provisions. Consequently, the Contractor shall provide for, and undertake relief, resolution or indemnification of any loss or damage that may arise hereunder.

28.1.2. The Contractor and/or the Contractor Member shall indemnify, and hold ANCAP and the competent state entities involved in the activities harmless, at all times, from any claim, petition, expenses or costs related to Petroleum Operations that may cause the abovementioned damages or losses, notwithstanding the obligations that ANCAP, as Contractor Member, may have to comply with.

28.2. INSURANCE

28.2.1. The Contractor and/or the Contractor Member must duly transfer risks that may arise from the activities hereunder, which may cause damages or losses. Prior to commencement of the activities, the Contractor must submit to the Management Committee a written proposal of the risk transfer program. The Committee shall approve it, or request such adjustments as may be necessary to make sure that, at the Committee's sole discretion, the precautions taken are in accordance with the best international petroleum industry practices, among the options available, in order to comply with the abovementioned principles. This program shall be adjusted each time the activities are extended in terms of size or importance. Even if the same working conditions are kept, the program shall be revised at least every six months.

No risk transfer shall release the Contractor from liability. Even if the Contractor purchases insurance, the Contractor's liability shall remain unchanged. The Contractor may not request ANCAP nor the competent state entities involved in the activities any amount on account of deductibles, franchises, coverage difference, limit difference, exclusions from risk transfer agreements entered into by the Contractor, or errors in assessment or appraisal of risks undertaken, without prejudice to the obligations that ANCAP, as Contractor Member, may have to comply with.

Notwithstanding the above, ANCAP and the competent state entities involved in the activities shall be included as co-insured and/or additional insured in any risk transfer public liability, regarding operations and the environment. Competent courts in matters related thereto shall be those of Uruguay. Additionally, ANCAP may, at its sole discretion, purchase a primary or additional Civil Liability insurance policy, on its own account, but this shall not be deemed as a release of the Contractor's liability

- 28.2.2. Self-insurance, mutual funds or captive insurance shall not be accepted for risk transfer.
- 28.2.3. Only policies issued by local insurance companies authorized by the Central Bank of Uruguay shall be accepted.
- 28.2.4. Below are the minimum coverage requirements. The Management Committee may accept variations, upon duly grounded request of the Contractor. Once the risk transfer program has been accepted, the Contractor must send updates every six months of its status, including evidence of contracts in force, payment of premiums in due time and manner, and continued reliability on insurers and re-insurers, based on the ratings of major credit agencies. Purchase of insurance policies or other measures taken shall not release the Contractor from liability for deriving consequences. Therefore, the Contractor shall never be released from complying with the strictest security policies related to activities, procedures, and personnel training, in order to prevent damages, to the greatest extent possible, or minimize their impact if any incident should occur.
- 28.2.5. The Contractor and Sub-contractors must purchase all present or future mandatory insurance policies, pursuant to the laws of Uruguay. Specifically, all the personnel must be covered by an occupational accident insurance policy issued by *Banco de Seguros del Estado* (State Insurance Bank). Foreign personnel must be included in the abovementioned coverage, in addition to coverage issued in the country of origin.
- 28.2.6. The Contractor and each of the Sub-contractors must maintain an effective insurance policy for the entire duration of the Contract, covering operating risks on assets required for compliance herewith (property, machinery, equipment, etc.). Coverage may be optionally extended to cover income loss or extraordinary costs for interruption of activities due to loss.

28.2.7. The Contractor must have an insurance policy which shall cover total or partial loss of Hydrocarbons, at the replacement value of lost product, with a maximum deductible of ten per cent (10%) of the amount subject to risk, from the extraction (wellhead) until the moment ANCAP, or another entity, as applicable, takes possession and control of the product (Inspection Point).

28.2.8. The Contractor must have and maintain a Civil Liability (CL) policy for Operations carried out by the Contractor and Sub-contractors with respect to third parties for damages caused to people and/or property, for an amount consistent with the average value established internationally for similar policies, and that easily covers the most pessimistic estimate of damages in an incident or group of incidents, with a limit not less than:

- twenty million US Dollars (US\$ 20,000,000) for a Subperiod of the Exploration Period when the Work Program does not include drilling one well
- one hundred million US Dollars (US\$ 100,000,000) for a Subperiod of the Exploration Period when the Work Program includes drilling at least one well
- one hundred million US Dollars (US\$ 100,000,000) for the Exploitation Period

for each separate incident or all of them (Cross Liability), and a deductible not more than two per cent (2%) of the indemnification limit. Additionally, the Contractor and each of the Sub-contractors shall purchase the specific policies that correspond to their activities, which shall have coverage, limits, and deductibles consistent with the main policy, depending on the share of the Contract, and the importance and singularity of the involved equipment (P&I for vessels, Civil Liability for Truck Drivers, Aviation Civil Liability, etc.), all of which shall comply with legal provisions in Uruguay.

28.2.9. The Contractor must purchase and maintain a Civil Liability policy, for itself and Sub-contractors, for damages caused to the environment, for an amount consistent with the average value established internationally for similar policies, and that easily covers the most pessimistic estimate of damages in an incident or group of incidents, with a limit not less than:

- forty million US Dollars (US\$ 40,000,000) for a Subperiod of the Exploration Period when the Work Program does not include drilling one well
- two hundred million US Dollars (US\$ 200,000,000) for a Subperiod of the Exploration Period when the Work Program includes drilling at least one well
- two hundred million US Dollars (US\$ 200,000,000) for the Exploitation Period

and a deductible not more than two per cent (2 %) of the indemnification limit in each case. The entire Area must be covered by the insurance policies purchased. Alternatively, specially designated collateral funds must be set aside for this kind of contingencies. Specifically, the following must be covered: platforms, support vessels, tankers, Hydrocarbons ducts and storage equipment, etc.

Damages caused by contamination and/or filtration for any accidental, sudden and fortuitous reason, during the operations, shall be covered together with, or in addition to, the abovementioned General Civil Liability policy, by means of a coverage program proposed by the Contractor, and approved by the Management Committee, considering the aforementioned minimum coverage amounts.

28.2.10. The minimum coverage amounts set in sections 28.2.8 and 28.2.9 may be revised by the Management Committee, as circumstances may require.

28.2.11. If insurance for the Petroleum Operations hereunder, in the Operator's reasonable opinion, is not available or is available at an excessive price, the Management Committee shall discuss the issue and shall allow the Operator to submit alternatives.

28.2.12. Any insurance to be submitted hereunder shall be subject to approval from the Management Committee.

CLAUSE 29 - APPLICABLE LAW

This Contract shall be governed by, and construed according to the laws of *República Oriental del Uruguay*.

CLAUSE 30 - DISPUTE RESOLUTION

30.1. JURISDICTION

30.1.1. The Parties shall resolve any issue or dispute that may arise between them from, or in connection with the Contract, in good faith and using their best efforts, by mutual consent, and shall seek to achieve a satisfactory settlement of said issues or disputes ("**Disputes**"). Conflicts that may arise between the Parties, which cannot be solved within sixty (60) Days after one of the Parties is notified of said dispute by the other Party, shall be submitted to the Courts of *República Oriental del Uruguay*, located in the city of Montevideo. The Parties expressly waive any other jurisdiction.

30.1.2. Notwithstanding the above provisions, any of the Parties may require that Disputes related to technical and/or economic matters that may arise while this Contract is effective, be referred to advisors or arbitrators, pursuant to the proceedings described in section 30.2.

30.1.3. In the event that the Parties do not reach an agreement on the nature of a Dispute (legal or technical and/or economic) within the aforementioned term of sixty (60) Days, either Party shall be entitled to refer the Dispute to the Courts of *República Oriental del Uruguay*, in accordance with 30.1.1.

30.2. TECHNICAL – ECONOMIC ADVISORY AND ARBITRATION PROCEEDINGS

30.2.1. ADVISORY PROCEEDINGS

30.2.1.1. Conflicts about technical or economic matters related to the enforcement of the Contract, which the Parties themselves cannot resolve, shall be referred to Advisors.

30.2.1.2. If the involvement of Advisors is determined, the Parties accept that, if they do not agree on the appointment of Advisors, each of them shall prepare a list of up to three Advisors, from which one shall be chosen at random within ten (10) Days. If one or more of the proposed Advisors appears in both lists, the Advisor shall be appointed among those appearing in both lists.

30.2.1.3. The Advisor so appointed shall prepare a report and submit it within a maximum term of thirty (30) Days.

30.2.1.4. The advisor's opinion shall have the effect that the Parties mutually agree in advance.

30.2.1.5. In all cases, expenses arising from the involvement of Advisors shall be equally borne by both Parties.

30.2.2. ARBITRATION PROCEEDINGS

30.2.2.1. Any conflict between ANCAP and the Contractor about technical and/or economic matters arising from or related to the enforcement of the Contract that cannot be resolved in friendly terms between the Parties nor with the involvement of Advisors, within sixty (60) Days after one of the Parties is notified of said Dispute by the other Party, shall be referred by any of the Parties to an arbitrator, without prejudice to referring the matter to court, when applicable. Legal matters shall not be referred to arbitration, but to Courts and Judges of *República Oriental del Uruguay*, in accordance with section 30.1.

