

APPENDIX 5

**MODEL OF LICENSE CONTRACT FOR HYDROCARBONS EXPLOITATION
IN BLOCK 192**

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PERUPETRO S.A. and OIL COMPANY or CONSORTIUM

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LICENSE CONTRACT FOR HYDROCARBONS EXPLOITATION IN BLOCK 192

PERUPETRO S.A. and OIL COMPANY OR CONSORTIUM

PRELIMINARY CLAUSE.- GENERAL

- I. This document is a License Contract for Exploitation of Hydrocarbons in Block 192, entered into by and between PERUPETRO S.A., hereinafter PERUPETRO, and OIL COMPANY/CONSORTIUM under the Hydrocarbons Organic Law.
- II. "On-site" hydrocarbons are the property of the State. PERUPETRO shall assign the right of ownership over the extracted Hydrocarbons to Contractor on the Date of Execution, in accordance with the provisions set forth in the Contract and in Section 8 of Law 26221.
- III. Contractor agrees to pay the royalty in cash, to the State, through PERUPETRO, in the terms and conditions provided in the Contract.
- IV. Pursuant to the provisions set forth in Section 12 of the Hydrocarbons Organic Law, this Contract shall be governed by the Peruvian private law and shall be subject to the application of Section 1357 of the Civil Code.
- V. For all purposes related to and resulting from the Contract, the Parties agree that clause headings are irrelevant for interpretation of their content.
- VI. Any reference to the Contract includes the appendices. In case of discrepancy between appendices and the body of the Contract, the latter shall prevail.
- VII. Contractor agrees to comply with the provisions of the Hydrocarbons Organic Law and Regulations thereof in the execution of its Operations.

ONE. - DEFINITIONS

The purpose of the definitions agreed between the Parties in this clause is to provide the meanings used in the Contract and such meanings shall be the only ones accepted for interpretation purposes in the execution thereof, unless otherwise expressly agreed in writing between the Parties.

Singular or plural terms defined and used in this Contract, shall be capitalized and shall have the following meanings:

1.1. Afiliada / Affiliated Company

Any entity whose capital stock with voting rights is directly or indirectly owned, in a fifty percent (50%) proportion or more, by PERUPETRO or the Contractor (*in case of Consortium, any of the companies constituting the Contractor*), or any entity or individual owning either directly or indirectly fifty percent (50%) or more of the capital stock with voting rights of PERUPETRO or the Contractor (*in case of Consortium, any of the companies constituting the Contractor*), or any entity which capital stock with voting rights is either directly or indirectly owned, in a fifty percent (50%) proportion or more by the same shareholder or shareholders directly or indirectly owning fifty percent (50%) or more of the capital stock with voting rights of PERUPETRO or the Contractor (*in case of Consortium, any of the companies constituting the Contractor*).

1.2. Año / Year

Consecutive Twelve (12)-Month Period according to the Gregorian Calendar, counted as of a specific date.

1.3. Área de Contrato / Area of Contract

Area defined by the coordinates listed in Appendix "A" and shown in Appendix "B", denominated Block 192.

The Contract Area will be redefined once the areas the Contractor releases are excluded, according to the terms of the Contract.

In case of discrepancy between contents shown in Appendix B and those described in Appendix A, the latter shall prevail.

1.4. Barril / Barrel

Measure unit of Liquid Hydrocarbons, equal to a liquid volume of forty-two (42) gallons of the United States of America, corrected for a temperature of sixty degrees Fahrenheit (60° F) at sea level pressure, without water and sediments (BS&W).

1.5. BTU or British Thermal Unit

The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit, to the temperature at which water has its maximum density (39 degrees Fahrenheit), equivalent to 1055.056 joules.

