

**ПРИЛОЖЕНИЕ К КОНТРАКТУ О СОВМЕСТНОЙ  
ДЕЯТЕЛЬНОСТИ (ПО РАЗВЕДКЕ И ЭКСПЛУАТАЦИИ  
НЕФТЯНОГО МЕСТОРОЖДЕНИЯ 'X')**

**ANNEX TO ASSOCIATION CONTRACT (ON  
EXPLORATION AND EXPLOITATION OF 'X' OIL FIELD)**

★ [См. нефтегазовые контракты на русском и английском языках](#)

FOR THE "\_\_\_" SECTOR

Entered into by the Company X - X and COMPANY Z, with effective date \_\_\_\_\_ (20\_\_), which hereinafter shall be known as The Contract.

**PART 1 - TECHNICAL ASPECTS**

Section One - Exploration

The geological and geophysical information that Z is to provide to X, shall be provided following the international norms accepted by the industry, compatible with the norms used by X (included in X's information provision manual) in order to allow for regional assessments of the sedimentary basins. As a supplement of what is provided for in Clause 6 (number 6.2) in The Contract, Z or the Operator shall deliver to X, as it becomes available, the following information with respect to the exploratory activities that are undertaken by Z.

1.1 The geological, geophysical, magnetometric, gravimetric information from remote sensors, electrical methods and, in general, from any Exploration Work performed by Z in the development of The Contract shall be submitted in magnetic media, in a reproducible original and one copy, with its respective support information, including the maps related with the acquisition and interpretation of the acquisition, processing and interpretation reports for the data acquired.

1.2 Processed seismic sections for each line, obtained in two scales, together with an interpretation report to contain: information used, background, seismic programs, geological information and geophysical, geological and economic considerations that back up the conclusions and technical recommendations.

1.3 Two (2) sets of magnetic tapes corresponding to the seismic lines, one with the de- multiplexed information and the other with the stacked information, with their support information and processing report. For the case of vibrators, a copy of the field tape is to be delivered in lieu of the de- multiplexed tape.

1.4 One seismic shot-point map, in reproducible sepia and copy, with the information of coordinates and elevations. This information shall also be delivered on magnetic tapes.

1.5 Magnetic, gravimetric profiles and residual maps in reproducible originals, copies and magnetic tapes, with all of the support information generated.

1.6 Report on the seismic, gravimetric and magnetometric interpretation, together with all of the sections, profiles and maps interpreted, submitted set forth in the norms that X has established for this information.

1.7 Geological, structural, isopach, isolithic, facies, seismic, etc. maps for The Contract area, in reproducible

sepias and copies, with the scales established by X for each basin.

1.8 Before starting to drill the well: Intention to Drill (Form 4- CR of the <indicate state body>), drilling program, well location map, isochronic or structural map of the prospective

area and the geological drilling prognosis, duly approved by the <indicate state body>. In the event of Exploratory Wells, the following shall also be submitted in three scenarios: the calculation for the Reservoirs in the prospective area to be drilled and the forecast of investments and production. The location of the Exploratory Wells shall be referenced to the seismic maps that served as the basis for the definition of the prospect. For each of the Exploratory Wells that is drilled in The Contract area, a geodesic precision point shall be materialized, duly accepted by the XX Geographical Institute - "IGAC," obtained by satellite and with its respective azimuth line.

1.9 Daily drilling and geology reports: These reports shall be delivered to X, preferably by telefax, and shall contain the basic information on the well, the drilling conditions, the properties of the drilling fluid, the manifestations of Hydrocarbons that are being obtained, the geological description of the formations penetrated, the daily and cumulative cost and the program to be carried out. Z or the Operator shall advise X with sufficient advance notice on the performance of electrical logs, cores and testing, so that the latter can send a representative to attend and witness all of the operations.

1.10 Copy of the reports sent to the <indicate state body> (Form 5- CR) every two weeks.

1.11 Final Geological Report: This report is compulsory for any well that is drilled in the country, whether it be exploratory, stratigraphic, or development, and shall be submitted in Spanish, by a registered geologist, latest ninety (90) days after the date of termination or abandonment of the well, and shall include the following information by chapters:

1.11.1 Summary of all activities performed during the drilling operations

1.11.2 Location of the well and maps at a 1:250,000 scale.

1.11.3 Stratigraphy: shall include the stratigraphic column, determination of environments and age for each of the formations drilled.

1.11.4 Biostatigraphy: The dispersion charts, analyses performed and possible correlations are to be submitted.

1.11.5 Geochemistry: All of the analyses performed shall be included, both for the ditch samples and for each of the cores recovered.

1.11.6 Electrical logs: All of the calculations performed for the determination of RW, SW shall be included. The analysis of log velocity shall be included in this chapter.

1.11.7 Formation testing: All of the results obtained for each of the tests performed shall be included, as well

as the results of the analyses performed in the laboratories for water and Hydrocarbons.

1.11.8 The Final Geological Report shall contain the following Annexes:

Annex A: Description of the ditch samples at every ten (10) feet.

Annex B: Detailed description of the cores and side wall samples that may have been recovered.

Annex C: All of the laboratory analyses that are performed on the cores and side wall samples.

Annex D: Composite graphic log, in reproducible sepia and copy at a 1:500 scale. The symbols that are used by the American Association of Petroleum Geologists (AAPG) for these cases shall be used for the various lithologies included in the composite graphic log.

Annex E: Final report issued by the company that performed the "logging" for the well, including the "Grapholog" log.

1.12 Reproducible sepias and copies of each and every log run in the well, including the velocity log, in 1:200 and 1:500 scales. In addition, the magnetic tapes in LIS format for each of the logs shall be delivered, together with the computer tabulations in the formats established by X for these cases.

1.13 Report on the formation and/ or production tests performed, including the analysis of bottom hole pressure (both open well and closed).

1.14 Two sets of ditch samples shall be delivered to X, one unwashed every thirty (30) feet and a dry one every ten (10) feet, with the detailed lithological description.

1.15 Coring report, whenever performed, including the detailed description for it, as well as on all of the analyses that are carried out. With this report, Z is to deliver photographs to X, as well as 50% of the core.

1.16 A report on all of the materials used during drilling.

1.17 Biostratigraphic analyses with their dispersion chart: These analyses shall be performed for Exploratory Wells, since the sedimentation environments and the age of each of the formations drilled are defined with this information. This type of analysis can also be performed on the various recovered cores.

1.18 Geochemical analyses performed on the ditch, side wall and core samples.

1.19 Official completion, plugging or abandonment report for the well (Form 6- CR or 10A- CR) and, in general, any other report related with the termination of the well (further work, multiple termination).

1.20 Final Well Report. Shall include all of the engineering information and a summary of the Final Geological Report. It shall be submitted in the Spanish language, latest ninety (90) days after the date of termination or abandonment of the well, with the approval of a duly registered petroleum engineer.

1.21 Copy of the Annual Technical Report (Geology and Geophysics and of the Engineering Report), with their respective support, submitted to the <indicate state body>, set forth in the existing legal provisions.

1.22 Any other engineering or geology study that may be performed.

**CLAUSE 2 - RESTITUTED OF AREAS**

2.1 The areas that Z shall restitute to X, set forth in Clause 8 of The Contract shall be, inasmuch as possible, regular lots with a polygon shape, attempting to facilitate the demarcation of borders, without prejudice of the areas in the existing Fields. For such purpose, an imaginary grid or grille shall be superimposed upon the initially Contract area, divided into ten rows and columns in a north- south direction, the limits of which shall be given by the maximum and minimum border north and east coordinates,

which shall define the base cells for the areas to be restituted herein. Every time an area is restituted, the imaginary grid or grille shall be adjusted, based on the new coordinates for the Contract Area.

2.2 Z shall determine the areas that it shall restituted to X, based on the imaginary grid or grille mentioned in the above point. For such purpose, it shall carry out the restitution of up to two lots made up by one or more cells that are contiguous and adjacent on their sides, and trying to conserve a sole polygon, unless Z demonstrates that this is not possible or convenient, for which purpose it shall require X's approval.

**CLAUSE 3 - EXTENSIVE PRODUCTION TESTS**

The following is the established procedure for performing Extensive Production Testing for Exploratory Wells and for the handling of Hydrocarbons from such tests, prior acceptance or not of the existence of a Commercial Field by X, set forth in Clause 9 of The Contract:

3.1 Z is entitled to perform Extensive Production Tests for the Exploratory Wells that turn out to be producers, with the purpose of assessing in the best manner, the Reservoir or Reservoirs discovered and prepare the Development Program for the possible Field. Before initiating the Extensive Production Tests Z shall obtain X's approval and subsequently, permission from the <indicate state body>. Such tests shall be performed with temporary production facilities and shall not require more than ninety (90) calendar days, unless Z proves the contrary and obtains timely approval from X and from the <indicate state body>, respectively.

3.2 Z, on its own account and risk, shall, set forth in international oil industry recommended rules and practices, carry out the Extensive Production Tests accepted by X and authorized by the <indicate state body>, set forth in the operations program. In order to obtain such approvals, Z shall prepare and submit to X the operations program for the Extensive Production Testing, which shall contain, among others, the following aspects:

3.2.1 Information of the completion of the Exploratory Well and of the Reservoirs to be tested.

3.2.2 Specific objectives for the Extensive Production Tests.

3.2.3 Information to be compiled on the Reservoirs and fluids, periodicity for sampling, analyses and data on

the possible Field, such as type, quality and properties of rocks and fluids, pressures, volumes of "in situ" and recoverable Hydrocarbons, maximum economic Hydrocarbons production rate, production mechanism, etc.

3.2.4 Information on the subsurface equipment and temporary surface facilities to be used to handle and decant the volumes of fluids obtained and other equipment required to ensure the safety of the operations, including the location diagram for the temporary surface facilities on site.

3.2.5 Detailed chronogram on the main activities to be performed in order to achieve the specific objectives referred to in number 3.2.2. mentioned above.

3.2.6 Budget for the main activities to be carried out and the estimated disbursement schedule.

3.2.7 Destination of the Hydrocarbons and other fluids to be recovered from the Extensive Production Testing.

3.2.8 Evacuation and marketing scheme for the Hydrocarbons from the Extensive Production Tests (including the volume the corresponds to royalties) and reference price proposal subject to be agreed upon with X for the valuation of such Hydrocarbons.

3.2.9 Draft contract and proposals (at least three) for the transport of the Hydrocarbons to be produced corresponding to the royalties set forth in Clause 13 of The Contract, from the Exploratory Well to the delivery point of such Hydrocarbons to X.