- 30.2.2.2. Arbitration proceedings shall take place in the city of Montevideo, and shall be governed by the Rules of Arbitration of the International Chamber of Commerce (ICC), in all aspects consistent with this Contract. The award shall be final and binding upon the parties.
- 30.2.2.3. The Parties agree that the arbitral tribunal shall be composed by three (3) arbitrators, unless both Parties agree to appoint only one arbitrator. If the Parties agree to appoint only one arbitrator, but they fail to agree on the selection, the competent Judge shall select the arbitrator. If the Judge does not make a decision within thirty (30) Days, either Party may request the president of the ICC to appoint one arbitrator.
- 30.2.2.4. If the Parties agree to appoint three arbitrators, each Party shall appoint one arbitrator, and these two arbitrators shall select the third arbitrator. If one of the Parties fails to appoint an arbitrator, or if the appointed arbitrators fail to agree on the third arbitrator, then the third arbitrator shall be selected by the competent Judge. If the Judge does not make a decision within thirty (30) Days, either Party may request the president of the ICC to appoint one arbitrator. The appointment of arbitrators by the Parties, or by the Party-appointed arbitrators shall be made within thirty (30) Days of the decision of any of the Parties to refer the matter to arbitration, or of the appointment of arbitrators by each of the Parties, respectively. The third arbitrator shall not be a citizen or a resident of a country where the shares or securities of one Party or its Affiliated Companies are listed, or as regards ANCAP, a citizen or a resident of Uruguay.
- 30.2.2.5. If the arbitrator must be selected by the Judge, the Judge shall make the selection from a list provided by the Parties. If the Judge does not make a decision within thirty (30) Days, either Party may request the president of the ICC to appoint one arbitrator.
- 30.2.2.6. The Parties shall contribute in all aspects with the arbitral tribunal, including, granting access to Petroleum Operations, so as to obtain any necessary information to settle the dispute. Failure by one of the parties to appear in any of the hearings shall not prevent, nor hinder any stage of the arbitration proceedings.
- 30.2.2.7. It shall not be necessary to suspend the Operations or activities that gave rise to the arbitration proceedings while the decision of the arbitral tribunal is still pending, unless the continuation of said operations or activities may adversely affect the development of the arbitration proceedings, or may have an impact on the events or circumstances that originated the proceedings.
- 30.2.2.8. Upon termination of this Contract, the provisions related to arbitration proceedings shall remain valid, if there are still matters to be referred, or to be solved by arbitration.

30.2.2.9. Expenses incurred in arbitration proceedings shall be borne by the Party designated in the award issued by the arbitral tribunal.

30.3. NO SOVEREIGN IMMUNITY

In all aspects directly or indirectly related to its participation in the Contract, ANCAP represents and warrants that as a state-owned corporation it is not entitled to sovereign immunity or any form of special privileges which may prevent, totally or partially, the execution of a court decision or arbitration award against it, and hereby irrevocably and in advance waives any rights, or the exercise or claim of any rights of sovereign immunity which may exist in the future.

CLAUSE 31 – GUARANTEES

The Contractor shall furnish the following guarantees:

- a) Corporate Guarantee;
- b) Exploration Period Guarantees;
- c) Exploitation Period Guarantees.

31.1. CORPORATE GUARANTEE

Within ninety (90) Days of Contract execution, each Contractor member must submit to ANCAP a document stating that their respective parent company provides financial and/or technical support, as applicable, to the Contractor, regarding the obligations undertaken by the Contractor. Said document shall be worded based on the form attached hereto as Annex III.

31.2. EXPLORATION PERIOD GUARANTEES

- 31.2.1. Within ninety (90) Calendar Days of Contract execution, the Contractor and/or Contractor Member shall furnish a guarantee in US Dollars in favor of ANCAP which may be in cash, bank guarantee with local representation, listed public securities, or any other kind of guarantee to the satisfaction of ANCAP for a value equivalent to the highest value between these 2 options:
- ten percent (10%) of the equivalent value of the new field activities, as established in section 13.1 of the Bidding Terms included as Annex V, to be carried out as part of the Committed Exploratory Program, or
 - five hundred thousand Dollars (500,000 US\$) (for shallow offshore Areas) / one million Dollars (1,000,000 US\$) (for deep offshore Areas)

The Exploration Period Guarantee shall remain in effect for at least one hundred and eighty (180) Days after the end of the Basic Subperiod of the guaranteed Exploration Period.

31.2.2. In the event the Contractor chooses to proceed to the Supplementary Subperiod of the Exploration Period, the abovementioned guarantee shall be replaced by a new guarantee, with any of the instruments referred to in the previous section, for a value equivalent to the highest value between these 2 options:

- ten percent (10%) of the equivalent value of the new field activities, as established in section 13.1 of the Bidding Terms included as Annex V, to be carried out as part of the Agreed Exploratory Program, or
- five hundred thousand Dollars (500,000 US\$) (for shallow offshore Areas) / one million Dollars (1,000,000 US\$) (for deep offshore Areas)

The new guarantee must be constituted at the time of commencement of the Supplementary Subperiod and its validity must exceed at least one hundred and eighty (180) Days the term corresponding to the subperiod that it guarantees.

31.2.3. In the event the Contractor chooses to proceed to the Extension Subperiod of the Exploration Period, the abovementioned guarantee shall be replaced by a new guarantee, with any of the instruments referred to in section 31.2.1, for a value equivalent to the highest value between these 2 options:

- ten percent (10%) of the equivalent value of the new field activities, as established in section 13.1 of the Bidding Terms included as Annex V, to be carried out as part of the Agreed Exploratory Program, or
- five hundred thousand Dollars (500,000 US\$) (for shallow offshore Areas) / one million Dollars (1,000,000 US\$) (for deep offshore Areas)

The new guarantee must be constituted at the time of commencement of the Extension Subperiod and its validity must exceed at least one hundred and eighty (180) Days the term corresponding to the subperiod that it guarantees.

31.2.4. The Guarantees for the Exploration Period described in sections 31.2.1, 31.2.2 and 31.2.3 can be reduced at the Contractor's request and by resolution of ANCAP, in the amount equivalent to the activities and exploratory work executed to the full satisfaction of ANCAP, including the corresponding data delivery, without prejudice to what is stipulated in section 31.2.6.

31.2.5. If the difference between the equivalent value of the new field activities used to calculate the Guarantees for the Exploration Period described in paragraphs 31.2.1, 31.2.2 and 31.2.3 and the value of the approved Budget for such activity, exceeds twenty percent (20%), the Contractor shall constitute the Guarantees for the Exploration Period described in paragraphs 31.2.1, 31.2.2 and 31.2.3, taking as a basis for calculation the value of the approved Budget for such activity, without prejudice to what is stipulated in section 31.2.6.

- 31.2.6. In no case, the value of the Guarantee for the corresponding Exploration Period can be less than five hundred thousand Dollars (500,000 US\$) (for shallow offshore Areas) / one million Dollars (1,000,000 US\$) (for deep offshore Areas)
- 31.2.7. Each guarantee shall be returned to the Contractor or the pertinent Contractor Member upon expiration of each Subperiod of the Exploration Period, as applicable, once evidence of compliance with all Subperiod obligations has been submitted, or upon termination of the Contract by any of the reasons listed in Clause 25.
- 31.2.8. ANCAP shall enforce this (these) guarantee(s), as a penalty, in the event of unjustified breach of Contractor's fundamental obligations during any of the Subperiods of the Exploration Period. Enforcement of the guarantees shall not release the Contractor from the obligation to fully compensate ANCAP for damages arising from such noncompliance.

31.3. EXPLOITATION PERIOD GUARANTEES

- 31.3.1. Within thirty (30) Days following commencement of the Exploitation Period, the Contractor and/or each Contractor Member shall proportionately furnish a guarantee in US Dollars in favor of ANCAP, which may be in the form of a bank guarantee with local representation, listed public securities, or any other kind of guarantee, to the satisfaction of ANCAP, for a value equivalent to five per cent (5%) of the estimated investments to carry out the Development work in the first five (5) Years of the Exploitation Period.
- 31.3.2. Upon the Contractor's request, ANCAP may resolve to reduce up to fifty per cent (50%) of the original amount. Reduction shall be made every one year, during the first five (5) Years of the Exploitation Period, in proportion to work accomplished, and intended investment, as established by the Management Committee.
- 31.3.3. ANCAP shall enforce this (these) guarantee(s), as a penalty, in the event of unjustified breach of the Contractor's fundamental obligations during the Exploitation Period. Enforcement of guarantees shall not release the Contractor from the obligation to fully compensate ANCAP for damages arising from such breach of Contract.
- 31.3.4. This guarantee shall be returned to the Contractor or the pertinent Contractor Member in the event of early termination of the Contract, as established in Clause 25, once the Contractor has complied with all obligations hereunder, and upon payment of amounts agreed upon, if any. This guarantee shall also be returned upon termination of the Contract by mutual agreement of the Parties; upon expiration of the term, or upon any other cause provided for in this Contract, once the Contractor has paid all due amounts, if any.

- 31.3.5. ANCAP shall not acknowledge interest on the guarantee deposits; however, interests accrued on securities shall correspond to depositors, and may be collected by them when the issuing entity settles them.

CLAUSE 32 - MISCELLANEOUS

32.1. EXTERNAL COMMUNICATIONS

Public statements, announcements or press releases in relation to any Discoveries made, either declared or to be declared commercially exploitable and the volumes of Hydrocarbon reserves shall require the authorization of ANCAP and of the Executive Branch through the MIEM, which shall have a term of fifteen (15) Days from the receipt of the draft announcement proposed by the Contractor to review it. In the event that neither ANCAP nor the Executive Branch through the MIEM issue a decision within the aforementioned term, such draft shall be deemed accepted.

Whenever the Contractor needs to issue a public statement, announcement or press release with respect to this Contract concerning information that may affect its normal performance, the Contractor shall request ANCAP to approve the contents of such statements.

32.2. IMPORT OF EQUIPMENT, MACHINERY AND TOOLS

Export and import regulations, specifically, rules related to temporary admission or import of equipment, machinery, materials, and tools necessary to carry out Petroleum Operations hereunder, shall be those established in Decree No. 366/974 of the Executive Branch, and amendments.

32.3. RULES OF CONDUCT

32.3.1. The Contractor shall abide by the laws and regulations of República Oriental del Uruguay, and shall make every effort to make sure its personnel, including foreign personnel, comply with said laws and regulations.

32.3.2. The Contractor shall carry out the activities hereunder with reasonable skill, care and diligence, and shall comply with its responsibilities, pursuant to the best international petroleum industry practices.

32.3.3. Compensation of the Contractor for the works hereunder shall be the only compensation. Neither the Contractor nor ANCAP or its respective employees shall accept any commissions, gratuities, or additional payment related to the supply of products, or rendering of services, or any other circumstances in connection with the Contract.

32.3.4. Each Party shall comply with all the applicable laws and regulations, and none of the Parties shall have a conduct that may cause a conflict of interests.

32.4. WAIVER

Failure of any Party to enforce any right shall not be construed as a waiver of such right, except for the following case.

Any of the Parties may waive a right resulting from this Contract. No waiver shall be effective unless expressly made in writing. Said waiver shall only apply with respect to the related matter, noncompliance, or breach, and shall not apply to any other matter, noncompliance, or breach. If said waiver applies to matters which were subject to authorization from the Executive Branch, approval by said Branch shall be sought.