1.6. Caso Fortuito o Fuerza Mayor / Unforeseeable Event or Force Majeure

The following, among others, are considered as such: fire, tremor, earthquake, seaquake, collapse, landslide, flood, hurricane, storm, explosion, unforeseeable fortuitous event, military conflict, guerrilla warfare, terrorist act, sabotage, civil unrest, blockade, uncontrollable delays of transportation, strike, work stoppage, impossibility to obtain adequate material, equipment and service transportation facilities, as well as authorizations, approvals, licenses and permits from the competent authorities despite having anticipated same, or any other similar or different cause from those specifically listed herein, that are beyond reasonable control and that may not be foreseen, or that having been foreseen, could not be prevented.

1.7. Comité de Supervisión / Supervision Committee

Body formed by the Parties, through which PERUPETRO verifies compliance and execution of the Contract, which constitution and authorities are provided for in Clause 7.

1.8. Comité Técnico de Conciliación / Technical Conciliation Committee

Non-permanent body formed to give an opinion over Operation-related discrepancies, to be established in accordance to the provisions set forth in Sub-clause 21.3 of the Contract.

1.9. Condensados / Condensates

Liquid Hydrocarbons formed by condensation of Hydrocarbons separated from Natural Gas, due to changes in the pressure and temperature when Natural Gas from Reservoirs is produced or when coming from one or more Natural Gas compression stages.

1.10. Condensados Fiscalizados / Audited Condensates

Condensates produced in the Contract Area and measured at a Production Auditing Point.

1.11. Contratista / Contractor

..... Oil Company X....., registered in the Hydrocarbons Registration Office under Entry of the Book of Operations Contractors.

In the case of Consortium, this must be completed with the information of each of the companies constituting the Contractor.

..... Oil Company Y, registered in the Hydrocarbons Registration Office under Entry of the Book of Operations Contractors.,

On the Date of Execution, the percentage in the Contract of the companies constituting the Contractor is as follows:

Oil Company X%
Oil Company Y%

1.12. Contrato / Contract

This Contract entered into by and between the Parties, containing the terms, conditions and appendices thereto, as well as additional agreements accepted by the Parties by virtue of this document, and modifications to be made according to Law.

1.13. Desarrollo / Development

Execution of activities for the Production of Hydrocarbons, such as drilling, completion, workover and deepening of wells, as well as design, construction and installation of equipment, piping, storage tanks and other means and installations, including the use of artificial Production methods and primary and improved recovery systems, in and outside the Contract Area as may be deemed necessary.

It includes the construction of the Transportation and Storage System,

installation of the Production Auditing Point and primary distillation plants for the manufacturing of products to be used in the Operations.

1.14. Día / Day

Twenty-four (24-hour period, starting at zero (0:00) hours and ending at twenty-four (24:00) hours.

1.15. Día Útil / Business Day

Every day from Monday through and including Friday, except for Days declared by the competent authority in the city of Lima to be totally or partially non-workable days.

1.16. Dólar o US\$ / Dollar or US\$

Currency of the United States of America.

1.17. Ducto Principal / Main Pipeline

Main pipeline that Contractor may build and operate and which starting from the end of the Transportation and Storage System, carries the Hydrocarbons produced in the Contract Area to a third party's pipeline, to a point of sale or export or to a Production Auditing Point, without prejudice, as the case may be, to the approval provided for in Sub-clause 2.3 and which may include measurement points connected to the pipeline, required storage and shipping areas, minor piping, pumping or compression stations, communications system, access and maintenance roads and any other facilities that may be required to carry the Hydrocarbons on a permanent and timely basis; including the design, construction, maintenance and equipping of all the above. The open access for any Main Pipeline shall be from the beginning of the fifth Year, counted as of the Commercial Extraction Start Date.

1.18. Exploración / Exploration

Planning, execution and evaluation of all types of geological, geophysical, geochemical and other studies, as well as geophysical activities, drilling of Exploratory Wells and other related activities required in the search of Hydrocarbons, including drilling of Confirmatory Wells for evaluation of reservoirs discovered.

1.19. Exblockación / Exploitation

Development and/or Production.

1.20. Fecha Efectiva / Effective Date

August 30, 2015, is the date when Operations in Block 192 will commence.