3.2.10 Any other information that Z may consider necessary.

3.3 X may request clarification or suggest adjustments to the operations program submitted by Z for the execution of the Extensive Production Tests. When this occurs, Z shall submit the explanations to X and, if required, shall bear in mind the comments proposed by X, it being understood that, in any case, the responsibility and the risk for any operation that is included in the operations program for the Extensive Production Tests shall be the responsibility of Z. Once the operations program is accepted by X and the appropriate agreements have been reached, it shall be submitted to the <indicate state body> by Z in order to obtain the corresponding permission.

3.4 Z shall be responsible for one hundred percent (100%) of the disbursements incurred during the Extensive Production Tests, including the costs of transporting the volumes of hydrocarbons corresponding to the royalties, if this were the case, from the Exploratory Well to the delivery point that the Parties agree to, set forth in the transportation proposal accepted by X. The costs incurred on account of Extensive Production Testing for each Exploratory Well shall be charged as an increased value for the respective Exploratory Well and shall be considered as Direct Exploration Costs (without including administrative or technical support from Head Office, nor from the central headquarters of the Company) for purposes of their recovery or Reimbursement, set forth in the origin of their disbursement.

3.5 The volumes produced during the Extensive Production Tests shall be those recovered from the respective Exploration Well during the maximum time period for testing approved by the <indicate state body> in the corresponding permit, discounting any volume of the Hydrocarbons that may be used as consumption in the testing operations. The remaining production, once the percentage corresponding to royalties has been discounted, which shall be paid directly by X, shall be taken by Z, and the income stemming from the valuation of such Hydrocarbons at the reference price agreed to by the Parties, shall be deducted from the Direct Exploration Costs for the respective Exploratory Well, up to a maximum of fifty percent (50%) of such costs, for purposes of their recovery or Reimbursement in the following order: i) Direct Exploration Costs in the Extensive Production Tests; ii) Direct Exploration Costs in the drilling and completion of the respective Exploratory Well; and iii) Direct Exploration Costs incurred in Exploration Work undertaken before the drilling of the respective Exploratory Well. Once fifty percent (50%) of the Direct Exploration Costs has been recovered, the production from the Extensive Production Tests shall be distributed between the parties in a proportion of fifty percent (50%) for X and fifty percent (50%) for Z.

3.6 Prior consent by X, Z may carry out the sale of the portion of production of Hydrocarbons from the Extensive Production Tests corresponding to the royalties and to X. In this case, the Parties shall previously enter into the corresponding agreement.

3.7 Z shall keep at the disposal of X the daily logs of the production and consumption measurements of Hydrocarbons and fluids, the disbursements incurred and the valuation of the produced Hydrocarbons at the agreed to reference price, with their respective support documentation and the balance in the recovery of Direct Exploration Costs in the development of the Extensive Production Tests for each Exploratory Well. In addition to the periodic reports on the progress of the Extensive production Tests for each Exploratory Well, Z shall, within the first ten (10) days each month, submit to X, a report wherein the development of the operations program for the Extensive Production Tests, the results obtained in the fulfillment of the specific objectives for the tests and the status of income and disbursements are reflected, taking as the basis the cumulative values for the accounting closure for the month prior to that for which the report is submitted. The information that Z submits in the periodic reports shall be subject to audit by X under the terms provided for in Clause 22 of this agreement.

Section Two - Exploitation

**CLAUSE 4 - COMMERCIAL FIELD**

4.1 Z, once it has obtained sufficient information related to the development of the Field, shall carry out the necessary studies to define the criteria on the petrophysical parameters, improved demarcation of the productive area, calculation of Reservoirs and commercial feasibility of the Field. Such studies shall be carried out by Z at its own expense, using the technical methods available in country or abroad; when the circumstances require it, the appropriate reviews shall be performed.

4.2 For new facilities, expansions or modifications, the basic production designs and detail engineering shall be submitted to the consideration of the Technical Subcommittee.

4.3 The engineering for the production facilities shall be Contract with national companies, unless, in the decision of the Technical Subcommittee, their technological complexity requires the involvement of a foreign company, preferably in a consortium with a national company.

4.4 The final mechanical completion of the wells passing to the Joint Account's property must agree upon by the Technical Subcommittee. The Reimbursement for such completion for the Exploratory Wells shall be made as set forth in Clause 9 (numbers 9.2.1 through 9.2.3) herein.

4.5 With respect to the dry Exploratory Wells, Z shall abandon them as set forth in the actual legal and environmental provisions.

#### **CLAUSE 5 - SOLE RISK**

5.1 The Reimbursement corresponds to two hundred percent (200%) of the total cost of the work executed on the account and risk of Z in the exploitation of the corresponding Field and of up to fifty percent (50%) of the Direct Exploration Costs made by Z on its own account and risk within the Contract Area before the date on which X makes a statement with respect to the commerciality of the Field, which have not been previously charged to a different Field. X shall carry out an audit to determine the amount of the reimbursable investments.

5.2 In the same manner as set forth in Clause 11 numeral 11.1 of The Contract, Z shall submit to X the proposal on the projects, programs and Budget, set forth in the Field Development Program, for the first time, within sixty (60) calendar days following the date of the notification to X by Z with respect to its intention to exploit the Field under the sole risk method and subsequently, latest on the fifteenth (15th) of November of each year. X may, with the corresponding justification, request clarification or suggest adjustments to the programs, projects and Budget submitted by Z. When this were to occur, Z shall submit the explanations to X and, if this were the case, shall bear in mind the comments proposed by X in the preparation of the revised Development Plan, being understood that in all cases, the responsibility and the risk for any operation shall fall upon Z. The Development Plan for the Fields that are exploited under the sole risk method shall be reviewed annually and shall be consistent with international oil industry standards for the technical, efficient and economic exploitation of each field.

5.3 During the exploitation of a Field under the sole risk method, Z shall deliver to X, within the first ten (10) days of each quarter, a report listing all of the technical, economic, legal, administrative and accounting information for the previous quarter, such as the entering into of contracts, well completion, flow lines, production facilities, measuring systems, storage capacity, wells in production, restriction orifices, production reports, economic studies, etc. It is understood that the various Clauses in The Contract and the



clarification in this document are fully applicable in the case of Clause 21 of The Contract, Operations for the Risk of one of the Parties, for purposes of timely information, the technical control of Reservoirs and other administrative aspects.

5.4 Within the first three (3) months of each year, Z shall contract an external auditor, accepted by X, to review the total costs of the work executed for the account and risk of Z for the exploitation of the respective field and the Direct Exploration Costs. The cost of the audit shall be part of the expenses that Z shall recover. Z shall deliver to X, immediately after having received them, the reports issued by the external auditor and shall maintain at its disposal all of the documentation on the costs in which Z has incurred in the exploitation of the respective field.

#### **CLAUSE 6 - INSPECTION OF THE OPERATIONS**

For the inspection and audit of the activities that are carried out in the Contract Area, X may send its representatives. During their stay in the area, Z or the Operator shall provide lodging and other conditions designated by X, equal to those provided for its engineers.

#### **CLAUSE 7 - PRODUCTION**

7.1 The Operator shall also transmit to the Parties any information of improvements in production techniques that it may develop during the Exploitation Period.

7.2 For the control and prevention of Hydrocarbon losses and damage to the environment, the Operator and the Parties shall apply the appropriate measures, with the generally accepted methods used by the oil industry in order to avoid Hydrocarbon losses or spills in any way during the drilling, production, transport and storage operations.

7.3 The Operator shall maintain a daily control of consumption of Hydrocarbons for the operation and shall submit a monthly report of these to the Parties, attaching the forms that the *<indicate state body>* has for this purpose.

#### **CLAUSE 8 - DISTRIBUTION AND AVAILABILITY OF HYDROCARBONS**

8.1 As per Clause 14 (number 14.1) of The Contract, the Operator shall carry out the measurement, sampling and quality control of the Hydrocarbons produced and maintain the measuring equipment or instruments calibrated, as set forth in the standards and methods accepted by the oil industry (ASTM, AGA and API) and the legal and regulatory provisions in force, performing the appropriate analyses and performing the pertinent corrections for the settlement of the net volumes of Hydrocarbons received and delivered under standard conditions. In order to preserve the integrity, reliability and safety of the facilities and the equipment or instruments for control, the Operator shall adopt all of the necessary actions and shall maintain, for purposes of review by the Parties, the records of periodic calibration of such equipment or

instruments and of the daily measurements of production and consumption of Hydrocarbons and fluids. For the case of Extensive Production Testing and for Fields exploited under the sole risk, it shall be Z's responsibility to abide by the obligations assigned to the Operator in this number. The volumes of Hydrocarbons that the Operator accepts for its transportation shall be determined with the measuring equipment that the Operator shall have installed for this purpose at the receiving stations or delivery points.

8.2 If at any time the Parties were to ascertain that there has been an error in the calculation of the R Factor set forth in Clause 14 (numbers 14.2.3 and 14.2.4) herein, and that on account of this error it turns out that a different R Factor than the one applied is to be applied, or that it should have been applied at a different time than the one it was applied at, the corresponding correction shall then be made, with effect for the year in which the error was incurred in, adjusting the percent participation that corresponds to each Party as of that year. To perform the respective corrections with regard to the distribution of production, a similar procedure to the one described in Clause 14 (number 14.7) of The Contract shall be followed.

#### **CLAUSE 9 - SUPPLY OF HYDROCARBONS FOR EXPORT**

For purposes of Clause 14 of The Contract, in order to proceed with the export of Hydrocarbons, Z's priority shall be the domestic requirements of the country, before performing any export of Hydrocarbons, set forth in the legal provisions that may be in force regarding this matter.

### **PART II - ACCOUNTING AND FINANCIAL ASPECTS**

#### **Section One - Programs, Projects and Budgets**

#### **CLAUSE 10 - EXPLORATION BUDGET AND PROGRAMS**

10.1 With respect to the Budget set forth in Clause 7 herein, Z shall differentiate and detail it, according to the type of Exploration Work and to the indication of the currency in which the disbursement is forecast to be made. With respect to the reports every six months, these shall be submitted within the first ten (10) calendar days of the months of January and July. The January report shall refer fully to the previous year and the July report to the first half of the current calendar year.

#### **CLAUSE 11 - EXPLOITATION PROGRAMS AND BUDGETS**

11.1 For purposes of Clause 11 herein, the Operator shall submit the proposal for projects, programs and annual Budget, set forth in the Development Plan for each Commercial Field, with a detail short- term and medium- term outlook. The short- term Budget shall be submitted annually and by quarters, in order to facilitate its execution and for the preparation of the corresponding treasury flows.