32.5. RELATIONSHIP BETWEEN PARTIES

Nothing in this Contract shall be construed as creating a company, partnership, association, joint venture, business trust, or organized group of people, either incorporated or unincorporated, with any of the Parties. Nothing in this Contract shall be construed as creating or requiring a fiduciary relationship between the Parties.

32.6. SEVERABILITY

If any of the provisions of this Contract is held to be invalid, illegal or unenforceable by any competent court, such invalidity, illegality or unenforceability shall not affect the rest of the provisions, and each of the valid provisions shall be enforceable to the maximum extent permitted by law. Notwithstanding the above, the Parties shall make every reasonable effort to agree on clauses that shall replace those that have been declared invalid, illegal or unenforceable, to the purposes of maintaining the same commercial effect.

32.7. INTERPRETATION

Reference to any effective law or regulations includes reference to any modifications thereto.

32.8. PREVALENCE

The provisions of this Contract shall prevail over the provisions of the Bidding Terms (Annex V), any proceeding subscribed by and between the Parties and the Questions and Clarifications formulated by the Contractor and replied by ANCAP, as provided for in Clause 8 of the Bidding Terms (Annex V).

32.9. CORPORATE SOCIAL RESPONSIBILITY

As part of its social responsibility, the Contractor acknowledges the ethical obligation to be opposed to any manner of discrimination, and values the opportunities given by the cultural diversity of our society. In addition to complying with the legislation, the Contractor undertakes to grant equal opportunities, avoid discrimination and provide the personnel with safe, adequate working conditions. No sexual or racial harassment shall be tolerated. Child labor is strictly forbidden.

The Contractor and Sub-contractors shall faithfully observe these social responsibility commitments in the performance of this Contract.

32.10. NO THIRD-PARTY BENEFICIARIES

This Contract shall be construed as excluding any rights under legal provisions conferring rights under a contract to individuals that are not Parties of such contract, notwithstanding any term herein which may appear to confer, may confer or may be construed as conferring a benefit to a third party.

32.11. NOTICES

Any notice or communication related to this Contract shall be made in writing, and shall be deemed as having been duly delivered when an authorized representative of the other Party acknowledges receipt thereof.

The Parties are entitled to change their address for notice delivery by notifying the other Party in writing at least ten (10) Days before the effective date of change.

Notices under this Contract shall be effective when made by mail with acknowledgement of receipt or by fax.

The Parties may establish other methods of notice delivery or communication, which will be agreed in due time by the Management Committee.

SIGNATURES

pp. ANCAP:

pp. Contractor:

SPANISH VERSION VALID ONLY

ANNEX I: CONTRACT AREA

SPANISH VERSION VALID ONLY

ANNEX II: COMMITTED EXPLORATORY PROGRAM AND TOTAL COST

This Annex contains the Committed Exploratory Program and its Total Cost, as proposed by the Contractor, when submitting its proposal pursuant to the Regime for the Selection of Oil Operating Companies for Exploration and Exploitation of Hydrocarbons in Offshore Areas of *República Oriental del Uruguay*.

Exploratory Work Proposed	Amount	VALUATION (Per WU)	WU
TOTAL WORK UNITS PROPOSED			

TABLE 5: TOTAL WORK UNITS PROPOSED FOR THE COMMITTED EXPLORATORY PROGRAM

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ANNEX III: MODEL LETTER OF PARENT COMPANY GUARANTEE

I, the undersigned, citizen of _____ of legal age, domiciled at _____, hereby state that:

1. In my capacity as _____ I act in the name and on behalf of _____ (Parent Company), a company incorporated pursuant to the laws of _____ as per duly translated and legalized documents and certificates attesting to the formation, legal existence and representation of such company.
2. With reference to the obligations assumed, and any obligations that may arise from the Contract and any annexes thereof, by _____ (Subsidiary), which has been awarded Contract Area _____, _____ (Parent Company) hereby undertakes as follows:
3. _____ (Parent Company) hereby represents to ANCAP that:
 - 3.1. It has been incorporated pursuant to the applicable laws of its jurisdiction
 - 3.2. It has been invested with sufficient and lawful powers of representation to execute, present and enforce this Guarantee
 - 3.3. This Guarantee represents the legal obligations validly assumed by _____ (Parent Company) and is enforceable against _____ (Parent Company), in accordance with its terms.
 - 3.4. No approval is required for the presentation, execution and enforcement of this Guarantee.
 - 3.5. The presentation, performance and enforcement of this Guarantee by _____ (Parent Company) does not constitute a violation of any existing legal or regulatory provision by which it may be bound, any provision of the company bylaws of _____ (Parent Company) or any agreement or contract by which it may be bound.
4. _____ (Parent Company) hereby unconditionally and irrevocably guarantees to ANCAP, as principal debtor, the due and timely performance of all obligations of _____ (Subsidiary) in connection to the Contract and any annex thereof.
5. This guarantee is unconditional and irrevocable, and shall be effective and in force until all obligations arising from the Contract have been performed.
6. Since _____ (Parent Company) is joint and several guarantor of _____ (Subsidiary), it acknowledges and accepts that it is not entitled to claim any right to demand that creditor exhausts its remedies against the principal debtor or any other benefit granted to non-joint and several guarantors.
7. No delay or failure on the part of ANCAP in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder.

8. The Guarantor will, after requesting and receiving the corresponding invoices, pay for all costs effectively incurred by ANCAP as a result of the enforcement of this guarantee, including, without limitation, any reasonable legal fees and expenses.

Signed at _____, on this _____ day of _____, 201X

pp. _____ (Parent Company)

Signature: _____ Legal representative

SPANISH VERSION VALID ONLY

ANNEX IV: ACCOUNTING PROCEDURE

CLAUSE 1 – GENERAL CONDITIONS

1.1. PURPOSE

1.1.1. The purpose of this Accounting Procedure is to establish fair methods to determine Costs, Investments and Credits applicable to operations under the Contract that reflect the expenses of Petroleum Operations in accordance with section 17.1 of the Contract. It is the intention of the Parties to avoid duplication or excess of recoverable costs.

1.1.2. The obligations set forth under section 17.1.5 of the Contract may be delegated by the Contractor to the Operator, who must accept them for such designation to become effective. In that case, the Operator will act on behalf of the Contractor for the purposes of this Accounting Procedure.

1.1.3. With the objective of permitting each one of the Contractor Members to maintain accounting records as set forth in 1.4.1, the Contractor shall prepare the Operations Account in compliance with International Financial Reporting Standards, other generally accepted accounting practices of the international petroleum industry, and all other legal requirements applicable in *República Oriental del Uruguay*, as well as with the provisions of the Contract, in such a way as to allow each one of the Contractor Members to comply with their corresponding legal and contractual obligations.

1.1.4. Each one of the Contractor Members is responsible for maintaining its own accounting records so as to comply with all applicable legal requirements, file any applicable tax returns, and prepare any other accounting reports required by a state body or by ANCAP in relation to Petroleum Operations.

1.2. CONFLICT WITH THE CONTRACT AND MODIFICATION

1.2.1. In case of conflict between the provisions of this Accounting Procedure and those of the Contract, the terms of the Contract shall prevail.

1.3. DEFINITIONS

The terms defined and used in this Accounting Procedure shall have the same meaning ascribed to them in the Contract, except as set forth below:

- 1.3.1. **"Independent auditor"**: an internationally recognized independent firm of public accountants that is acceptable for the Contractor or a Contractor Member.
- 1.3.2. **"Accrual Basis "**: under accrual basis the Costs and Investments and the profits are recognized in the period when the liability is incurred for the Cost and/or Investment or the right to profits arises, regardless of when it is invoiced, paid or collected.
- 1.3.3. **"Credits"**: reduction of Costs or Investments reflected in the Cost Oil Account.
- 1.3.4. **"Cost Oil Account"**: the account where Costs, Investments and Credits of Petroleum Operations are recognized, which will be part of the Operations Account.
- 1.3.5. **"Revenue Account"**: the account where Hydrocarbon sale revenues are recognized, which will be part of the Operations Account.
- 1.3.6. **"Operations Account"**: the account where credits and debits for cash inflows and outflows in relation to Petroleum Operations are recognized.
- 1.3.7. **"Gross Negligence" or "Willful Misconduct"**: any act or omission (either individually, jointly or concurrently) performed by an individual or legal person with the intention of causing, or that by deceitful omission or reckless disregard causes, damaging effects that the individual or legal person was aware of, or that the individual or legal person should have been aware of the fact that the act or omission would have such consequences for the safety or the assets of another individual or legal person.
- 1.3.8. **"Material"**: machinery, equipment and supplies, including supplies acquired and held for use in Petroleum Operations.

1.4. OPERATIONS ACCOUNT RECORDS AND EXCHANGE RATE

- 1.4.1. The Contractor shall maintain at all times accurate records of the production and disposal of all Hydrocarbons and of all the Costs and Investments as set forth under the Contract and this Accounting Procedure, as well as of other data required to recover Costs and Investments, and for the accurate reconciliation of accounts between the Parties, in relation to their rights and obligations under the Contract, and to allow the Parties to comply with their respective obligations concerning income tax and other Applicable Laws.

- 1.4.2. The Operations Account will be maintained in Spanish and in Dollars and, as required by the regulations of *República Oriental del Uruguay* or the provisions of the Contract, in Uruguayan Pesos or any other currency. Currency conversions will be recorded at the exchange rate effectively used for the conversion. Currency conversions are used to express the amount of the inflows and outflows for which currency exchange has been performed.
- 1.4.3. In the event that there is no real conversion, the amounts of inflows and outflows will be converted into Dollars or into Uruguayan Pesos, at the arithmetic average between the buy and the sale rates published by the Central Bank of Uruguay the last week of the Month prior to the Month when the amounts were collected or paid. In the event of converting into Dollars a currency whose exchange rate is not published by the Central Bank of Uruguay, it will be converted at the arithmetic average between the buy rate and the sale rate published by the Citibank of New York, United States of America, the last week of the Month prior to the Month when the amounts were collected or paid. (Hereinafter the “Exchange Rate”).
- 1.4.4. Any gain or loss due to foreign currency exchange will be recorded in the Operations Account. Any realized or unrealized gain or loss due to foreign currency exchange arising from exchange rate fluctuations will be separately recognized in the Operations Account under the corresponding item.
- 1.4.5. All measurements will be in metric units and barrels or Barrel of Oil Equivalents in accordance with the Contract.
- 1.4.6. The Accrual Basis of accounting will be used to prepare all accounts related to Petroleum Operations.
- 1.4.7. Upon receiving a request in writing from ANCAP, the Contractor shall provide a description of the accounting classifications used by it.