1.21. Fecha de Suscripción / Date of Execution

Is, date on which the Agreement is signed by the Parties.

1.22. Fiscalización / Auditing

Actions that according to their competence are performed by the Supervisory Board for Investment in Energy and Mining (OSINERGMIN) and Environmental Evaluation and Control Board (OEFA) or any other agency that may replace them, in connection with the Exploration and Exploitation activities performed by the Contractor.

1.23. Gas Natural/ Natural Gas

Combination of hydrocarbons that in Reservoir original condition is found in gaseous condition or dissolved in Oil. It comprises Associated Natural Gas and Non-Associated Natural Gas.

1.24. Gas Natural Asociado / Associated Natural Gas

Natural Gas produced with the Liquid Hydrocarbons of the Reservoir.

1.25. Gas Natural Fiscalizado / Audited Natural Gas

Natural Gas produced in the Contract Area and measured at Production Auditing Point.

1.26. Gas Natural No Asociado / Non-Associated Natural Gas

Natural Gas coming from a natural Reservoir, where, in original condition, there is no presence of Liquid Hydrocarbons.

1.27. Hidrocarburos / Hydrocarbons

All gaseous, liquid or solid organic compounds, mainly consisting of carbon and hydrogen.

1.28. Hidrocarburos Fiscalizados/ Audited Hydrocarbons

Hydrocarbons produced in the Contract Area and measured at the Production Auditing Point.

1.29. Hidrocarburos Líquidos / Liquid Hydrocarbons

Oil, Condensates and, in general, all Hydrocarbons that under atmospheric conditions of temperature and pressure, are found in liquid condition in the place of measurement, including Hydrocarbons found in liquid conditions at higher than atmospheric temperature. Liquid products resulting from the liquid Hydrocarbon refining process are excluded.

1.30. Hidrocarburos Líquidos Fiscalizados/ Audited Liquid Hydrocarbons

Liquid hydrocarbons produced in the Contract Area and measured at the Production Auditing Point.

1.31. Hidrocarburos no Producidos en el Área de Contrato / Hydrocarbons not Produced in the Contract Area:

Hydrocarbons produced outside the Contract Area, measured by the Parties at a measuring point upon entering the Contract Area, previously audited as such at an auditing point corresponding to another contract or contracts within the national territory. Prior authorization from PERUPETRO, non-refined Hydrocarbons not corresponding to production within the national territory may be included. In all cases, these Hydrocarbons will be used in the blend with the oil produced in the Contract Area to increase the Hydrocarbons production of the Contract Area.

The volume of these Hydrocarbons shall be deducted from the volume of Audited Hydrocarbons to determine the royalty to be paid by Contractor.

1.32. Ley Orgánica de Hidrocarburos / Hydrocarbons Organic Law

Homologized Text of Law 26221 – Hydrocarbons Organic Law, approved by Executive Order DS 042-2005-EM, amendments and regulations thereof.

1.33. Líquidos del Gas Natural o LGN / Natural Gas Liquids or NGL

Hydrocarbons extracted as liquid from natural gas in the gas processing plants, comprised of propane, butane and heavier Hydrocarbons, including ethane, as the case may be.

1.34. Líquidos del Gas Natural Fiscalizados o LGN Fiscalizados / Audited Natural Gas Liquids or NGL

Natural Gas Liquids or NGL measured at a Production Auditing Point.

1.35. Mes / Month

Period counted from any Day of a calendar month and ending the previous Day of the next calendar month or, in case there is not any, the last Day of the same month.

1.36. MPC/ 1,000 SCF

One thousand (1000) standard cubic feet. One (1) SCF is the gas volume required to fill the space of one (1) cubic foot at 14.6959 per square inch absolute pressure at base temperature of sixty degrees Fahrenheit (60°F.)

1.37. Operaciones / Operations

All Exploitation and Exploration activities, as well as those related to the Transportation and Storage System, and all other activities subject matter of this Contract or associated to the execution hereof.