11.2 The Operator shall submit to X the organization chart for the operation of each Commercial Field, which shall be agreed to at Subcommittee level and approved by the Executive Committee.

**CLAUSE 12 - BUDGET PREPARATION AND PRESENTATION**

The following norms and procedures constitute the guidelines for the preparation, presentation and control of the Budgets during the exploitation of each Commercial Field that may be discovered in the development of The Contract. The Budget shall be divided into three (3) parts, namely:

12.1 Income Budget

12.2 Expenditures Budget

12.3 Other provisions

**CLAUSE 13 - INCOME BUDGET**

This Budget, is in turn, broken down into two (2) sections: Current income Budget and Capital contributions.

13.1 Current Income:

All funds which regularly accrue in the Joint Account and which the Operator can forecast. Such income includes the following items, when applicable:

13.1.1 Product sales:

Income from the sale of Hydrocarbons that the Operator may perform on behalf of the Parties, to one of the Parties, or to Third Parties (it shall be understood that these sales are different from those made by each of the Parties of the production to which they are entitled to).

13.1.2 Services Furnished:

All services that the Operator furnishes to one of the Parties or to a Third Party, in accordance with the rates established by the Sub-Committees and approved by the Executive Committee.

13.1.3 Sales of assets or materials:

Sales of equipment or materials which the Operator makes to the Parties or to third parties as provided in Clause 20 (numeral 20.2) of this Agreement.

13.1.4 Other income:

All funds received by the Operator on account on behalf of the Joint Account, for items such as the yield on temporary financial investments and other income that may be forecast by the Operator.

13.2 Capital Contributions:

All funds received by the Operator on account of advances made by each of the Parties according to their share in The Contract. This income is given the name of advances or advance payments (cash calls) and shall be handled as set forth in the procedures in Clause 15 (number 15.5) in this Agreement.

**CLAUSE 14 - EXPENSE BUDGET**

As a prior step to its preparation, the Executive Committee, through the respective Subcommittees, shall set the policies and general parameters to be borne in mind when elaborating the Budget for the respective Commercial Field. The expense or appropriations Budget is made by the Operational Expenses Budget and by the Investment Budget, each of which shall be prepared in the currency of origin for its disbursement in pesos and in dollars of the United States of America, and shall be consolidated in dollars.

14.1 Operations expense Budget.

The operations expense budget shall be prepared by the Operator as set forth in the norms and policies established by the Executive Committee as per Clause 19 (number 19.3.8) of The Contract, and taking as the base parameters and economic indicators, that the respective Subcommittee has defined as being the most representative for the budget execution term.

14.1.1. Preparation Procedure

The Operator shall submit the Operating Expenses Budget, identifying the requirements of the Joint Operation, and shall detail the expense items set forth in the classification indicated in Clause 14 (number 14.1.2) of this Agreement.

The cost factors for the assessment of the various activities that it plans to carry out during the year to which the Budget refers to, shall correspond to the true figures known at the time of preparation or, to the best information available. In all cases, the operating expense Budget shall be calculated bearing in mind the costs that are required by the entities that,

directly, render services to the Joint Account and, as such, are to be assumed one hundred percent (100%) by the Joint Account and charged back to the Parties in the proportion that Clause 22 (number 22.6.1) of The Contract refers to. The Indirect Expenses that are to be assumed by the Joint Account shall be charged to the Parties and shall be determined as set forth in Clause 22 (number 22.6.2) of The Contract.

14.1.2 Classification for the operating expenditure Budget

For all presentation purposes, the operating expenditure Budget shall be broken down into programs, groups and expenditure concept. The expenditure programs within the Budget represent homogeneous activities necessary for the development of the Joint Operation, including those programs related with the investment projects. The expenditure groupings in numerical and continuous order within each program and project represent the object of the expense, shall be duly supported and explained, and shall be expressed in expenditure concepts. Following is a listing of the groups and the main expenditure concepts to be used:

14.1.2.1 Personnel expenses - organization chart Salaries

Social Benefits

Parafiscal contributions

14.1.2.2 Material and operation supplies

Repair and maintenance materials

14.1.2.3 Contracted Services

Technical services for the operation and Field maintenance

Services given by the Operator

Other Services

14.1.2.4 General Expenditures

Equipment and office rental

Shared expenses.

Insurances.

Public Utilities.

Community relations

Other general expenses.

14.1.2.5 Environmental Management

Materials

Contracted services

Well abandonment

Area restoration

Other expenses

14.1.2.6 Added tax value (IVA)

14.1.2.7 Indirect expenses

14.1.3 Calculation base.

Calculation for the operating expenses Budget shall be based on the following:

The salary and social benefits Budget shall be calculated as set forth in the organization charts approved by the Executive Committee and their estimate shall be made as set forth in Clause 18 (number 18.1.1) herein. The calculation of salaries, social benefits and other special extra-legal bonuses originated by national and foreign personnel shall be presented separately, according to the origin of the disbursement, to be presented to the Subcommittees and the Executive Committee.

The estimate of the cost of materials and supplies shall be made based on actual prices or updated quotations and, in general, with the best available information.

Importation expenses shall be based on the FOB price calculations for the materials and/or equipment to be imported, and in their preparation the following factors shall be considered: freight, insurance, taxes for the use of <indicate country>n ports, import duties and all other import expenses.

The value of maintenance and operational services contracted shall be estimated on contracts formalized or to be formalized that the Joint Operation may have at the time the Budget is prepared.

Indirect expenses chargeable to the Joint Account for services that are or may be provided by the Operator shall be calculated as set forth in Clause 22 (number 22.6.2) of The Contract).

The purpose for the Budget for environmental expenses is to appropriate the annual funds that are required to fulfill environmental norms.

General expenses shall be calculated taking into account the specific need of the Joint Operation in the normal course of its work. Shared expenses are those expenditures that are to be assumed by the Joint Account as a result of the use of facilities and/or services that are shared between Fields in the same Contract or with other areas. The Budget and the charges made to the Joint Account for general expenses shall be recommended by the Subcommittees and approved by the Executive Committee. Community Assistance will be budgeted on both the request of the interested parties and according to the policies that for such effect are established by the Executive Committee. In special duly-justified circumstances, the Operator may deal with requests according to its procedures, after first notifying each of the Parties on such matters

#### 14.1.4 Budget Execution

Execution of the operations expense Budget shall be made as follows:

14.1.4.1 All services, purchases or contracts that are charged to the Joint Account on account of operations expenses shall be budgeted and fully justified.

#### 14.1.5 Budget execution control

The Operator is responsible for controlling the expense budget execution and must see that expenses are properly managed.

Within the first ten (10) calendar days following the end of the respective quarter, the Operator shall prepare and submit to the Parties a report explaining the results obtained in the Budget execution, which shall contain:

14.1.5.1 Expenses accrued to date, itemized as per expense categories set forth Clause 14 (number 14.1.2) in this Agreement.

14.1.5.2 Special comments on items which deviate significantly from budget average or quarterly estimate.

14.1.5.3 Estimated expenses forecast for disbursements per quarter or for the rest of the year.

14.1.5.4 Justification for possible budget additions, adjustments or transfers that the Operator may deem necessary or that are proposed by one of the Parties.

#### 14.2 Investment Budget

Constitutes the basic planning, execution and control tool for each of the investment programs and projects that the Joint Operation foresees it shall carry out, and acts as means to estimate the required funds in the execution of the various programs that are approved by the Executive Committee.

14.2.1 The investment Budget is composed of items allotted for the following items:

14.2.1.1 Purchase of durable goods, materials and services required for the execution of the different projects approved by the Executive Committee.

14.2.1.2 Purchase of major maintenance equipment and tools destined for the Joint Operation shops, in order to ensure the normal development of the operations.

14.2.1.3 Construction and/ or expansion of buildings that the operation may require, including the facilities destined for workers in the Commercial Field's organization chart.

#### 14.2.2 Classification of the Investment Budget

For all presentation purposes, the Investment Budget shall be grouped into programs and projects. Programs, in numerical order within each Budget, represent a set of projects to be undertaken which, on account of their technical, operational and administrative characteristics, merit being controlled in a connected manner and which the Joint Operation shall execute through the Operator. Projects, in a numerical and continuous order within each program, constitute the set of activities that are common to a specific work or job and shall be duly supported and explained. Following are the main programs and projects to be used:

##### 14.2.2.1 Development Wells

Locations

Drilling

Completion

Surface equipment, artificial lifting, recompletion and services that are capitalizable to the wells.

##### 14.2.2.2 Surface facilities

Collection system and transfer lines

Separation and treatment system

Storage system

DISPOSAL OF WATER AND CONTAMINANTS

Pressure maintenance and/ or improved recovery system

Pump Stations

Hydrocarbon transport and transfer system

Other support systems

14.2.2.3 Civil Work

Roads

Bridges

Constructions (camp, workshops, warehouses and offices)

14.2.2.4 Other assets

Automotive equipment

Firefighting equipment

Communications equipment

Office equipment

Electromechanical maintenance equipment

Major tools

Cleaning or workover equipment

14.2.2.5 Special programs

Environmental management

Reservoir studies

Simulation studies

Pressure, interference, etc. tests

Others

14.2.2.6 Warehouses

For projects.

For maintenance materials.

14.2.2.7 Each one of the above projects can be broken down into sub-projects as needed, using a uniform identification. Final presentation thereof shall be made on a project by project basis, according to the



classification given above and using forms two (2) and four (4) established by X for such purpose which may be adapted by previous agreement between the Parties, through the corresponding Subcommittee. In order to achieve increased clarity in the preparation and structuring of the investment Budget, the following considerations are to taken into account:

14.2.2.7.1 Maintenance investments

All investments made in equipment, materials and construction for the purpose of keeping facilities in good operating condition as well as their original capacity and performance limits.

14.2.2.7.2 Enlargement Investment

The investments are to be classified as such if their objective is to increase the facility capacity, increase the authorized provision of automotive equipment, office equipment, etc.

14.2.2.7.3 Special investments

These include all of those investments which, on account of their amount, their importance for the industrial activities or their impact on a social or ecological level, merit being classified as special.

14.2.3 Preparation and presentation of the Budget

Each and every one of the projects within the various programs that make up the Investment Budget shall be fully justified and analyzed before being included in the general Budget. In this sense, the Operator shall prepare an investment draft which shall contain the following general information:

- a) Analysis of needs
- b) Project justification
- c) General project description
- d) Estimated amount of the investment
- e) Execution chronogram
- f) Critical path for the project
- g) Economic evaluation

The draft with the aforementioned information, plus any other information that may be considered necessary for its assessment that the Operator may submit, shall be studied jointly by the respective Subcommittees, which shall recommend or object to the viability of the project, as set forth in the policies drawn up by the Executive Committee.