1.5. ADJUSTMENTS

All invoices and statements submitted to ANCAP by the Contractor in any Calendar Year shall be deemed faithful and accurate after twenty-four (24) Months of the end of such Calendar Year have elapsed, except if during said twenty-four (24) Month period, ANCAP notes such exception in writing and submits a claim to the Contractor to make an adjustment. In the event that ANCAP does not make such claim to the Contractor within the established term, such invoices and statements shall be deemed accurate, and no exceptions or claims may be submitted for their adjustment. No adjustment will be made in favor of the Contractor, except if performed within the same established term. The Contractor will be able to make adjustments to the Operations Account after said term of twenty-four (24) Months has elapsed if these adjustments result from audit exceptions external to this Accounting Procedure, third-party claims or government requirements. Any such adjustment will be subject to an Audit within the term established in section 1.6.1.

1.6. ANCAP AUDITS

- 1.6.1. ANCAP, after notifying the Contractor in writing at least sixty (60) Days in advance, shall have the right to (a) audit or (b) appoint an Independent Auditor to audit the Operations Accounts and the records of the Contractor for any Calendar Year within the term of twenty-four (24) Months following the end of such Calendar Year ("Audit"). All audits shall be performed on the basis of generally accepted auditing principles.

ANCAP may request information before the start of the Audit; however, this will be limited to the usual pre-audit information, such as general balance, general ledger, and sub-ledger (for the avoidance of doubts, the information disclosed to ANCAP under the Audit procedure shall not be greater or more extensive than the information ANCAP is authorized to receive under the Contract, other than the data of the general balance, general ledger and sub-ledger). The Contractor shall provide the information only in digital format or in the form of printed copies. The Contractor shall provide the information requested within thirty (30) Days prior to the start of the Audit.

ANCAP shall have reasonable access to the accounts and records of the Contractor related to the Petroleum Operations during regular working hours. ANCAP shall have the right to request the Contractor to provide it with a copy of any vouchers, invoices, receipts or other supporting documents of the accounting records of the general balance, ledger, and sub-ledger.

The cost of each Audit shall be borne solely by ANCAP. The right to Audit may be exercised on a maximum of two occasions per Calendar Year. ANCAP shall use its best efforts to conduct joint or concurrent Audits along with those of any competent supervisory governmental authority so as to cause the Contractor as little inconvenience as possible. ANCAP must take note in writing of all discrepancies revealed by such Audit and make a claim to the Contractor within the term of twenty-four (24) Months established.

- 1.6.2. The Contractor shall present the information of its Affiliated Companies that is reasonably necessary to support the charges of such Companies to the Operations Account. Additionally, each Contractor Member shall present the information that is reasonably necessary to support its charges to the Operations Account.

- 1.6.3. The following provisions apply to all charges of (a) a non-Operator Contractor Member; and (b) Affiliated Companies of a Contractor Member, provided that such entities render services to the Contractor, which are charged to the Operations Account (hereinafter, "Service Provider Entities").

- 1.6.4. The internal records of a Service Provider Entity that provides services to the Petroleum Operations may not be audited by ANCAP. However, in addition to the information supplied by the Contractor under section 1.6.2 and upon request of ANCAP, within twenty-four (24) Months following the end of the same Calendar Year, in accordance with section 1.6.1, the Contractor or Contractor Member (as applicable) will submit or cause its Affiliated Companies to submit (as applicable) to ANCAP an annual report and an audit report of the independent external auditor of the Contractor or the independent external auditor of the Contractor Member (and such report shall cover, if requested, the services provided under section 3.6 of this Accounting Procedure). This report will confirm that the charges invoiced by such Contractor Member or Affiliated Company to the Operations Account (including the services provided under section 3.6) are consistent with the Accounting Procedure, the Contract, and that they are relevant for Petroleum Operations, excluding cost duplication as set forth in Clause 3 and Clause 4, and that they are consistent in relation to the application to all its activities. The report will be supplied by the

Contractor or Contractor Member within the term of twelve (12) Months following the request by ANCAP. The expense derived from the provision of this annual report shall be a Cost.

- 1.6.5. Any information obtained by ANCAP under the provisions of this section 1.6 shall be confidential and shall not be disclosed to any third party, except as otherwise permitted in the Contract.
- 1.6.6. At the end of each Audit, ANCAP and the Contractor will endeavor to solve pending issues in an expedited manner. With this aim, ANCAP will do everything in its power to prepare and distribute a written report to the Contractor, as soon as possible, and in any case, within sixty (60) Days following the end of each Audit. This report shall include all claims and their supporting documentation, arising from such Audit, along with comments relevant to the operation of accounts and records. The Contractor shall do everything in its power to respond the report in writing, as soon as possible, or in a term not exceeding thirty (30) Days after receiving the report. If ANCAP or the Contractor consider that the report or the response require further investigation concerning any of the items they include, ANCAP and the Contractor shall be entitled to conduct such investigation, notwithstanding the provisions of sections 1.5 and 1.6.1 even if the period of twenty-four (24) Months has elapsed. However, the fact of conducting this further investigation will not cause an extension of the term of twenty-four (24) Months established for the filing of exceptions in writing and of the claim to the Contractor for all the discrepancies revealed in such Audit. These additional investigations shall start within thirty (30) Days and shall conclude within sixty (60) Days of receiving such report or response, as the case may be.
- 1.6.7. The Contractor shall recognize immediately in the Operations Account, and inform ANCAP of all adjustments arising from an Audit agreed upon between the Contractor and ANCAP. In the event of a dispute in relation to an Audit, it will be submitted for its resolution to an international independent audit firm agreed upon by the Parties (which will act as the Consultant under Clause 30 of the Contract), and whose fees shall be shared on an equal basis by ANCAP and the Contractor.

1.6.8. All accounting books and records related to Petroleum Operations shall be kept in accordance with applicable laws in *República Oriental del Uruguay*.

1.7. ALLOCATIONS OF SHARED COSTS

If it were necessary to allocate any Costs or Investments to Petroleum Operations or between them and any other operations, such Costs and Investments shall be allocated in such a way as to avoid duplication of Costs or Investments, with the purpose of reflecting fairly the Costs and Investments attributed to Petroleum Operations and excluding the expenses that do not correspond to Petroleum Operations. For informational purposes only, the Contractor shall provide a description of its procedures to allocate Costs and Investments, as well as the fees of its personnel and other charges, along with each Budget proposed. This allocation basis shall be subject to Audit as established in section 1.6.

CLAUSE 2 – CLASSIFICATIONS OF COSTS AND INVESTMENTS DEFINITION

2.1. SEPARATION OF COSTS AND INVESTMENTS

Costs and Investments shall be separated according to the purpose for which said expenditure was made. All the Costs and Investments shall be classified exactly as set forth in this Clause.

2.2. EXPLORATION COSTS AND INVESTMENTS

Exploration Costs and Investments are Costs and/or Investments (as applicable) incurred while searching for or assessing Hydrocarbons in an area that is, or was at the time the costs and/or investments were incurred, part of the Contract Area, including expenditures in relation to:

- 2.2.1. data purchased or acquired in relation to Exploration activities;
- 2.2.2. aerial, geological, geophysical, geochemical, paleontological and topographic studies and testing, as well as their interpretation;
- 2.2.3. the planning of seismic acquisition, the seismic acquisition, its processing and interpretation, soil studies, ocean current measurements, rock and fluid studies, thermodynamic analysis,

interpretation of maps, charts and diagrams, analysis and studies of reservoirs, laboratory services and commercial studies;

- 2.2.4. probing to obtain cores, exploratory wells, evaluation wells and water well drilling;
- 2.2.5. labor, materials, supplies and services used to perform the activities under this section 2.2 with the purpose of finding and evaluating Hydrocarbons. In case those wells are completed as production or injection wells, the cost of completing them shall be classified as Development Costs pursuant to section 2.3.1;
- 2.2.6. supporting infrastructure and facilities for the objectives described in this section 2.2;
- 2.2.7. Direct Charges pursuant to Clause 3 and Indirect Charges pursuant to Clause 4;
- 2.2.8. any other expenditure approved by the Management Committee and incurred while searching for or evaluating Hydrocarbons, not included herein.

2.3. EXPLOITATION COSTS AND INVESTMENTS

Exploitation Costs and Investments are Costs and/or Investments (as applicable) incurred in the Development of Hydrocarbon discoveries and their production, from the Contract Area to the Inspection Point, as set forth below.

2.3.1. DEVELOPMENT COSTS AND INVESTMENTS

Development Costs and Investments shall include:

- 2.3.1.1. data purchased or acquired in relation to Development activities;
- 2.3.1.2. architectural and engineering studies, reservoir engineering and analysis, studies for water and gas injection, enhanced recovery studies, project management, laboratory services and commercial studies;
- 2.3.1.3. drilling of Development wells, regardless of whether these wells turn out to be dry or productive, and the drilling of injection wells, either for water or gas;
- 2.3.1.4. the completion of exploration and evaluation wells with the purpose of making a well operational as a production well, or a well for water or gas injection;

- 2.3.1.5. purchasing, setup or construction of production, collection, transport and storage facilities for the Petroleum Operations, such as pipelines, collection lines, production and treatment units, wellhead equipment, underground equipment, measurement equipment, enhanced recovery systems, marine and land platforms, floating production and storage operations, access roads, landing fields, terminals and export docks, ports and related facilities;
- 2.3.1.6. labor, materials, supplies and services used to perform the activities under this section 2.3.1;
- 2.3.1.7. Direct Charges pursuant to Clause 3 and Indirect Charges pursuant to Clause 4;
- 2.3.1.8. any other expenditure approved by the Management Committee and incurred to develop Hydrocarbon discoveries, not included in this section 2.3.1.