1.38. Partes / Parties

PERUPETRO and the Contractor.

1.39. **PERUPETRO**

PERUPETRO S.A. is the State Company governed by Private Law, of the Energy and Mines Sector, created by Law 26221.

1.40. **Petróleo / Oil**

Hydrocarbons found in liquid state at original Reservoir temperature and pressure.

1.41. **Petróleo Fiscalizado / Audited Oil**

Oil produced in the Contract Area and measured at a Production Auditing Point.

1.42. **Petróleo Pesado / Heavy Oil**

Liquid Hydrocarbons that because of their density and viscosity, require the use of non-conventional methods for extraction and/or require heating processes or other procedures for transportation, including blending them with other Hydrocarbons.

For purposes hereof, Hydrocarbons with gravity below or equal to 16° API shall be recognized under this definition.

1.43. **Pozo Confirmatorio / Confirmatory Well**

Well drilled to evaluate Hydrocarbon Reservoirs discovered.

1.44. **Pozo de Desarrollo / Development Well**

Well drilled for the production of Hydrocarbons discovered..

1.45. **Pozo Exploratorio / Exploratory Well**

Well drilled in the search of a new Reservoir or to determine the stratigraphy of an area.

1.46. **Producción / Production**

All kinds of activities in or outside the Contract Area, as required, for the extraction and handling of Hydrocarbons, including operation and workover of wells, installation and operation of equipment, piping, Transportation and Storage System, Main Pipeline, Hydrocarbons treatment and measurement, and all kinds of primary and improved recovery methods.

1.47. **Punto de Fiscalización de la Producción / Production Auditing Point**

Place or places located by the Contractor in the Contract Area, or located by agreement between the Parties outside the Contract Area, where volumetric determinations and measurements, temperature adjustments, water and sediment content determinations and other measurements are to be performed to determine volume and quality of Audited Hydrocarbons, following corresponding API and ASTM standards

On the Effective Date, the Production Auditing Point for Block 192 Liquid Hydrocarbons is the Andoas Station, located at the entry point of the North Branch, in the Contract Area.

1.48. Ramal Norte / North Branch

Sixteen-inch (16”) diameter oil pipeline and all storage, pumping, measuring and other related facilities, which starts at the entry point in Andoas and ends where it joins Pumping Station 5 of the North Peruvian Oil Pipeline System owned by Petróleos del Perú, PETROPERÚ S.A.

1.49. Reservorio / Reservoir

Sub-surface stratum or strata forming part of an Oil Field, which are in production, or with proven capacity to produce Hydrocarbons and which have a common pressure system throughout its extension.

1.50. Sistema del Oleoducto Nor Peruano / North Peruvian Oil Pipeline System

Facilities and equipment used to transport Liquid Hydrocarbons from Station 1 in San José de Saramuro to the final point previous to the storage and shipping facilities in Bayóvar, including the North Branch.

1.51. Sistema de Transporte and Almacenamiento / Transportation and Storage System

Network of pipes, pumping stations, compression stations, storage tanks, delivery systems, roads, other facilities and everything required and useful for the transportation of Hydrocarbons produce in the Contract Area to the Production Auditing Point, to the Main Pipeline or to a third-party pipeline, including the design, construction, maintenance and equipment of all the above.

1.52. Subcontratista / Sub-contractor

Any national or foreign individual or legal entity engaged by Contractor to provide services related to the Operations.

1.53. Supervisión / Supervision

Actions performed by PERUPETRO to verify compliance of the Contractor's contractual obligations.

1.54. Tributos / Taxes

It includes taxes, contributions and fees pursuant to the provisions set forth in the Tax Code.

1.55. Vigencia del Contrato / Effective Term of Contract

Period comprised between the Date of Execution and the expiry of the pertinent term provided in Sub-clause 3.1.

1.56. **Yacimiento / Oil Field**

Surface area under which there exists one or more Reservoirs in production or with proven capacity to produce Hydrocarbons.