Once such Subcommittees recommend that a specific project be undertaken, the project shall then be included in the Budget to be approved by the Executive Committee for the respective Commercial Field.

All of the general information that is submitted to justify each project will be compiled in a Technical-Financial Annex, which shall serve as support when presenting the Budget for each Commercial Field for the approval of the Executive Committee.

#### 14.3 Budget Consolidation.

Once the Joint Operation's requirements have been defined, the Operator will consolidate the Operations Expense and Investment Budget for each of the Commercial fields, as set forth in classification in Clause 14 of this Agreement (numerals 14.1.2 and 14.2.2 respectively) and shall present it to the Executive Committee for final approval. The Operation Expense Budget and the investment Budget, will be submitted in four columns that will contain the accrual origin in United States of America dollars, accrual origin in pesos, a consolidated statement in dollars and one in pesos, using the forecast of the exchange rate for the respective year for this purpose. In addition, the Operator shall prepare, for information purposes, a disbursement chronogram that indicates the cash requirements in the short term, itemized by quarter and by currency origin, at the level of expense group, program and investment project.

#### 14.4 Budget Execution

In all cases, the Operator is authorized to make all of the operations and investment expenses that the Joint Operation requires, set forth in the approved Budget and subject to the procedures in this Agreement, and those that the Executive Committee may establish. The execution of the budget shall be performed by the Operator through its various departments and set forth in the previously established execution schedules.

The appropriations assigned to each project shall be identified with a previously defined code, which shall be used on all documents that originate in carrying out its budgetary execution.

#### 14.5 Budget Control.

The Operator shall be responsible for carrying out each of the investment programs and projects and shall be accountable for the execution of these within the conditions under which they were approved.

Similarly, it shall be responsible for the verification that the corresponding steps for the performance of the projects are taken adequately and on a timely basis. In the event that any problem is encountered that prevents the normal development of the projects, it shall immediately report it in writing to each of the Parties, in order to seek the solution to the difficulty that has been encountered. The Operator, as the responsible party for the Development Plan, the programs, projects and Budget, shall prepare the quarterly reports regarding the budget and technical advance of these, which it shall send to each of the Parties for their study and subsequent approval by the Executive Committee.

The quarterly report that is to be prepared and presented by the Operator within the ten (10) days following the end of each quarter, shall contain the following information:

- a) Period covered by the report.

- b) Project code and description.
- c) Total project budget.
- d) Financial advances from its start to final date. Investments per current-year, accumulated to date.
- e) Technical progress of the work.
- f) Quarterly projection of work to be carried up to year-end, for information purposes.

## CLAUSE 15 - OTHER PROVISIONS

### 15.1 Budget Additions

If, during the execution of the Budget, it were necessary to add supplementary items above and beyond the appropriations approved by the Executive Committee, the Operator shall request the corresponding modifications from the Parties in an extraordinary manner and their ratification shall be made in the next ordinary meeting of the Executive Committee.

On a periodic basis, requests for budget transfers or additions for expenses and investments may be submitted, studied and approved, every time the Executive Committee meets on an ordinary basis. However, the Executive Committee may meet in an extraordinary manner to deal with budgetary issues any time a special situation may so merit.

Every time that a budget addition is requested, the Operator shall initiate, with due lead time, the corresponding procedures, submitting the requests to the respective Subcommittee for its study and subsequent recommendation to the Executive Committee. In any event, the requests for budget additions shall be fully justified, explaining the reasons that gave rise to the variation in the appropriated items, with their respective technical and financial Annex, as specified in Clause 14 (number 14.2.3) in this Agreement.

### 15.2 Budget transfers

Those appropriations that are carried over from one year to another as a result of those projects that could not be concluded during the term for which they were budgeted for reasons such as the lack of availability of equipment, importation procedures, bad weather, among others, shall be considered to be budget transfers.

When a project is not totally completed, the value of the budget shall become part of the Budget for the immediately following year and shall be subjected to approval by the Executive Committee. The presentation of these projects within the Budget shall be singled out and specifically identified and shall be considered in the preparation of the disbursement schedule that Clause 15 (number 15.4) in this Agreement refers to. In addition, budget transfers shall give rise to an Annex wherein the cause for the budget transfer shall be explained, as well as the way in which it is to be executed during the following term.

### 15.3 Approvals

The Executive Committee shall be entity entrusted with approving the programs, projects and the Budget recommended by the Subcommittees, and with authorizing the Operator to purchase or contract, for the account of the Joint Account, all of those goods and services that are required by Joint Operation.

#### 15.4 Disbursement Schedule

Together with the overall Budget, the Executive Committee shall approve the Budget by quarters submitted by the Operator and recommended by the Subcommittees for the immediately following year, and which shall constitute the basis on which the monthly cash calls shall be calculated.

#### 15.5 Cash Calls

The requests for advances of funds or cash calls shall be made by the Operator to each of the Parties, based on the obligations entered into by the Joint Operation for the month immediately following the one of the request, referring to the quarterly Budget approved by the latest Executive Committee and the forecast cash flows. The management of the advances or cash calls that this Clause refers to shall be made through a bank account that the Operator shall establish for such purpose, for the exclusive use by the Joint Operation. In the preparation of the requests for advances or cash calls, the following requirements are to be followed:

##### 15.5.1 Preparation

Based on the approved Budget and the obligations entered into on behalf of the Joint Operation for the following month, the Operator shall prepare the requests for advances, bearing in mind the following conditions:

15.5.1.1 The request shall be made by the Operator separately for each of the Commercial Fields being exploited in the Contract Area, identifying operations and investment expenses, in pesos and in United States of America dollars, depending on the origin in which the disbursement is forecast to be made.

15.5.1.2 The request shall be by programs and projects, in the case of investments, and by group and expense item in the case of expenses, in the same manner in which they are listed in the Budget approved by the Executive Committee.

15.5.1.3 For each of the projects and expense items listed in the request for advance funds to be considered, they must be included in the Budget; otherwise, they shall be deducted from the total amount requested.

15.5.1.4 The projects and expense groups shall necessarily have a sufficient Budget.

##### 15.5.2 Presentation

The request for funds (cash call) shall be made by the Operator within the first twenty (20) days of the immediately preceding month to the month in which the contributions are to be made. If the Operator were to have to make extraordinary disbursements, that are not provided for at the time that the monthly advance cash call is made, it shall request special advances in writing from the Parties, covering their respective share

in such disbursements.

Every request for an advance or cash calls shall be submitted for processing in the form previously agreed to by the Parties in the respective Subcommittee and shall show the actual and estimated charges for investments and expenses and shall comprise the following documents:

15.5.2.1 Letter of Request

15.5.2.2. Request format, wherein the financial status for each of the programs, projects and expense items is shown on the date on which the request is made.

15.5.2.3. General comments of a technical nature in which the destination of the requested funds is identified, within the main projects or expense items.

Section Two - Accounting Procedure

#### CLAUSE 16 - ACCOUNTING PROCEDURE

In each half- yearly report that Clause 10 (number 10.1) in this Agreement refers to, Z shall submit to X the direct Explorations Costs for the period of the report that could be subject to reimbursement in agreement with Clause 9 of The Contract, with the indication of the currency in which the disbursement was made and a consolidated statement in United States of America dollars. In addition, in this same report, Z shall submit the preliminary cumulative value that is to be included as variable "A" for the calculation of the R Factor that Clause 14 (numbers 14.2.3 and 14.2.4) in The Contract refers to, clearly showing the parameters used for the calculation, It is understood that the Direct Exploration Costs shall only be definitive once they have been audited and accepted by X.

During exploitation of each Commercial Field, the credits and charges incurred in by the Operator in development of the Joint Operation, shall be charged to the Joint Account set forth in the provisions of Clause 22 of The Contract. The Joint Account shall be divided into three main items, as stated below, for each Commercial Field discovered in performance of The Contract, and the consolidated statement, when there is more than one Commercial Field in the Contract Area:

16.1 General Joint Account (clarification, charges and entries).

This account shall reflect all of the movements, as is expressed later on, and shall be fully distributed on a monthly basis between the Parties, in a share of fifty percent (50%) for X and fifty percent (50%) for Z with respect to the investments, and in the proportion that is set out in Clause 22 (numbers 22.6.1 and 22.6.2) in The Contract for Direct Expenses and Indirect Expenses. That is to say, it shall serve as the basis for monthly billing, set forth in the provisions of this procedure, ending every month with a balance of zero (0).

All of the accounting operations related with this account shall be booked by the Operator in <indicate country>n pesos, set forth in the laws of the Republic of <indicate country>, but the Operator may, in turn,

keep ledgers wherein it shows the disbursements it may incur in any currency other than <indicate country>n pesos.

#### 16.2 Joint operations current account.

This account shall record the cash calls received from the Parties and the charges or credits corresponding to the invoicing of these and, at all times, shall show a balance in favor or against each of the Parties, as appropriate. This account shall be divided into two sub- accounts, set forth in the monetary origin of the transaction, namely: <indicate country>n pesos and United States of America dollars.

#### 16.3 Joint property records.

Through the Joint Account, the Operator shall keep a record of all of the assets acquired that are subject to inventory, indicating in detail the kind of asset, the date of purchase and its original cost.

The accounts mentioned in Clause 16 (numbers 16.1, 16.2 and 16.3) of this Agreement shall constitute part of the Operator's official accounting records, but without mixing them with accounting records other than those of the Joint Account. The three aforementioned records shall be subject to Clause 22 of this Agreement.

16.4 The Operator shall send to X on a monthly basis, together with the information cited in Clause 17 (number 17.2.2) of this Agreement, in an independent Annex, the parameters and the calculation of the R Factor, set forth in the provisions of Clause 14 (number 14.2.3 and 14.2.4) of the Contract. The Operator shall keep in its files and at the disposal of the Parties, all of the support documentation for the charges made to the variables that are included in the calculation of the R Factor for each Commercial Field.

### **CLAUSE 17 - ADVANCES, INVOICES AND ADJUSTMENTS**

#### 17.1 Advances.

Despite the fact that the Operator shall pay and clear, initially, all of the costs and expenses incurred set forth in The Contract, charging each Party with its percentage share, it is agreed that, to finance such share, each Party, at the Operator's request, shall advance to the latter, from the moment of acceptance by the Parties of the existence of a Commercial Field and, latest within the first five (5) days of every month, the proportion of the disbursements for the account of each and that were estimated for the operations of the given month. These advances shall be made in United States of America dollars and in <indicate country>n pesos, set forth in the requirements established in the approved Budget by quarter and in the forecast cash flow for each Commercial Field and in the requests for advances (cash calls) prepared by the Operator, set forth in Clause 15.5 in this Agreement.