2.3.2. PRODUCTION COSTS AND INVESTMENTS

Production Costs and Investments up to the Inspection Point shall include:

- 2.3.2.1. data purchased or acquired in relation to Production activities;
- 2.3.2.2. expenditures related to the operation, maintenance and repair of production, collection, transport and storage facilities for Petroleum Operations;
- 2.3.2.3. fluid analysis, reservoir engineering and analysis, studies for water and gas injection, enhanced recovery studies, laboratory services, optimization studies, equipment improvement and control studies (including corrosion tests), cost control and commercial studies;
- 2.3.2.4. labor, materials, supplies and services used to perform the activities under this section 2.3.2;
- 2.3.2.5. Direct Charges pursuant to Clause 3 and Indirect Charges pursuant to Clause 4;
- 2.3.2.6. any other expenditure approved by the Management Committee and incurred to produce Hydrocarbons, not included herein.

2.4. SERVICES

Service Costs and Investments are expenditures incurred to support Petroleum Operations, including expenses incurred in workshops, ports, vessels, vehicles, motorized equipment, aircrafts, fire protection and safety stations, water and effluent treatment plants, power plant, power, safety equipment and other tools and equipment used in these activities.

Additionally, the following may be included in the service category: safety procedures, health, safety and environmental audit, environmental studies, commercial studies, supply and supply chain management, accounting, legal, and professional services, human resources and employee relations, or any of the services that support the activities listed in sections 2.2 and 2.3.

CLAUSE 3 - DIRECT CHARGES

The Contractor shall charge to the Operations Account all the Costs and Investments incurred in the performance of Petroleum Operations within the limits of the Budgets approved or as specified in the Contract or in the Governance Procedure, it being understood that those incurred by the Contractor Members are included. Charges for services, such as those under sections 3.6.2 and 3.6.3 that are provided by an Affiliated Company of a Contractor Member shall reflect the cost of providing such services for the Affiliated Company, except as provided in sections 3.5 and 3.6.1

Costs and Investments to recover pursuant to Clause 17 shall include the following:

3.1. LICENSES, PERMITS, FINANCING AND GUARANTEES

All expenses, if any, attributable to the acquisition, maintenance, renewal, or waiver of licenses, permits, contractual and/or surface rights acquired for Petroleum Operations.

The costs of financing loans, letters of credit, securities to third parties, Exploitation Period Guarantee, and other financial instruments required to be supplied under the Contract. Financing costs shall include interest (only in accordance with section 17.1.1.1 of the Contract), fees and other costs or obligations incurred in relation to such loans, letters of credit, guarantees or other financial instruments issued by third parties or by the parent company or Affiliated Company of a Contractor Member.

3.2. LABOR AND ASSOCIATED COSTS

Salaries, benefits and other associated costs that constitute the total remuneration of the employees involved in Petroleum Operations, on a temporary or permanent basis, regardless of whether they reside within or outside *República Oriental del Uruguay* including holidays, sick leave, disability benefits, insurance, medical coverage, retirement, other benefits included in the Contractor's expatriation policies, severance pay and other benefit plans. For retirement benefits, severance pay and disability benefits, they will be prorated on the basis of the time worked in Petroleum Operations.

3.2.1. Reasonable expenses of employees whose salaries and wages are charged as Costs, pursuant to common practices of the Contractor.

3.2.2. If employees participate in other activities in addition to Petroleum Operations, the cost of such employees shall be allocated proportionally.

3.3. PROPERTY AND FACILITIES

The Cost to set up, operate, maintain, repair or replace offices, field offices, houses, campsites, warehouses, land-based stations, roads or other transport systems, transport vehicles and other facilities related to Petroleum Operations. If such facilities serve other operations in addition to Petroleum Operations, the costs shall be proportionally allocated to the property.

3.4. MATERIALS

3.4.1. GENERAL PROVISIONS

Only those materials that are appropriate and consistent with an efficient and cost-effective operation may be purchased or supplied by the Contractor as required for their predictable and reasonable use in Petroleum Operations and avoiding any excess inventory accumulation.

3.4.2. VALUE OF THE MATERIALS CHARGED TO THE OPERATIONS ACCOUNT

3.4.2.1. Except as otherwise provided in section 3.4.2.2, the materials purchased by the Contractor to be used in Petroleum Operations shall be valued so as to include the price of the invoice less any applicable discounts, purchasing and supply fees plus charges for the dispatch of goods between the supply point and the shipping point, loading and unloading fees, loading platform charges, dispatch and documentation duties, costs of packaging fees, shipping to the port of destination, insurance, taxes, customs duties, consular fees, other charges corresponding to imported materials, and where handling and transport expenses from the import point to the warehouse or site of operations and their costs shall not exceed those customary in normal open-market operations.

3.4.2.2. The materials provided by the Contractor or its Affiliated Companies shall be charged at a price not exceeding the following:

3.4.2.2.1. The price of New Materials (Condition "A") transferred from the warehouse or other location owned by the Contractor or by its Affiliated Companies shall be a net cost determined according to the provisions of section 3.4.2.1, as if the Contractor had purchased such new Materials, just before being transferred. Such net costs shall in no case exceed the market price effective at the time.

3.4.2.2.2. Used materials (Conditions "B" and "C")

- a) The Materials that are in proper conditions to be used without the need for repairs or refurbishment shall be classified as Condition "B", and their price shall be 75% of the net cost of new materials purchased at the time of the transfer.
- b) The materials that do not meet the requirements set forth in (a) above, but that are suitable to be used after being repaired or refurbished shall be classified as Condition "C" and their price shall be 50% of the net cost of purchasing new materials at the time of transfer. The cost of refurbishing shall also be a Cost, provided that the price of Condition "C" plus the cost of refurbishment does not exceed that of Condition "B", and provided additionally that the Materials have been classified so as to meet the requirement of Condition "B" Materials once repaired or refurbished.
- c) The Materials that may not be classified as Condition "B" or Condition "C" shall have the price applicable according to their usage.
- d) Tanks, rigs, buildings or other items of Materials that involve assembly costs, if transferred in completely disassembled conditions, shall be classified according to their condition, as set forth in section 3.4.2.2.2 herein, and their price will be set on the basis of the price of similar new and disassembled Materials.
- e) Materials that include drill pipes, coating and pipelines, which can no longer be used for their original purpose but that may be used for some other purpose, shall be classified according to the condition set forth in section 3.4.2.2.2 herein. Such Materials shall be priced on the basis of the current price of the items typically used for other purposes of the items sold to third parties.

3.4.3. DEFECTIVE MATERIALS

Any amount due to adjustments collected by the Contractor from vendors /manufacturers or their representatives in case of defective Materials shall be credited to the Operations Account.

3.4.4. OVERPRICE

Whenever it is not possible to purchase Materials for the prices set forth in section 3.4.2.2, due to Unforeseeable Circumstances Beyond the Control of the Parties, the Contractor may charge to the Operations Account the required Materials at the real Cost paid by the Contractor when purchasing such Materials, as well as the cost of adapting them for their use and their transport to the Area.

3.5. EQUIPMENT AND FACILITIES OWNED EXCLUSIVELY BY THE CONTRACTOR AND AFFILIATED COMPANIES

Charges for equipment, facilities and basic supplies owned exclusively by the Contractor or any of its Affiliated Companies shall be calculated at rates not exceeding the average commercial rates offered by non-affiliated third parties then effective for equipment, facilities and basic supplies to be used in the Area hereunder. Upon request, the Contractor shall supply ANCAP with a list of the rates and the criteria for their application. Such rates will be revised from time to time, but not more frequently than once every six (6) Months.

Drilling tools and other exclusively owned equipment that are lost in the well or damaged without repair may be charged at their cost of replacement less depreciation, plus transport costs to supply similar equipment to the site where they will be used.

3.6. SERVICES

3.6.1. The cost of services, including those activities listed in Clause 2, performed by the Affiliated Companies of the Contractor, technical and professional staff not based in *República Oriental del Uruguay* and not listed in item 3.2 shall be Costs or Investments (as applicable). Individual rates shall include salaries, wages and benefits of the technical and professional staff. Costs shall also include all supporting Costs required for the technical and professional staff to perform such services, including but not limited to rent, basic supplies, support staff, drafting of technical sketches and maps, telephone and other communication expenses, IT support, provisions, and supplies.

3.6.2. The cost of the services performed by technical and professional staff of any non-Operator Contract Member or its respective Affiliated Companies shall be charged to the Operations Account. The charges for such services shall be adjusted to those set forth in sections 2.2 and 2.3 above, and include expenses related to support personnel, projects, telephone and other communication expenses, IT support, provisions, depreciations and amortizations.

3.6.3. The charges for services, including the activities listed in Clause 2, supplied by third parties, including non-Operator Contractor Members or the Affiliated Companies of any Contractor Member hired by the Contractor to perform the services that are normally provided by other suppliers, other than the services listed in sections 3.6.1 and 3.6.2, shall be charged as Costs or Investments, according to the type of service performed by such other supplier, Contractor Members or Affiliated Company. Such charges for services rendered by other Contractor Members or Affiliated Companies of the respective Contractor Members shall not exceed those currently effective in case of being performed by non-affiliated third parties, taking into account the quality and availability of the services.

- 3.6.4. The costs incurred as payments to access or use technical data, intellectual property and know-how of any Affiliated Company of a Contractor Member shall be considered a Cost. Such costs shall be included in the annual Budgets as a separate item subject to approval from the Management Committee.
- 3.6.5. The services included in this section 3.6 shall be reviewed only by ANCAP according to the provisions set forth in section 1.6.4.

3.7. INSURANCE

Premiums paid for the insurance for the benefit of Petroleum Operations required by law and/or the Contract to be executed shall be considered Costs and/or Investments (as applicable). Payments made on account of deductibles, franchises, coverage difference or limit difference shall be considered Costs and/or Investments (as applicable).