IN THE EVENT THAT THE CONTRACT FOR THIS BLOCK IS AWARDED TO A CONSORTIUM, THE FOLLOWING SUB-CLAUSES SHALL BE INSERTED¹:

1.1 ***Acuerdo de Operaciones / Operations Agreement***

It means the Association Contract entered into by and between the Operator and the other company(ies) that constitute the Contractor, that governs the relations between them and the Operator's capacities, rights and obligations. It must also indicate, among other things, the costs and expenses pro-rata that each company will assume, as well as the agreements for the allocation of Hydrocarbons produced under the Contract for the purposes of such association contract.

1.39 ***Operador / Operator***

One of the companies that constitute the Contractor and which has been designated by such companies to carry out the Operations on behalf and for account of Contractor.

On the date of execution, OIL COMPANY X has been designated Operator.

TWO.- PURPOSE OF THE CONTRACT

- 2.1 PERUPETRO authorizes Contractor to perform Operations in accordance with the provisions set forth in the Hydrocarbons Organic Law, pertinent legislation and Contract Provisions, with the common purpose to produce and discover Hydrocarbons in the Contract Area.
- 2.2 Contractor shall have the ownership right over Hydrocarbons extracted from the Contract Area, according to the provisions set forth in Paragraph II of the preliminary clause.
- 2.3 Contractor shall execute the Operations according to the Contract terms and shall carry them out directly or through Sub-Contractors. Any field operations outside the Contract Area, necessary for execution of the Contract, shall require prior approval from PERUPETRO.
- 2.4 PERUPETRO shall exercise Supervision in accordance with the Law and the Contract. OSINERGMIN and OEFA shall perform Control actions as provided for by the law.

Supervision covers any action performed by PERUPETRO to verify compliance of Contractor's obligations during the Effective Term of the Contract, including such actions performed through the Supervision Committee. Contractor agrees to facilitate the Supervision work of PERUPETRO and shall provide any information required by PERUPETRO to comply with its Supervision duty, which in all cases shall have the nature of affidavit and which may be subsequently verified by PERUPETRO.

¹ In that case, definitions must be numbered again.

- 2.5 The representatives of PERUPETRO may carry out the Supervision at any time, prior notification to Contractor, providing identification and with authorization by PERUPETRO for such Supervision. Contractor shall provide all reasonable assistance possible to the representatives of PERUPETRO to comply with their mission, including visits of an environmental or social nature in connection with the Operations, which shall be performed without interfering with same.

All expenditures and costs corresponding to the representatives of PERUPETRO shall be borne by PERUPETRO.

- 2.6 Contractor shall provide and be responsible for all the technical, economic and financial resources required for the execution of the Operations.-

IN THE EVENT THAT THE CONTRACT FOR THIS BLOCK IS AWARDED TO A CONSORTIUM, THE FOLLOWING SUB-CLAUSE SHALL BE INSERTED:

- 2.7 *Each of the companies constituting the Contractor shall be jointly liable for all obligations corresponding to Contractor, provided for and resulting from the Contract.*

Without prejudice to the foregoing, the Operator shall represent the companies constituting the Contractor before PERUPETRO to comply with all Contractor's obligations under this Contract, for which they are jointly liable before PERUPETRO, and to exercise the rights and authorities granted by this Contract to Operator, which due to their nature are not considered to be exercised separately by each of the companies, pursuant to an "Operations Agreement".

In the event of any change in the appointment of the Operator, among the companies constituting the Contractor, such change must be previously approved in writing by PERUPETRO, approval that shall not be denied without justification.

Copy of the "Operations Agreement" shall be delivered to PERUPETRO in Spanish language, within thirty (30) Days following the date of assignment. Copy of the modifications or extensions of the "Operations Agreement" or new "Operations Agreement" shall be delivered to PERUPETRO within fifteen (15) Days following the Date of Execution.

Each company constituting the Contractor is individually liable for its tax obligations and for any liabilities resulting therefrom; likewise regarding the financial rights provided for in Clause 11, which shall separately and proportionally correspond to each company.