#### 17.2 Invoices.

17.2.1 The Operator shall prepare an initial invoice for X after the acceptance of the existence of each

Commercial Field, in the amount of fifty percent (50%) of the Direct Exploration Costs incurred in before the date of X's statement regarding the commerciality of each new Commercial Field discovered, that is audited and accepted by X set forth in Clause 22 of this Annex and that has not previously been charged to another Field. In the Direct Exploration Costs for the Exploratory Wells, all of the direct costs incurred in drilling, termination and testing shall be included for the case of Exploratory Wells that are producers, and the cost of drilling and abandonment of the Exploratory Wells that are dry. Such invoice shall also include fifty percent (50%) of the costs of additional work that Clause 9 (number 9.3) in The Contract refers to, if applicable. For the monthly update of the values that the paragraph in Clause 9 (number 9.2.2) in The Contract refers to, one twelfth (1/12th) of the value resulting from averaging the percent annual variation available for the last two (2) years in the consumer price index for industrialized countries shall be used, taken from the "International Financial Statistics" of the International Monetary Fund (page S63 or its replacement) or, if not available, the publication that may be agreed to by the Parties. This invoice shall include a summary of the costs, expressing separately the currency in which the investments and the expenses were made, that is to say, in <indicate country>n pesos or in United States of America dollars.

17.2.2 Set forth in Clause 22 (number 22.2) of The Contract, the Operator shall charge the Parties, within the ten (10) days following the last day of each month, their proportional share of the investments and operational expenses during that month. In the invoices, the details that may be available in the Operator's accounting procedures shall be noted, including a detailed summary of accounts, expressing separately the investments and operational expenses originating in pesos and those originating in United States of America dollars.

17.2.3 Investments and expenses during the Retention Period.

The costs and expenses made by Z during the Retention Period to establish the commercial viability of a Gas Field shall be assumed by Z in their entirety.

17.3 Adjustments

The invoices shall be adjusted between the Operator and the Parties after deducting the advances in United States of America dollars and in <indicate country>n pesos.

When the advances made by either of the Parties differ from their share in the actual costs determined for each period, the difference in pesos and/ or in dollars shall be adjusted in the invoices for the following month.

17.4 Acceptance of the invoices.

The payment of the invoices shall not affect the right of the Parties to protest or inquire about the accuracy of these, set forth in the terms of Clause 22 (number 22.7) of The Contract.

**CLAUSE 18 - CHARGES**

Subject to the limitations that are set forth below, the Operator shall charge the Joint Account and invoice each Party, set forth in the percentages established in Clause 16 (number 16.1) of this Agreement, for the following expenses:

18.1 Labor.

18.1.1 National and foreign employees

18.1.1.1 The salaries of the Operator's employees or workers that are working directly for the benefit of the Joint Operation, including the payment for overtime, nighttime surcharge, payment of Sundays and holidays and their respective compensatory rest periods and, in general, all payments that constitute salary.

18.1.1.2 Social benefits, compensation, insurance, subsidies, bonuses and, in general, any benefit that is not salary and that is awarded to the workers and/ or their relatives or dependents, whether it is granted individually or collectively, or whether it is granted to them by virtue of the labor contract, the law, arbitration conventions or sentences, with the exception of housing plans, with respect to which a special agreement shall be required. Among the aforementioned, one can cite, among others, the following: severance pay, vacation, retirement and disability pensions, benefits to retirees and their relatives, benefits and aid caused on account of professional or non- professional illnesses and accidents, service bonuses, life insurance, compensation or indemnity on account of contract cancellation, labor union benefits, all types of bonuses, subsidies and aid, for savings, health, education and, in general, for social security.

18.1.1.3 All expenses incurred for the benefit of the Joint Operation with respect to the maintenance and operation of the camp, its offices and service facilities at the site. Among these, the following expenses are also included, not in a restrictive manner but rather as a listing, as indicated below, whether the services are rendered for free or for payment, or

whether they be for the workers, their dependents or relatives, of that these be provided in a voluntary or compulsory manner.

Such services include the following:

18.1.1.3.1 Medical, pharmaceutical, surgical and hospital services.

18.1.1.3.2 Camp and full services thereof, including its repairs and sanitation.

18.1.1.3.3. Training and educational expenses.

18.1.1.3.4 Workers recreation.

18.1.1.3.5 Maintenance of schools for the workers, their children and dependent relatives.

18.1.1.3.6 Safety, social work and camp surveillance.



18.1.1.4 It is understood that the expenses and services outlined in the aforementioned Clause 18 (numbers 18.1.1.1, 18.1.1.2 and 18.1.1.3) shall be for the account of the Joint Account when, by provisions of law, labor agreements and/ or arbitration sentences or voluntarily, they are applicable in a direct or by extension to contractors, subcontractors, intermediaries and/ or their workers who are working for the benefit of the operation.

18.1.1.5 With respect to retirement pensions and disability compensation, the Executive Committee shall proceed set forth in the provisions of the Social Security and Pension System established by Law 100 issued in 1993 and other norms that regulate it or substitute it.

## 18.2 Materials, equipment and supplies

The materials and supplies that are necessary to undertake the operations shall be charged to the Joint Account. The materials and supplies shall be purchased for warehouse inventories for the projects or for the maintenance materials warehouse when it is convenient for the operation and shall be credited to it, at cost in the books, as they are withdrawn from the warehouse to be used. The capital equipment units shall be charged directly to the Joint Account. The book cost is determined as follows:

### 18.2.1 Book cost

It is understood that book cost means the last average price of the inventory in the warehouse, based on the cost obtained in the import liquidation sheets, or the local cost, as follows:

18.2.1.1 For imported materials, equipment and supplies, the book cost shall include the net price on the manufacturer or vendor's invoices, the cost of purchases, freight and delivery charges between the supply point and the loading point, freight to the entry port, insurance, import duties or any other tax, handling from the vessel to the customs warehouse and transport to the site of operations.

18.2.1.2 For materials, equipment and supplies purchased locally, the book cost shall include the seller's net invoice, plus sales taxes, procurement expenses, transport, insurance and other similar costs paid to Private Parties, from the purchase location to the site of operations.

18.2.1.3 the materials shall be charged to the Joint Account set forth in the monetary purchase origin, so that it can similarly be charged to each Party.

### 18.2.2 Return of materials to Joint Operation's warehouses, as the case may be.

The materials, equipment and supplies that are returned to the warehouses of the Joint Operation shall be valued as follows:

18.2.2.1 New materials, at book cost.

18.2.2.2 Second- hand materials, in good condition and that can render service, as well as equipment that can subsequently be used without repairs, can be reincorporated by the Operator to the corresponding warehouse

at one hundred percent (100%) of their cost on the books, crediting the respective project in the Joint Account.

18.2.2.3 Second- hand equipment and materials which, when repaired, can be used, can be reincorporated by the Operator to the corresponding warehouse at one hundred percent (100%) of their cost on the books.

These materials, upon being used again, shall be charged at the new book value.

18.2.3 Sales by the Parties. The materials, equipment and supplies sold by the Parties to the Joint Operations shall be valued at the replacement price agreed to by the Parties. The corresponding transport costs shall be for the account of the Joint Operation. In the cases of sales by the Joint Operation to one of the Parties, these shall be valued at the replacement price agreed to by the Parties, and the transport costs shall be for the account of the purchasing Party.

#### 18.2.4 Local transport of materials

18.2.4.1 For materials shipped through an external transporter, at cost, set forth in the invoice issued by the transportation company.

18.2.4.2 For materials sent in transportation units owned by the Parties, at the fees calculated to cover the actual costs, pursuant to the procedure established in Clauses 18 (number 18.4) and 23 (number 23.1.1) in this Agreement.

18.2.5 Materials for projects that have been cancelled, postponed or changed. When there is an accumulation of inventory in the warehouse on account of the change, deferral or cancellation of projects approved by the Parties, the cost of such materials shall be charged to the warehouse account. These materials may be sold to Private Parties set forth in the provisions of Clause 20 (number 20.2.1) in this Agreement and what is obtained shall be credited to the Joint Account. Surplus materials from projects, purchased with direct charge. Once the project has been finalized, these should be reincorporated to the warehouse and credited to the corresponding projects. The Operator shall advise the Parties of this operation at the ordinary meetings of the Financial Subcommittee when this were to occur.

#### 18.3 Travel expenses

All travel expenses incurred on behalf of the Joint Operation for <indicate country>n or foreign personnel, such as transport, hotels, food, etc.

#### 18.4 Service units and facilities

The value of the service rendered for equipment and facilities that are owned by any of the Parties shall be charged to the Joint Account at reasonable rates, as provided for in Clause 23 of this Agreement. The rates that are established shall be applied until such time as they are modified by mutual agreement.

#### 18.5 Service

Services rendered by Private Parties, including contractors, to the Joint Operation, at their actual cost. Similarly, technical services, such as laboratory analyses and special studies, require the recommendation of the Technical Subcommittee and approval by the Executive Committee.

#### 18.6 Repairs

Expenses for repairs made to the equipment or elements of either of the Parties, destined for use by the Joint Operation, unless these costs have already been charged through leasing or in another manner.

#### 18.7 Litigation

Expenses to the Joint Operation regarding the threat of effective lawsuits (including the investigation and collection of evidence), lifting encumbrances, sentences, legal claims and procedures for claims, compensation for accidents, settlement for death and funeral expenses, provided that these charges have not been recognized by an insurance company or covered by the proportional surcharges mentioned in Clause 18 (number 18.1.1) in this Agreement. When legal services are provided in these matters by permanent or external counsel, whose total or partial compensation is included in indirect costs, no additional charges shall be made for their services, but rather, these shall be charged to Direct Expenses incurred in such procedures.

#### 18.8 Damages and losses of Joint Operation property and equipment.

All costs and expenses necessary to replaced or repair damage or losses caused by fire, flood, storm, theft, accident or any other similar event. The Operator shall notify the Parties in writing regarding the damages or losses occurred, as soon as possible.

#### 18.9 Taxes and rentals

The value of all taxes paid or accrued in carrying out the Joint Operation shall be charged to the Joint Account, in keeping with the existing legal provisions.

The value of leases, right of way and indemnity for improvements, the occupation of land, etc. shall also be charged to the Joint Account.

#### 18.10 Insurance

18.10.1 Premiums paid for insurance taken out for the benefit of the operations that The Contract refers to, together with all of the expenses and indemnities accrued and paid, an all losses, claims and other expenses that have not been covered by the insurance companies, including the legal services mentioned in Clause 18 (number 18.7) in this Agreement, shall be charged to the Joint Account.