3.8. DAMAGES AND PROPERTY LOSS

- 3.8.1. All costs and expenses required to replace, repair or remedy damages or losses resulting from fire, flooding, storms, theft, accidents or other reasons in the Contract Area, facilities and infrastructure of Petroleum Operations. The Contractor shall submit to ANCAP a detailed written account of the damages or losses exceeding One Million Dollars (US\$ 1,000,000) as soon as possible once the Contractor has received the report of such incidents. All losses exceeding One Million Dollars (US\$ 1,000,000) will be recorded separately in the monthly statement of Costs, Investments and Credits issued pursuant to section 6.3.
- 3.8.2. Any Credits received from insurance settlements covering the Contract Area, facilities and infrastructure of Petroleum Operations and/or for other losses or damages to properties or materials shall be credited to the Operations Account except when such receipts are derived from insurance purchased by the Contractor only with respect to a lesser value than the rest of the Parties, in which case such product shall be credited to such Parties for whom the insurance has been purchased in proportion to their respective contributions under the insurance coverage.

- 3.8.3. Expenses incurred due to settlement agreements, arbitration awards and court rulings in relation to Petroleum Operations.
- 3.8.4. In case that, in accordance with reasonable and prudent practice of the international petroleum industry, no insurance was purchased against a specific risk, all real expenses incurred and paid by the Contractor as settlement of all losses, claims, damages and rulings and any other expense, including legal services, shall be Costs and Investments (if applicable) provided that such loss, claim, damage, ruling or other expense is not the direct result of Gross Negligence and Willful Misconduct of the Contractor.
- 3.8.5. If an event or item is excluded from insurance or from other type of risk transfer agreement, the costs related to repairs or replacement of such item or the repairs or replacement due to such event are considered Costs.

3.9. LITIGATION, DISPUTE RESOLUTION AND RELATED LEGAL COSTS

Costs and expenses derived from litigation, dispute resolution and related legal services required to protect the Contract Area and/or carry out the Petroleum Operations under the Contract include:

- 3.9.1. Legal services, including those provided by the Parties or employees of the Affiliated Companies and all the costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, including reasonable lawyer fees and expenses, together with rulings issued against the Parties or any of them derived from the Petroleum Operations.
- 3.9.2. If agreed by the Management Committee, litigation, arbitration or other alternative dispute resolution procedures derived from actions and claims affecting the Petroleum Operations hereunder may be handled by the legal team of one or any of the Parties or their respective Affiliated Companies; and a charge in accordance with reasonable costs for providing such services shall be made by the Party or its Affiliated Companies when providing such service to the Contractor for the Operations Account, pursuant to section 3.6.2.

3.10. TAXES AND TARIFFS

All Taxes, tariffs, contributions and government charges, of any type or nature, assessed or levied in relation to Petroleum Operations, other than those based on the revenues, income, or net equity of a Contractor Member.

3.11. ECOLOGICAL AND ENVIRONMENTAL ASPECTS

Costs incurred in relation to any property, in terms of legal regulations for archeological and geophysical studies related to the identification and protection of cultural resources and/or tests or studies that may be required by any regulatory authority including the environmental management plan, as well as all permits and licenses, and the performance of environmental audits. Additionally, the costs for supplying and having equipment for contaminant removal and containment plus the costs of control, cleaning and repair derived from the responsibilities related to the contamination by Hydrocarbons, as provided for by Applicable Laws and regulations.

3.12. HEALTH AND SAFETY

The costs incurred in health and safety studies, permits and licenses, for the creation and implementation of safety procedures and the performance of health and safety audits.

3.13. TRANSPORT

The costs incurred to transport equipment, materials or supplies from and within *República Oriental del Uruguay*, and from a foreign country to *República Oriental del Uruguay* in order to perform the Petroleum Operations hereunder, including direct costs such as loading, unloading, port duties and land and sea freight, shall be included as direct charges.

3.14. DECOMISSIONING (ABANDONMENT) AND RESTORATION

As provided for in Clause 11, the amounts allocated to the Abandonment Fund are considered Costs or Investments. All expenses in relation to the Dismantling (Abandonment) and restoration of the Area shall be covered with such Fund.

3.15. TRANSLATION

Translation costs and the Costs of maintaining records related to the Petroleum Operations, whether in English or Spanish, shall be considered Costs.

3.16. COMMUNICATIONS

The costs of acquiring, leasing, setting up, operating, repairing and maintaining communication systems and/or the communication expenses and equipment including, but not limited to, expenses of radio, satellite and microwave facilities for communication between the Contract Area and base facilities (including land and office equipment).

3.17. NON-RECOVERABLE COSTS AND INVESTMENTS

The expenses associated with the issues listed below shall not be Costs or Investments and shall not be recoverable by the Contract Members under the Contract:

- 3.17.1. costs and expenses incurred before the Effective Date, including costs associated to the preparation, execution and ratification of the Contract
- 3.17.2. costs of commercialization or transport of Hydrocarbons beyond the Inspection Point(s), except those incurred by the Contractor or any Contractor Member on behalf of ANCAP.
- 3.17.3. fines, interest, and penalties imposed by the Courts of *República Oriental del Uruguay*
- 3.17.4. donations and contributions
- 3.17.5. costs incurred for not purchasing insurance for what required insurance under the Contract, or not complying with the procedures set forth by an insurance policy
- 3.17.6. costs and expenses incurred as a result of Gross Negligence or Willful Misconduct of the Contractor, and
- 3.17.7. costs incurred to manage any inter-company agreement among Contractor Members (joint venture).

CLAUSE 4 - INDIRECT CHARGES

The Contractor shall charge to the Operations Account the Cost of indirect services of the Contractor and its Affiliated Companies. These costs are such that it is not practical to identify them separately, but they are necessary and required by the Contractor, they offer a real benefit to the Petroleum Operations, and shall be included in the Budget. None of the costs or charges included in Clause 3 will be included nor duplicated in Clause 4. General expenses and "overheads" from the parent company or the subsidiaries not directly related to Petroleum Operations are excluded. These charges shall be Costs pursuant to Clause 17 of the Contract.

CLAUSE 5 – MATERIAL DISPOSAL

5.1. DISPOSAL

No Contractor Member shall have the obligation to buy new or used leftover Materials, but shall be entitled to buy them. The Contractor shall be entitled to dispose of the Materials but shall notify and obtain the prior agreement of the Management Committee for the proposed disposal of the Materials that have an original value, either separately or as a whole, equal to, or exceeding Two Hundred and Fifty Thousand Dollars (US\$ 250,000). When the Petroleum Operations dispose of the Materials charged to the Operations Account, the Contractor shall communicate the Management Committee the original Cost of such Materials to the Operations Account. The credits for the Materials sold by the Contractor shall be made to the Operations account in the month when the payment for the Materials was received. The costs and expenses incurred by the Contractor in the disposal of the Materials shall be recognized as Costs.

5.2. MATERIALS PURCHASED BY ONE PARTY OR AFFILIATED COMPANY

The revenues received by the Contractor for the Materials purchased by any Contractor Member or an Affiliated Company shall be credited by the Contractor to the Operations Account, when the Materials are priced as new Materials pursuant to section 3.4.2.2.1 and used Materials are priced as used Materials pursuant to section 3.4.2.2.2 except as otherwise agreed by the Management Committee.

5.3. SALES TO THIRD PARTIES

Revenues received for the Materials purchased by third parties shall be credited by the Contractor to the Operations Account at the net value that the Contractor collected from the buyer. Any claim from the buyer in case of defective materials or other causes shall be charged again to the Operations Account once the Contractor has paid.

CLAUSE 6 - STATEMENTS

6.1. PRODUCTION

From the date of the first Production of Hydrocarbons of the Contract Area, the Contractor shall submit, for the purposes of Clause 17, a monthly Production statement to the Management Committee including the following information, separately for each Field and overall for the whole of the Contract Area:

- 6.1.1. The quantity of Crude or Condensed Oil produced and available measured at the Inspection Point(s);
- 6.1.2. The quality and features of the Crude or Condensed Oil produced and available;
- 6.1.3. The quantity of Associated and Non-Associated Natural Gas produced and available measured at the Inspection Point(s);
- 6.1.4. The quality and composition of such Natural Gas produced and available separately;
- 6.1.5. The quantity of Crude Oil, Condensed Oil and Natural Gas used for Petroleum Operations or unavoidably lost, including by burn off or venting;
- 6.1.6. The volume of the inventory of Hydrocarbons maintained from the first Day of the Month in question;
- 6.1.7. The volume of the inventory of Hydrocarbons maintained from the last Day of the Month in question; and
- 6.1.8. The number of Days of the Month when the Hydrocarbons were produced at each Field.

ANCAP may indicate, in writing, that the Production statement is to include other reasonable details related to the Production of Hydrocarbons, and Contractor Members shall comply with such instruction.

The Month Production statement shall be submitted to the Management Committee within fifteen (15) Days after the end of the Month.

6.2. VALUE OF PRODUCTION

The Contractor shall prepare, for the purposes of Clause 17, a statement reporting the calculations of the value of Crude Oil, Condensed Oil and/or Natural Gas produced and available during each Month.

The statement shall include:

- 6.2.1. if applicable, the basket of Crude Oils chosen pursuant to section 17.2.4 of the Contract;
- 6.2.2. if applicable, the price of Gas according to section 17.2.4 of the Contract;
- 6.2.3. the quantity of Crude Oil, Condensed Oil or Natural Gas produced and available;
- 6.2.4. The quantity of Crude Oil, Condensed Oil and Natural Gas used for Petroleum Operations or unavoidably lost, including by burn off or venting;

- 6.2.5. the quantity of Crude Oil or Condensed Oil or Natural Gas sold during the Month in question;
and
- 6.2.6. the calculation of the value of Crude Oil or Condensed Oil or Natural Gas.

The Statement shall be submitted to the Management Committee within thirty (30) Days after the end of the Month.

6.3. COSTS, INVESTMENTS AND CREDITS

The Contractor shall prepare, with respect to each Month, a statement of the Costs, Investments and Credits under section 17.1.5 of the Contract. The statement will break down the expenses of Exploration, Development and Production, and will break down all important items of the Costs, Investments and Credits classified in this Accounting Procedure. The statement shall break down the value of the sale of Hydrocarbons according to sections 17.2.4.1 and 17.2.4.2 of the Contract and incidental profit. If ANCAP does not agree with the breakdown of categories, it shall be authorized to request further details. The statement shall include the following:

- 6.3.1. Costs, Investments and Credits of the Month in question;
- 6.3.2. Costs, Investments and Credits accumulated of the Year in question;
- 6.3.3. Recent forecast of the Costs, Investments and Credits accumulated at the end of the Year; and
- 6.3.4. Variations between the budget and the recent forecast and the corresponding explanations.