18.10.2 When no insurance exists, the actual costs incurred, mentioned above, and paid for by the Operator, shall also be charged to the Joint Account.

**CLAUSE 19 - CREDITS**

19.1 Incomes

The Operator shall credit the Joint Account for incomes resulting from the following items:

19.1.1 Collection of insurance with respect to the Joint Operation, the premiums for which have been charged to such operation.

19.1.2 Sale of geological information, when previously authorized by the Parties, provided that the collection of such information was charged to the Joint Operation.

19.1.3 Sale of property, plants, equipment and materials owned by the Joint Operation.

19.1.4 Rental payments received, the reimbursement for claims of customs duties and tax or transportation, etc. shall be credited to the Joint Operation if such lease payments or reimbursements pertain thereto.

19.1.5 Any other income from operations or contractual income authorized by the Executive Committee on behalf of and for the service of the Joint Account.

19.2 Warranty

In the event of defective equipment, once the Operator has received the corresponding adjustment from the manufacturer or its agents, credit shall be made to the Joint Account.

**CLAUSE 20 - DISPOSAL OF EXCESS MATERIALS AND EQUIPMENT.**

20.1 Excess materials and equipment

The Operator shall advise the Parties in writing regarding the Joint Operation's surplus materials and equipment, thirty (30) days after finalizing the inventory that Clause 21 of this Annex refers to. Each of the Parties shall designate a representative to review the status and establish which materials or equipment are to be put up for sale. For the purchase of the useable materials or equipment, X shall have the first option and Z the second option; these options shall be exercised within sixty (60) days following the date of notification. In the event that they are not purchased by these, the Operator shall report it in writing and they shall be put up for auction.

20.2 Disposal of capital equipment and materials.

Set forth in Clause 22 (number 22.9) of The Contract, the Operator may sell the materials and equipment owned by the Joint Account under the following conditions:

20.2.1 The sale by the Operator to Private Parties of major materials and capital equipment that may have been charged to the Joint Account shall only be made with the approval of the Executive Committee. The revenue shall be credited to the Joint Account. Only for this particular purpose, major materials are defined as any asset that has an estimated sales value that is greater than the amount that is approved by the

Executive Committee for such purpose, as a result of the request submitted in advance by the Operator, set forth in Clause 19 (number 19.3.2) of The Contract.

20.2.2 Minor materials charged to the Joint Account and not required for the operation or which are returned to the warehouse, may be sold by the Operator and its proceeds shall be credited to the Joint Account.

20.2.3 For any abandonment and dismantling of the assets whose cost or estimated value is greater than the amount approved by the Executive Committee for this purpose, as a result of a request presented beforehand by the Operator set forth in Clause 19 (number 19.3.2) of The Contract, prior authorization by the Executive Committee is required.

20.2.4 Neither of the parties is under the obligation to purchase the interest of the other in surplus materials, whether they are new or second- hand. The withdrawal of major items of surplus materials, such as towers, tanks, motors, pumping units and piping shall be subject to approval by the Executive Committee. However, the Operator shall have the right to dispose of the damaged or useless materials in any manner.

20.2.5 All of the taxes that may be caused on account of the sale or transfer of materials or assets from the Joint Account shall be the Operator's responsibility, for the account of the Joint Account.

#### CLAUSE 21 - INVENTORY

At X's request, the Operator shall submit the necessary information to perform the inventory analyses in warehouses and the Parties shall agree upon their joint participation in inventory control. The Operator shall provide the ease and cooperation that X may require to carry out the physical task of accounting for the fixed assets at the facilities at each Commercial Field, prior agreement with the respective Subcommittee, regarding the date, time and number of persons who are to perform the inventory.

##### 21.1 Inventory and Audit

Set forth in the existing norms and, at least once every three (3) years, the Operator shall perform an inventory of all of the Joint Operation assets.

21.2 The notification of the intention of carrying out an inventory shall be given by the Operator to the Parties in writing with at least one (1) month advance notice to the date on which it is to commence, so that the latter can be present. However, non- attendance by one of the Parties to carry out the inventory does not jeopardize or reduce the validity and effectiveness of the inventory thus carried out by the Operator.

21.3 The Operator shall provide the Parties with a copy of each inventory, with a copy of its reconciliation, and shall submit the results to the Subcommittees of the Joint Operation, which shall study the report and shall propose the actions to be taken in this regard.

21.4 Inventory adjustments for surpluses or shortfalls shall be brought to the attention of the Executive Committee for its consideration and approval.

21.5 With due timing and through midnight of the last day of the term set forth as the Exploitation Period, the Parties shall carry out inventories of the materials that are in the warehouses and that are the property of the Joint Account, as well as of the products produced that are in the collection batteries, the pipes that lead from them to the storage tanks and in the storage tanks, all within the exploitation sites, and such inventories shall be distributed between the Parties, after having deducted the royalties, in the same manner provided for in Clause 13 of The Contract.

**CLAUSE 22 - AUDIT**

Subject to Clause 17 (number 17.4) in this Agreement, the Parties may, through their own auditors or their representatives, examine and control the Operator's records related to the joint properties and the operation of these. Similarly, X may carry out audits to the records of the Fields exploited by Z under the sole risk method. In order to facilitate the review of the Direct Exploration Costs that Clause 17 (number 17.2.1) of this Agreement refers to, once Z or the Operator advises the Parties regarding the date on which any reimbursable Exploration Work is to commence, Z or the Operator shall allow that, prior timely notification, X auditors periodically examine the accounts for such Exploration Work, in such a way that, when the existence or not of a Commercial Field is accepted, the aforementioned review has already been performed under the best conditions of timing and location. In the audit reviews that are provided for in this Agreement, in addition to the representatives for the Parties, representatives from the Comptroller General of the Republic may also intervene, if such organization deems it convenient for this to be the case. The costs and expenses of such review shall be for the account of the interested Party.

22.1 Once the audit report is delivered, Z or the Operator shall have a maximum six (6) month term in order to respond and support the objections made. Once this term expires, without the Operator having responded, it shall be considered that the objections have been accepted and consequently, all shall proceed accordingly. The notes or observations from the audit that are not resolved within the three (3) months following this term shall be resolved set forth in Clause 20 of The Contract.

**CLAUSE 23 - RATE AND FEE CHARTS**

23.1 Subject to the aforementioned limitations, the services rendered to the Joint Operation for facilities that are X or Z's exclusive property, shall be charged at the corresponding rates, in order to allow for the recovery of the actual costs. Such costs shall include the normal costs for work, salaries, social benefits, depreciation and other operational expenses, bearing the following in mind:

23.1.1 The rate for transportation units that is normally calculated, using as a basis the time of operation, shall include the time required for loading and unloading, the time elapsed waiting to be loaded, and the waiting time for unloading to take place. Charges for transportation units assigned to the operation shall include Sundays and holidays, except when the vehicles are out of service for repairs.

23.1.2 When the material for aforementioned operations is transported together with other materials by river or land fleet that is the exclusive property of X or of Z, the charge shall be made based on the tonnage transported, at rates that are not any higher than commercial ones.

23.2 Rates for the lease of equipment and tools

The procedure to calculate the lease rate for equipment and tools that are the property of the Parties, excluding drilling equipment and major equipment, where the rates are to be calculated separately and approved by the Executive Committee, shall comprise a value for depreciation plus a value for maintenance, and the procedure shall be as follows:

23.2.1 Description, model, number, date of purchase and original cost of the equipment.

23.2.2 Site where the equipment is to be used, reasons for leasing it and estimated time of use.

23.2.3 Value of the annual depreciation for the equipment, calculated based on the depreciated book value and its estimated remaining useful life (the minimum book value considered shall be ten percent (10%) of the original cost, that is to say, the salvage value).

23.2.4 The annual maintenance value shall be a percentage of the original cost, which may vary between five percent (5%) for new equipment and up to fifteen percent (15%) for equipment

that has already been depreciated, depending on the time it has been depreciated. For example:

Equipment A: (Five [5] years of life)

Time (in years) 1, 2, 3, 4, 5: equipment one hundred percent (100%) depreciated

Maintenance: 5, 6, 7, 8, 9: 15%.

Equipment B: (Ten [10] years of life)

Time (in years) 1, 2, 3, 4, 5, 6, 7, 8, 9, 10: equipment one hundred percent (100%) depreciated.

Maintenance: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15: 15%.

Note: The time for useful life and depreciation shall be those that are established by accounting techniques applicable to oil operations.

23.2.5 The rate for annual lease is equal to the value provided for in Clause 23 (number 23.2.3) of this Agreement, plus the one established in number 23.2.4 of this same Clause.

23.2.6 The rate for monthly or daily lease of equipment shall be equal to the provided for in Clause 23 (number 23.2.5) in this Agreement, divided by twelve (12) or by three hundred and sixty five (365), as appropriate.

23.2.7 No lease charge shall be made for "stand by," but it shall be charged to Private Parties.

23.2.8 The aforementioned lease rates do not include transport, installation, operation, lube and fuel costs, which shall be charged to the operation that the equipment is destined for.

23.2.9 The aforementioned lease rates shall be applied to the possible use of one hundred percent (100%) equipment and tools owned by the operation, Z or the Operator, and vice versa.

23.2.10 In every case, the Subcommittees shall recommend to the Executive Committee the use of leased equipment and may apply the rate system that the latter may recommend.

23.2.11 The lease rate for equipment shall be calculated in United States of America dollars, but for the respective collection, it shall be invoiced in <indicate country>n pesos, at the rate that the Parties may agree to.

### 23.3 Rate for rental for warehouses and fixed assets

For the calculation of the lease rate for warehouses that are the property of one of the Parties or of the Joint Account, for their complete or partial use, a procedure shall be followed which shall be agreed to by the respective Subcommittee.

## CLAUSE 24 - CONTRIBUTIONS IN KIND

X or Z shall contribute in kind, those materials that they may consider convenient, set forth in the agreements that may be established by the Parties.

## PART III - ADMINISTRATIVE ASPECTS AND OTHER PROVISIONS

### Section One - Executive Committee

## CLAUSE 25 - CONDITIONS FOR FUNCTIONING

For the exercise of its functions, the Executive Committee shall fulfill the conditions provided for in Clause 19 of The Contract, as indicated below:

25.1 The Executive Committee shall be alternately chaired by the Parties, beginning with X.

25.2 The Executive Committee shall name its Secretary, alternating between the persons designated by X and by Z. The Chair and the Secretary shall fall n the same Party.

25.3 The Executive Committee shall meet in an ordinary manner during the months of March, July and November, and in an extraordinary manner every time that the Parties and/ or the Operator may consider it necessary. At such meetings, the exploitation strategy being carried out by the Operator shall be reviewed, as well as the Development Plan and the immediate programs and plans. The Executive Committee may be attended by the advisors that each of the Parties may consider convenient, it being understood that each of the Parties shall bring along the smallest possible number of persons.



25.4 For the ordinary meetings of the Executive Committee, the representative entrusted with presiding the following meeting shall notify the other representatives (the principal and his alternates) of the other Party and of the Operator, with ten (10) days advance notice of the date of the meeting, the venue and the issues to be discussed (agenda).

25.5 Pursuant to Clause 18 (number 18.3) of The Contract, both for the regular meetings as well as the extraordinary meetings of the Executive Committee, the issues to be discussed that have not been included in the agenda may be considered during the meeting, prior acceptance by the representatives of the Parties on the Committee.

Section Two - Sub Committees

#### **CLAUSE 26 - CREATION OF THE SUBCOMMITTEES**

In development of the function provided for in Clause 19 (number 19.3.4) of The Contract, the Executive Committee may create the advisory Subcommittees that it may consider necessary. In any case, the Executive Committee shall designate a Technical Subcommittee and Financial Subcommittee.

These Subcommittees shall be the organizations established to control and define the technical, financial and legal considerations of The Contract before the Executive Committee and shall be governed by The Contract and this Agreement. Each Subcommittee shall establish its own internal regulation, approved by the Executive Committee.

#### **CLAUSE 27 - RIGHTS AND OBLIGATIONS**

27.1 Set forth in Clause 10 of The Contract, the Operator shall conduct the Joint Operations itself, or through its contractors, under the overall guidance of the Executive Committee. In any event, the Operator shall be responsible for the Joint Operation, set forth in the provisions of The Contract.

27.2 The following are among the Operator's obligations:

27.2.1 The preparation, presentation and implementation of the Development Plan, the Budgets and Exploration and Exploitation Programs, as well as for the approval of expenses.

27.2.2 The direction and control of all statistics and accounting services.

27.2.3 Planning and obtaining all services and materials required for the proper development of the Joint Operation.

27.2.4 Providing all the technical skill and consulting required for the efficient development of the Joint Operation.

27.2.5 Planning the tax effects and fulfilling all tax obligations that may be derived from the operations performed and providing the timely report to the Parties for the proportion that corresponds to each of them.

27.2.6 Establishing a bank account for the exclusive management of the Joint Account resources.

27.3 The Operator may not establish any encumbrance whatsoever on the properties of the Joint Operation.

27.4 The resignation or removal of the Operator may be made without prejudice of any right, obligation or responsibility acquired during the time in which the Operator acted as such; if the Operator resigns or is removed before fulfilling the obligations established in The Contract, it may not charge the Joint Account for the costs and expenses in which it incurred on account of the change. But if the Executive Committee were to approve them, these charges and expenses may then be charged to the Joint Account.

27.5 Once the Operator is notified of his removal or of the acceptance of its resignation, for the transfer or responsibilities, X shall audit the Joint Account and shall perform an inventory of all of the properties of the Joint Operation. Such inventory shall be used for purposes or return and accounting for the procedure of such transfer or responsibilities. All costs and expenses incurred with respect to such inventory and audit shall be for the account of the Joint Account.

27.6 The Operator shall not be responsible for any loss or damage on account of the Joint Operation, unless such damages or losses are the result of:

27.6.1 Gross negligence by the Operator

27.6.2 Failure to obtain and maintain any of the insurance required in Clause 33 of The Contract, except when the Operator has made all possible efforts to obtain it and maintain them, and the results of such efforts have been fruitless, a situation which the Operator must first communicate to the Parties in writing.

Section Four - Contracting Procedure

#### **CLAUSE 28 - SUPPLIER REGISTRATION AND BIDDERS LIST**

28.1 It shall be the Operator's responsibility to maintain an updated registration of vendors, classified pursuant to the various activities that the operation may require, as well as to establish the qualification criteria for the firms to be included in the bidders' list. The respective Subcommittee may request a review of the criteria before approving the bidders' list.

28.2 X may review the Operator's vendor registration on an annual basis and may suggest to it, through the respective Subcommittee, that vendors be included or excluded from the registration. Despite the above, X may, at any time, by means of a request that duly explains the motives, request the withdrawal of persons or entities from the registration.

28.3 In all cases that imply soliciting proposals to contract, the vendor registration shall be consulted, recording a statement on the corresponding document.

28.4 The persons or entities that are included in the vendor registration shall accredit technical, moral and economic solvency, in addition to the experience, not only of the company but that of its partners as well,

and also that of its technicians that are permanently hired by it.

28.5 Set forth in the aforementioned criteria, the Operator shall establish a registration of qualified vendors, which shall be updated periodically, set forth in their performance.

28.6 In the Fields that are exploited under the sole risk, Z shall have the right that is provided for in Clause 10 (number 10.6) of The Contract.

#### **CLAUSE 29 - BIDDING PROCESS**

29.1 Responsibility: The Operator shall be responsible for preparing the Request for Proposals in due time, and shall submit it to consideration by the corresponding Subcommittee.

29.2 The list of those invited to submit proposals shall be prepared based on the information in the Registration of Vendors.

29.3 In every bidding process, the Operator shall invite at least three companies. If this were not to be possible, a statement shall be made with respect to the justification in the report of recommendations to the respective Subcommittee.

29.4 It shall be endeavored not to invite more than six (6) companies, in order to avoid additional costs in the assessment of the proposals and, similarly, to provide a greater opportunity to the participating companies to successfully obtain the respective contract.

29.5 All other factors being the same, the order of priorities to be included in the list of bidder shall be as follows: - Companies registered and with headquarters in the department or departments where the Commercial Field or Fields are located, but with a branch established in such department. - <indicate country>n companies whose headquarters are outside the department or departments where the Commercial Field or Fields are located, but with a branch established in such department. - Foreign companies with a branch in <indicate country>. - Foreign companies that do not have a branch in <indicate country>.

29.6 In the list of companies to be invited to submit proposals, those companies that are technically and commercially qualified and that have not had the opportunity to participate in similar bids in the past shall also be kept in mind.

29.7 The Operator shall prepare the bid documents and shall submit these to the consideration of the respective Subcommittee with sufficient advance notice.

29.8 It shall be clearly expressed in the bidding documents that:

29.8.1 Cost shall be one of the criteria to be considered, though not the sole one, for the award of the contract;

29.8.2 The assessment of the bid shall bear in mind other factors other than cost, which shall be included in

the bid documents;

29.8.3 All proposals that exceed the range of real cost for this activity shall be disqualified;

29.8.4 The proposals are to be submitted set forth in the terms of the invitation, and the failure to observe this requirement may lead to not being considered as valid proposals;

29.8.5 The request for proposals shall include a table with the details of the prices which is to be filled out by the bidders, in order to facilitate comparing the proposals;

29.9 The list of bidders shall be reviewed and approved by the Technical Subcommittee before the invitations to bid are sent out.

29.10 Once the bid documents have been distributed, the following rules shall apply:

29.10.1 Any information, modification or clarification of the original bid documents shall be sent out to all the bidders. The Procurement and Supplies Department of the Operator shall be responsible for these changes. The changes shall be duly justified by means of a document in writing.

29.10.2 No bidders can be added or deleted from the list of bidders originally approved by the corresponding Subcommittee.

29.10.3 Any bidder that does not abide by the bid procedures and rules, or that may violate the Operator's business ethics code shall be disqualified immediately.

29.11 The content and format for all of the materials in a request for proposals shall fulfill the requirements of the procedure known as "Documentation format submitted to the Technical Subcommittee" and shall be submitted to the consideration of the corresponding Subcommittee.

29.12 The internal approvals that are required by the Operator and by X depend on the estimated value of the contract, set forth in the internal procedures of the former and the latter.

### **CLAUSE 30 - AWARDS OF CONTRACTS AND PURCHASE ORDERS**

30.1 The Operator is responsible for awarding bids for contracts and purchase orders. For this purpose, it shall submit its recommendation to the respective Subcommittee, subject to the procedures that have been established by the Executive Committee for this purpose.

30.2 Value: The awards shall be based on the best global (overall) value. The lowest price does not always mean the best proposal, since, in addition to the amount, other aspects are borne in mind, such as scheduling and quality, experience, reputation and the <indicate country>n content submitted by the bidder. In the event that the contract is not awarded to the lowest amount proposal, such decision should be justified.

30.3 Justification in writing: The Operator shall present a recommendation in writing to the corresponding Subcommittee, justifying the contract and purchase order award, subject to the procedures that are

established for such purpose by the Executive Committee. Such justification shall include a summary of the commercial and technical assessments of the proposals received and the basis for the Operator's recommendation.

30.4 Direct contracting: Direct contracting shall be supported and presented in writing to the respective Subcommittees, clearly identifying their justification. The Operator may contract directly, without having to go through a bidding process, in any of the following events:

30.4.1 When only one vendor can be obtained, within the time frame required to satisfy the project schedule;

30.4.2 When an item or service Contract before in a direct manner does not have an equivalent or satisfactory substitute;

30.4.3 When a service or work is derived from a previous one or is an extension to an existing contract or work order issued during the last ninety days and the commercial conditions are not modified, or when the evidence stemming from a recent bid justify contracting without undergoing a bidding process;

30.4.4 When the Operator has standardized a specific item or service for all of the applications within its are of operations and there is only one known vendor for such item or service;

30.4.5 When it is considered that a sole item or service fulfills the Operator's requirements within a specified delivery time period;

30.4.6 When an item or service is obtained for testing or assessment;

30.4.7 When there is an emergency. The Operator shall notify X at the corresponding Subcommittee's immediately next meeting after such emergency.

30.5 Partial awards: A bid can be awarded partially to two or more bidders, provided that all of the following conditions are met:

30.5.1 The possibility of a partial award is specifically indicated in the request for proposals;

30.5.2 The successful bidders have fulfilled the requirements established in the Request for Proposals;

30.5.3 The partial award represents the best value for the items or services that shall be obtained;

30.5.4 Any change in the scope of work or in the award criteria shall be clearly communicated to all of the bidders before the partial award.

30.6 Rejection of proposals: The Operator may declare a bid null and void when the respective Subcommittee finds motives to justify such decision and/ or when the proposals are out of line with the actual costs.

30.7 Notification to the unsuccessful bidders: The result of the award shall be communicated in writing to all participants.