The Statement shall be submitted to the Management Committee within thirty (30) Days after the end of the Month.

6.4. STATEMENT OF COST RECOVERY

The Contractor shall prepare, with respect to each quarter of the Calendar Year, a statement of Cost recovery containing the following information:

- 6.4.1. Non-recovered Costs and Investments realized from the previous calendar quarter;
- 6.4.2. Costs and Investments of the calendar quarter in question;
- 6.4.3. Quantity and value of the Cost Oil transported and used by Contractor Members during the calendar quarter in question;

- 6.4.4. Costs and Investments recovered during the quarter in question;
- 6.4.5. Total accumulated amount of the Costs and Investments recovered at the end of the calendar quarter in question; and
- 6.4.6. Amount of the Costs and Investments to be realized the following calendar quarter.

The Statement shall be submitted to the Management Committee within thirty (30) Days following the end of such calendar quarter.

6.5. PROFIT-SHARING STATEMENT

The Contractor shall prepare, with respect to each calendar quarter, a profit-sharing statement containing the following:

- 6.5.1. Pursuant to Clause 17 of the Contract, the appropriate percentages of the Profit Oil corresponding to ANCAP and to the Contractor in the calendar quarter in question;
- 6.5.2. The total amount of Profit Oil distributed between ANCAP and the Contractor in the calendar quarter in question;
- 6.5.3. The amount of Profit Oil owed to ANCAP and to the Contractor, as well as to each Contractor Member, for the calendar quarter in question;
- 6.5.4. The amount of Profit Oil taken or the payment received by ANCAP, by the Contractor, as well as by each Contractor Member, for the calendar quarter in question; and
- 6.5.5. The adjustments to be made, if necessary, in the future calendar quarters in the respective amounts of Profit Oil owed to ANCAP and to the Contractor as well as to each Contractor Member and the accumulated adjustments that are pending from previous quarters.

The Statement shall be submitted to the Management Committee before completing thirty (30) Days from the end of such calendar quarter. Any adjustment required in the profit sharing between the Parties shall be made within thirty (30) Days of submitting the statement.

6.6. R FACTOR CALCULATION

R Factor = Accumulated Total of the Revenues Account / Accumulated Total of the Cost Oil Account

For a better understanding of the R Factor calculation pursuant to Clause 17 and sections 2.1.19 and 2.1.27 of the Contract, an example of calculation is included below showing the recovery of Cost Oil during a hypothetical first quarter of production in an offshore Area.

This example calculation is done on the basis of the following Cost Oil recovery and R Factor assumptions:

- All investments until the end of the first quarter were three billion Dollars (US\$ 3,000,000,000).
- All Costs until the end of the first quarter were forty Dollars (US\$ 40) per barrel.
- Production during the first quarter was of 20,000 barrels per day.
- The price of oil calculated at FOB Uruguay value for the first quarter was of One Hundred Dollars (US\$ 100) per barrel
- The number of Days in the first quarter was ninety one (91).
- Gross Income = FOB Uruguay Oil Price * number of Days in the quarter * barrels per day.
- Cost Oil = Investments + Costs, according to section 2.1.19 of the Contract.
- Investments are recovered in twenty (20) quarterly installments, according to section 17.1.2 of the Contract.
- Cost Oil recovery = 60% of Gross Income (for Crude Oil) and 80% of Gross Income (for Natural Gas), according to Article 17.1 of the Contract.
- Any non-recovered accumulated Cost Oil amount in the current quarter is rolled over to the next, and to subsequent quarter(s) until its full recovery, or until the expiry or termination of the Contract, pursuant to sections 17.1.3 and 17.1.1.1 of the Contract
- The hypothetical calculation of the R Factor for the first quarter on the basis of an Oil Development and the assumptions described above, shall be as described below:
 - o Gross Income = US\$100/bbl*91 Days/quarter*20,000 bbl/day = US\$182 million.
 - o Investments = 3000/20 = US\$150 million
 - o Costs = US\$40/bbl*91 Days*20,000 bbls/day = US\$72.8 million.
 - o Cost Oil = Investment + Costs = US\$ 150 million + US\$ 72.8 million = US\$ 222.8 million
 - o R Factor = accumulated Gross Income / accumulated Cost Oil = 0.82

Accumulated Cost Oil is used for the calculation of the R Factor. Therefore, R shall be lower than 1 until the accumulated Gross Income is equal to the accumulated Costs and Investments.

In the example above, only 60% of the Gross Income may be applied to the Cost Oil recovery and the remaining 40% is rolled over to subsequent quarters. Therefore, the recovery Cost Oil in the first quarter = 182*60% = US\$109.2 million. As the accumulated Cost Oil is US\$222.8 million, the balance to be recovered of US\$ 113.6 million (US\$222.8 million – US\$109.2 million = US\$ 113.6 million) is rolled over to the subsequent quarter.

The table below shows this example through 100 consecutive quarters, with the following assumptions:

- There were no further investments after the first quarter.
- The Costs in each quarter were of US\$40 per barrel.
- Production in each quarter was of 20,000 barrels per day.
- The price of Oil calculated at FOB Uruguay value for each quarter was of US\$ 100 per barrel
- The number of Days in each quarter was 91.
- Gross Income = FOB Uruguay Oil Price * number of Days in the quarter * barrels per day.
- Cost Oil = Investments + Costs, according to section 2.1.19 of the Contract.
- The Investments are recovered in 20 quarterly installments, according to section 17.1.2 of the Contract.

- Cost Oil recovery = 60% of Gross Income (for Crude Oil) and 80% of Gross Income (for Natural Gas), according to Article 17.1 of the Contract.
- Any non-recovered accumulated Cost Oil amount in the current quarter is rolled over to the next, and to subsequent quarter(s) until its full recovery, or until the expiry or termination of the Contract, pursuant to sections 17.1.3 and 17.1.1.1 of the Contract