30.8 Clarification: During the assessment period, the Operator may request clarification from the bidders. The Technical Subcommittee shall approve the significant commercial clarifications. No new approval shall be required by the respective Subcommittee when clarifications refer to technical issues. Clarifications that may affect the bid shall be communicated in writing to all of the bidders.

**CLAUSE 31 - MANAGEMENT OF CONTRACT AND WORK ORDER**

31.1 The Operator shall be responsible for managing the contracts and purchase orders during their execution.

31.2 The bases for contract or purchase order management are their execution itself, which shall include all of the agreed- to prices, schedule and quality requirements.

31.3 The Operator shall maintain a written record of all modifications to the original contract. The cost impact for each change to the contract shall be assessed by the Operator and negotiated with the vendor or contractor before the contract price is changed.

31.4 Any change in the initially approved value of the contract shall be subject to consideration by the respective Subcommittees and, if required, shall be approved by the Executive Committee, set forth in the procedure that is established for such purpose by the Executive Committee.

31.5 The Operator is responsible for cost control.

31.6 Any additional work or job under the terms of the contract shall be authorized by the Operator's Project Manager or Operations Manager, who shall consult with the Procurement and Logistics Manager or with the departments that fulfill these functions, before making any modification to the contract. This dual responsibility ensures control for the integrity of the change process. In the event that the changes imply modifications to the text of the contract, these shall be submitted to approval by the Operator's Legal Department.

31.7 Quality control shall be managed with the QA/QC (Quality Control / Quality Assurance) process, which shall include the independent inspection and verification of the work and shall be performed at appropriate moments during the execution of the work.

31.8 The processes used by the Operator for cost control shall be described in a cost control procedure.

31.9 The Parties shall receive a monthly report on work progress, with cost documentation and schedule, including the analysis of the variations with respect to the originally agreed- to Budget for the main contracts and purchase orders.

31.10 Once the main contracts and purchase orders have been executed, a detailed analysis shall be undertaken to assess the experiences learned that could be applied to similar contracts or work orders, and also in order to allow for improvements in their control.

CLAUSE 32 - INSURANCE

For purposes of Clause 33 in the Contract, with respect to Insurance, the Operator shall deliver the following information to X, for the latter to insure fifty percent (50%) of the assets corresponding to the Commercial Field:

32.1 Description of the assets, differentiated, inasmuch as possible, as follows:

32.1.1 Offices, camps and other non- industrial facilities

32.1.2 Collection stations, specifying tanks (number and capacity) and other equipment.

32.1.3 Diverse warehouses and other facilities

Note: The external pipelines and the wells are not insured under the fire policy, since, in this case, X assumes the risk directly.

32.2 Value of the assets, indicating only the value of the part that belongs to X and indicating the percentage of the value that it represents.

32.2 Geographic location.

32.4 Date of receipt, as of which the risk is transferred to the Joint Operation.

**CLAUSE 33 - FORCE MAJEURE OR ACTS OF GOD**

33.1 Clause 34 of The Contract only suspends fulfillment of those specific obligations whose performance becomes impossible on account of events that constitute force majeure or acts of God. Similarly, it only interrupts the obligations on the assets, properties, production facilities, etc. that are affected by the aforementioned circumstance. The affected Party shall notify the termination of the force majeure, providing details on the magnitude of the damages and the corrective actions that affect the system.

33.2 If one of the Parties cannot, on account of force majeure or acts of God, fulfill the obligations of this Contract, it shall notify this to the other Party for its consideration, within ten (10) working days following the date on which the cause was produced, specifying the causes of its impediment, the estimated period of suspension of the activities and the way in which it affects fulfillment of the corresponding affected obligation. The other Party shall respond in writing, either accepting the cause or not for force majeure or acts of God.

33.3 The Party affected by the cause for force majeure or acts of God shall recommence fulfillment of the affected obligations within a reasonable term once such cause has disappeared, for which it shall advise the other Party within ten (10) working days after the cause has disappeared. In the event of partial or delayed execution of the obligation affected by force majeure or acts of God, the Party that is obligated to its fulfillment shall exert its best efforts to execute it within the terms and conditions agreed- to between the

Parties in this Contract, having to continue with the fulfillment of the remaining contractual obligations.

33.4 If the force majeure cause were to affect the execution of any of the Exploration Work agreed to as part of the exploratory activities that Clause 5 of this Contract refers to, the guarantee that supports the fulfillment of the affected Exploration Work shall be extended for the same period of time that the impediment may last, which were not executed during this period of time. For such purpose, Z shall extend or substitute such guarantee, as the case may be.

**CLAUSE 34 - REVISION OF THE OPERATIONS AGREEMENT**

This Operations Agreement may be revised when the Parties consider it convenient to do so, at the request of any of the Parties. For its revision or modifications the Executive Committee is fully empowered to do so. This Operations Agreement shall be valid until one of the following events occurs:

34.1 Termination of The Contract

34.2 Agreement in writing between the Parties

34.3 The signing of a new Agreement.

In faith of the previously mentioned, the Parties sign the present Operations Agreement, in contract paper of X on the twentieth (20) day of the month of December of the year two thousand two (2002).

COMPANY X

(Signed) illegible \_\_\_\_\_ President

COMPANY Z

(Signed) illegible \_\_\_\_ Principal Legal Representative

WITNESSES

(Signed) \_\_\_\_\_



**ANNEX C - LINEAMENTS FOR THE PREPARATION OF THE DEVELOPMENT PLAN**

The present Annex establishes the main aspects that must be considered for the preparation of the initial Development Plan and of the programs, projects and annual Budget for each of the Fields discovered in the development of The Contract, which shall be subject to the consideration of X. In this document the general conditions of the Development Plan are described without including a detailed explanation of the format or of the level of detail to be presented, further than the coverage of the main issues identified herein. Additional information may be presented in each Development Plan as it is considered appropriate.

**A. INITIAL DEVELOPMENT PLAN****1. Outline of the Development**

Strategy Summary of the background of the Field, of the development strategy and of the most relevant aspects of the economic and commercial conclusions.

**2. Description of the Field**

Includes the geological synthesis of the Reservoirs discovered and the determination of the geometry of the field. In this section the area capable of producing Hydrocarbons of the different Reservoirs is determined and the commercial area is delimited, using the plain Gauss coordinates, by the projection in surface of the lowest level of Hydrocarbons commercially exploitable.

**3. Reservoir Engineering**

This implies the evaluation of the properties of the rocks and of the fluids contained in the Field Reservoirs and other analysis that conduce to:

- a) Determine the original volumes of Hydrocarbons in each Reservoir, the tested, probable and possible Reservoirs of the Field (in each case, based on its useful life, independently from the duration of the Exploitation Period established in The Contract) and discriminated by Liquid Hydrocarbons and Gas Hydrocarbons.
- b) Establish the forecast for production of Hydrocarbons that Z expects to produce during each year of exploitation of the Field, both for the tested Reservoirs and for the tested Reservoirs plus those probable.
- c) Define the strategy for exploitation so that the production profile, in the case of tested Reservoirs, achieves the Maximum Degree of Productive Efficiency (MER) or the top of the production, in that case in which Z identifies restrictions to achieve he MER, and expose the preliminary strategy of exploitation of the probable Reservoirs.
- d) Specify the program of obtainment of information to be executed for the adequate administration of the Reservoirs.

#### 4. Criteria of the Design of the Development Plan

Description of the logics and coherence of the Development plan and synopsis of the criteria, bases and presumptives taken into consideration for the design of the plan.

#### 5. Development Drilling and Completion

Back ground of the main aspects that refer to the drilling and completion of Development Wells.

#### 6. Surface Installations

Presentation of the options of development that were taken into account, the justification of the option chosen, its general specifications, key aspects and diagram of each of the Production Systems; Treatment and Storage; Transportation and Transfer, and of Support to the production of Hydrocarbons that come from the Field.

#### 7. Construction and Assembly

Explanation of the strategy for the Development drilling and the construction and assembly of the surface facilities and the assurance of the quality.

#### 8. Operation and Maintenance

General Description of the scheme and logistics of the operation with its corresponding proposal of the Organizational Letter for the handling of the field with a background of the contingency plans for the control of the critical factors.

#### 9. Abandonment of the Field and Restoration of the Area

Synthesis of the program, methods and practices foreseen for the abandonment of the wells and the withdrawals of the surface facilities and alternatives considered for the provision of funds for the abandonment of the field and the recuperation of the area

#### 10. Economic and Commercial Aspects.

They include the evaluation of the commercialization options of the Hydrocarbons discovered, the economic viability of the Field and the reasons why such alternative was chosen. It must also include:

- a) Estimate of the Direct Exploration Costs incurred in before the presentation of the initial Development Plan.
- b) Annual budget and chronogram for disbursements on account of capital expenses (investments) and operational (Direct and Indirect Expenses) in current dollars during the exploitation of the Field, with relation to the Reservoirs tested and the Reservoirs tested plus those probable.
- c) Main economic indicators obtained in the economic evaluation and optimization carried out for the determination of the commerciality of the Field.

d) When it is necessary to unify the field or when the design of the Development Plan suggests the need to share the production facilities of the Field with other Fields discovered in the development of the same Contract, or of another Association Contract, the proposal of a unified exploitation plan that Z proposes to submit for the consideration of others interested and/or the proposal of the agreement to share facilities or other assets, including cost assignments and other distributions necessary, must be attached.

#### B. PROGRAMS, PROJECTS AND ANNUAL BUDGET

The Operator, or Z if concerning a field exploited under the modality of only risk, pursuant to that established in The Contract and in the Operating Agreement (Annex B), shall prepare and present to the Parties the proposal of the programs, projects and Budget for the following calendar year, pursuant to the initial Development Plan accepted for the field.

For all effects of the presentation of the annual programs and projects, by program it is understood the group of projects to be developed, or that by their technical, operational and administrative characteristics deserve to be controlled in a joint manner (for example: Building of Battery X). Each program includes the presentation of the projects to be carried out, their sequence of execution and the general conditions to which they must abide by to obtain a determined result.

By project it is understood the group of activities proper of a work or an specific necessary work for the development and production of the field. (example: Civil work, Access roads, Facilities, Separation and Treatment System, etc.). Each project shall be duly supported with the explanatory documents and the technical and economic specifications.

The annual Budget shall be divided into Expense Budget and Investment Budget. For all effects of the presentation, the Expense Budget shall be divided into programs, groups and concepts of expenses and that of Investments in programs and projects, in numerical order and continuous within each section of the Budget. With respect to the Expense Budget, the programs and projects shall be divided into expense groups and these into concept of expenses. By expense groups it is understood the purpose or object of the expense (for example Personnel Expenses) and by concept of expenses the specific assignment granted (for example: Salaries, Social Benefits).