SPANISH VERSION VALID ONLY

Quarter	Income (MMUS\$)	Accumulated income (MMUS\$)	OPEX (MMUS\$)	CAPEX (MMUS\$)	COST OIL (MMUS\$)	Accumulated COST OIL (MMUS\$)	R FACTOR	COST OIL limit (MMUS\$)	Carried forward COST OIL (MMUS\$)	Paid COST OIL (MMUS\$)	PROFIT OIL (MMUS\$)
1	182,00	182,00	72,80	150,00	222,80	222,80	0,82	109,20		109,20	72,80
2	182,00	364,00	72,80	150,00	222,80	445,60	0,82	109,20	113,60	109,20	72,80
3	182,00	546,00	72,80	150,00	222,80	668,40	0,82	109,20	227,20	109,20	72,80
4	182,00	728,00	72,80	150,00	222,80	891,20	0,82	109,20	340,80	109,20	72,80
5	182,00	910,00	72,80	150,00	222,80	1114,00	0,82	109,20	454,40	109,20	72,80
6	182,00	1092,00	72,80	150,00	222,80	1336,80	0,82	109,20	568,00	109,20	72,80
7	182,00	1274,00	72,80	150,00	222,80	1559,60	0,82	109,20	681,60	109,20	72,80
8	182,00	1456,00	72,80	150,00	222,80	1782,40	0,82	109,20	795,20	109,20	72,80
9	182,00	1638,00	72,80	150,00	222,80	2005,20	0,82	109,20	908,80	109,20	72,80
10	182,00	1820,00	72,80	150,00	222,80	2228,00	0,82	109,20	1022,40	109,20	72,80
11	182,00	2002,00	72,80	150,00	222,80	2450,80	0,82	109,20	1136,00	109,20	72,80
12	182,00	2184,00	72,80	150,00	222,80	2673,60	0,82	109,20	1249,60	109,20	72,80
13	182,00	2366,00	72,80	150,00	222,80	2896,40	0,82	109,20	1363,20	109,20	72,80
14	182,00	2548,00	72,80	150,00	222,80	3119,20	0,82	109,20	1476,80	109,20	72,80
15	182,00	2730,00	72,80	150,00	222,80	3342,00	0,82	109,20	1590,40	109,20	72,80
16	182,00	2912,00	72,80	150,00	222,80	3564,80	0,82	109,20	1704,00	109,20	72,80
17	182,00	3094,00	72,80	150,00	222,80	3787,60	0,82	109,20	1817,60	109,20	72,80
18	182,00	3276,00	72,80	150,00	222,80	4010,40	0,82	109,20	1931,20	109,20	72,80
19	182,00	3458,00	72,80	150,00	222,80	4233,20	0,82	109,20	2044,80	109,20	72,80
20	182,00	3640,00	72,80	150,00	222,80	4456,00	0,82	109,20	2158,40	109,20	72,80
21	182,00	3822,00	72,80	0,00	72,80	4528,80	0,84	109,20	2272,00	109,20	72,80
22	182,00	4004,00	72,80	0,00	72,80	4601,60	0,87	109,20	2235,60	109,20	72,80
23	182,00	4186,00	72,80	0,00	72,80	4674,40	0,90	109,20	2199,20	109,20	72,80
24	182,00	4368,00	72,80	0,00	72,80	4747,20	0,92	109,20	2162,80	109,20	72,80
25	182,00	4550,00	72,80	0,00	72,80	4820,00	0,94	109,20	2126,40	109,20	72,80
26	182,00	4732,00	72,80	0,00	72,80	4892,80	0,97	109,20	2090,00	109,20	72,80
27	182,00	4914,00	72,80	0,00	72,80	4965,60	0,99	109,20	2053,60	109,20	72,80
28	182,00	5096,00	72,80	0,00	72,80	5038,40	1,01	109,20	2017,20	109,20	72,80
29	182,00	5278,00	72,80	0,00	72,80	5111,20	1,03	109,20	1980,80	109,20	72,80
30	182,00	5460,00	72,80	0,00	72,80	5184,00	1,05	109,20	1944,40	109,20	72,80
31	182,00	5642,00	72,80	0,00	72,80	5256,80	1,07	109,20	1908,00	109,20	72,80
32	182,00	5824,00	72,80	0,00	72,80	5329,60	1,09	109,20	1871,60	109,20	72,80
33	182,00	6006,00	72,80	0,00	72,80	5402,40	1,11	109,20	1835,20	109,20	72,80
34	182,00	6188,00	72,80	0,00	72,80	5475,20	1,13	109,20	1798,80	109,20	72,80
35	182,00	6370,00	72,80	0,00	72,80	5548,00	1,15	109,20	1762,40	109,20	72,80
36	182,00	6552,00	72,80	0,00	72,80	5620,80	1,17	109,20	1726,00	109,20	72,80
37	182,00	6734,00	72,80	0,00	72,80	5693,60	1,18	109,20	1689,60	109,20	72,80
38	182,00	6916,00	72,80	0,00	72,80	5766,40	1,20	109,20	1653,20	109,20	72,80
39	182,00	7098,00	72,80	0,00	72,80	5839,20	1,22	109,20	1616,80	109,20	72,80
40	182,00	7280,00	72,80	0,00	72,80	5912,00	1,23	109,20	1580,40	109,20	72,80
41	182,00	7462,00	72,80	0,00	72,80	5984,80	1,25	109,20	1544,00	109,20	72,80
42	182,00	7644,00	72,80	0,00	72,80	6057,60	1,26	109,20	1507,60	109,20	72,80
43	182,00	7826,00	72,80	0,00	72,80	6130,40	1,28	109,20	1471,20	109,20	72,80
44	182,00	8008,00	72,80	0,00	72,80	6203,20	1,29	109,20	1434,80	109,20	72,80
45	182,00	8190,00	72,80	0,00	72,80	6276,00	1,30	109,20	1398,40	109,20	72,80
46	182,00	8372,00	72,80	0,00	72,80	6348,80	1,32	109,20	1362,00	109,20	72,80
47	182,00	8554,00	72,80	0,00	72,80	6421,60	1,33	109,20	1325,60	109,20	72,80
48	182,00	8736,00	72,80	0,00	72,80	6494,40	1,35	109,20	1289,20	109,20	72,80
49	182,00	8918,00	72,80	0,00	72,80	6567,20	1,36	109,20	1252,80	109,20	72,80
50	182,00	9100,00	72,80	0,00	72,80	6640,00	1,37	109,20	1216,40	109,20	72,80
51	182,00	9282,00	72,80	0,00	72,80	6712,80	1,38	109,20	1180,00	109,20	72,80
52	182,00	9464,00	72,80	0,00	72,80	6785,60	1,39	109,20	1143,60	109,20	72,80
53	182,00	9646,00	72,80	0,00	72,80	6858,40	1,41	109,20	1107,20	109,20	72,80
54	182,00	9828,00	72,80	0,00	72,80	6931,20	1,42	109,20	1070,80	109,20	72,80
55	182,00	10010,00	72,80	0,00	72,80	7004,00	1,43	109,20	1034,40	109,20	72,80
56	182,00	10192,00	72,80	0,00	72,80	7076,80	1,44	109,20	998,00	109,20	72,80
57	182,00	10374,00	72,80	0,00	72,80	7149,60	1,45	109,20	961,60	109,20	72,80
58	182,00	10556,00	72,80	0,00	72,80	7222,40	1,46	109,20	925,20	109,20	72,80
59	182,00	10738,00	72,80	0,00	72,80	7295,20	1,47	109,20	888,80	109,20	72,80
60	182,00	10920,00	72,80	0,00	72,80	7368,00	1,48	109,20	852,40	109,20	72,80
61	182,00	11102,00	72,80	0,00	72,80	7440,80	1,49	109,20	816,00	109,20	72,80
62	182,00	11284,00	72,80	0,00	72,80	7513,60	1,50	109,20	779,60	109,20	72,80
63	182,00	11466,00	72,80	0,00	72,80	7586,40	1,51	109,20	743,20	109,20	72,80
64	182,00	11648,00	72,80	0,00	72,80	7659,20	1,52	109,20	706,80	109,20	72,80
65	182,00	11830,00	72,80	0,00	72,80	7732,00	1,53	109,20	670,40	109,20	72,80
66	182,00	12012,00	72,80	0,00	72,80	7804,80	1,54	109,20	634,00	109,20	72,80
67	182,00	12194,00	72,80	0,00	72,80	7877,60	1,55	109,20	597,60	109,20	72,80
68	182,00	12376,00	72,80	0,00	72,80	7950,40	1,56	109,20	561,20	109,20	72,80
69	182,00	12558,00	72,80	0,00	72,80	8023,20	1,57	109,20	524,80	109,20	72,80
70	182,00	12740,00	72,80	0,00	72,80	8096,00	1,57	109,20	488,40	109,20	72,80
71	182,00	12922,00	72,80	0,00	72,80	8168,80	1,58	109,20	452,00	109,20	72,80

72	182,00	13104,00	72,80	0,00	72,80	8241,60	1,59	109,20	415,60	109,20	72,80
73	182,00	13286,00	72,80	0,00	72,80	8314,40	1,60	109,20	379,20	109,20	72,80
74	182,00	13468,00	72,80	0,00	72,80	8387,20	1,61	109,20	342,80	109,20	72,80
75	182,00	13650,00	72,80	0,00	72,80	8460,00	1,61	109,20	306,40	109,20	72,80
76	182,00	13832,00	72,80	0,00	72,80	8532,80	1,62	109,20	270,00	109,20	72,80
77	182,00	14014,00	72,80	0,00	72,80	8605,60	1,63	109,20	233,60	109,20	72,80
78	182,00	14196,00	72,80	0,00	72,80	8678,40	1,64	109,20	197,20	109,20	72,80
79	182,00	14378,00	72,80	0,00	72,80	8751,20	1,64	109,20	160,80	109,20	72,80
80	182,00	14560,00	72,80	0,00	72,80	8824,00	1,65	109,20	124,40	109,20	72,80
81	182,00	14742,00	72,80	0,00	72,80	8896,80	1,66	109,20	88,00	109,20	72,80
82	182,00	14924,00	72,80	0,00	72,80	8969,60	1,66	109,20	51,60	109,20	72,80
83	182,00	15106,00	72,80	0,00	72,80	9042,40	1,67	109,20	15,20	88,00	94,00
84	182,00	15288,00	72,80	0,00	72,80	9115,20	1,68	109,20	0,00	72,80	109,20
85	182,00	15470,00	72,80	0,00	72,80	9188,00	1,68	109,20	0,00	72,80	109,20
86	182,00	15652,00	72,80	0,00	72,80	9260,80	1,69	109,20	0,00	72,80	109,20
87	182,00	15834,00	72,80	0,00	72,80	9333,60	1,70	109,20	0,00	72,80	109,20
88	182,00	16016,00	72,80	0,00	72,80	9406,40	1,70	109,20	0,00	72,80	109,20
89	182,00	16198,00	72,80	0,00	72,80	9479,20	1,71	109,20	0,00	72,80	109,20
90	182,00	16380,00	72,80	0,00	72,80	9552,00	1,71	109,20	0,00	72,80	109,20
91	182,00	16562,00	72,80	0,00	72,80	9624,80	1,72	109,20	0,00	72,80	109,20
92	182,00	16744,00	72,80	0,00	72,80	9697,60	1,73	109,20	0,00	72,80	109,20
93	182,00	16926,00	72,80	0,00	72,80	9770,40	1,73	109,20	0,00	72,80	109,20
94	182,00	17108,00	72,80	0,00	72,80	9843,20	1,74	109,20	0,00	72,80	109,20
95	182,00	17290,00	72,80	0,00	72,80	9916,00	1,74	109,20	0,00	72,80	109,20
96	182,00	17472,00	72,80	0,00	72,80	9988,80	1,75	109,20	0,00	72,80	109,20
97	182,00	17654,00	72,80	0,00	72,80	10061,60	1,75	109,20	0,00	72,80	109,20
98	182,00	17836,00	72,80	0,00	72,80	10134,40	1,76	109,20	0,00	72,80	109,20
99	182,00	18018,00	72,80	0,00	72,80	10207,20	1,77	109,20	0,00	72,80	109,20
100	182,00	18200,00	72,80	0,00	72,80	10280,00	1,77	109,20	0,00	72,80	109,20
TOTAL	18200,00		7280,00	3000,00	10280,00					10280,00	7920,00

TABLE 6: EXAMPLE OF R FACTOR CALCULATION

CLAUSE 7 - INVENTORIES

7.1. PERIODIC INVENTORIES – NOTIFICATION AND REPRESENTATION

On a reasonable periodic basis, but at least once a year, the Contractor shall take inventory of all the Materials stored in the warehouse where accounting records are normally kept. The expense of managing periodic inventories shall be considered a Cost. The Contractor shall notify ANCAP in writing at least sixty (60) Days in advance its intention to take such inventory, and ANCAP, on its own account and at its own expense, shall be entitled to have a representative present. The absence of a representative of ANCAP during such inventory control shall oblige ANCAP to accept the inventory performed by the Contractor. In either case, the Contractor shall submit to ANCAP a reconciliation of stock surpluses and shortages. Inventory adjustments to the Operations Account shall be performed for stock surpluses and shortages. Any adjustment equivalent to or higher than Five Million Dollars (US\$ 5,000,000) accumulated annually shall be communicated to the Management Committee.

ANNEX V

REGIME FOR THE SELECTION OF OIL OPERATING COMPANIES FOR
THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS OF
REPÚBLICA ORIENTAL DEL URUGUAY (OPEN URUGUAY ROUND)
(WITHOUT ANNEXES)

SPANISH VERSION VALID ONLY

ANNEX O
AFFIDAVIT OF ACCEPTANCE OF THE TERMS AND CONDITIONS
OF THE MODEL CONTRACT

ANCAP

Dear Sirs,

Reference: "Open Uruguay Round" Selection Process.

Area to which it applies _____

I, _____ (Legal Representative's First and Last Names), bearer of _____ (Identity Card or Passport), in my capacity as the legal representative of _____ (Company name), Bidder in the "Open Uruguay Round" Selection Process, hereby state that the company I represent:

Fully accepts the terms and conditions of the "Model Contract for Allocation of Areas for Exploration and Exploitation of Hydrocarbons in *República Oriental del Uruguay*", including the clarifications formally made by ANCAP.

Signature: _____

Note: This format must be adjusted in the case of a Consortium.