THREE.-TERM, CONDITIONS AND GUARANTEE

- 2.1 The term for the Oil exploitation stage is thirty (30) years, counted from the Effective Date. Notwithstanding the foregoing, the calculation of that period may be suspended due to Force Majeure or other grounds for suspension established in the legal provisions or herein, provided that they fully affect the field Operations of the exploitation stage.

The term for the exploitation stage of Non-associated Natural Gas and Non-associated Natural Gas and Condensates is forty (40) years, counted from the Effective Date. Notwithstanding the foregoing, the calculation of the above terms may be suspended due to Force Majeure or other grounds for suspension established in the legal provisions or herein, provided that these fully affect the field Operations of the exploitation stage.

2.2 The exploitation stage is divided into two (2) periods:

2.2.1 The first period lasts eleven (11) years as from the Effective Date.

2.2.2 A second period commencing on the day following completion of the period specified in item 3.2.1, up to the end of the term specified in Sub-clause 3.1.

Contractor shall commence the second period referred to in paragraph 3.2.2 above provided the obligations of the Work Program established in Sub-clause 4.2 have been fulfilled and insofar as Contractor has not incurred in the termination cause foreseen in paragraph 22.3.1. Termination for such cause shall result in the execution of the corresponding bond.

3.3 If, during the execution of the Work Program referred to in Sub-clause 4.2, the Contractor were prevented from concluding the Program for duly substantiated technical reasons, Contractor may extend the term of the first period for a maximum of six (6) Months prior approval received from PERUPETRO for such extension, to be requested no less than thirty (30) days before the expiration of the first period, and provided that the reasons supporting the request have been approved by PERUPETRO. In this case, prior to the start of the corresponding extension, Contractor shall submit a new letter of guarantee or extend the existing one, to cover the new term, according to the requirements established in Sub-clause 3.4.

The approval referred to in this clause shall be granted at the discretion of PERUPETRO.

3.4 Contractor shall guarantee compliance with the Work Program in accordance with the provisions of Item 3.2.1 and Sub-clause 4.2, with a joint and several unconditional, irrevocable guarantee, without benefit of excussio, and of immediate execution in Peru, issued by an entity from the financial system duly qualified, domiciled in Peru and accepted by PERUPETRO.

At the request of PERUPETRO Contractor shall replace the guarantee submitted and shall comply with presenting a new guarantee within fifteen (15) Business Days after the date of receipt by Contractor of the request from PERUPETRO, otherwise contents of item 22.3.2 shall apply.

The guarantee amount for the Work Program of the first period of the exploitation phase is indicated in Appendix "C".

The Guarantee for the Work Program corresponding to the first period of the exploitation stage shall be delivered on the Date of Execution and shall remain in full force and effect according to the following:

- (a) for a period exceeding by thirty (30) Business Days the expiry of the term to fulfill the obligations of the first period of the exploitation phase; or
- (b) with annual renewals, for which it shall proceed as follows:

The Guarantee for the Work Program to be delivered to PERUPETRO by

Contractor on the Date of Execution shall be effective for fifteen (15) Months plus (30) Business Days counted from that date, to be renewed or replaced every twelve (12) Months.

As from the second year, the guarantee extension or renewal documents shall be delivered to PERUPETRO at least thirty (30) Business Days prior to the expiry of each guarantee.

In case of extension of the first period of the exploitation phase, the guarantee shall be replaced or extended by Contractor prior to the commencement of the corresponding extension. Otherwise, the approval granted by PERUPETRO to the extension requested by Contractor shall be rendered void. The additional thirty (30) Business Days should be taken into account.

In the event that the Work Program Guarantee delivered by Contractor, should not remain in full force and effect for the period specified, Contractor must submit a new guarantee or extend the existing guarantee, within fifteen (15) Business Days after receiving notification from PERUPETRO. Otherwise, contents of item 22.3.2 shall apply.

The Work Program Guarantee established in Appendix "C" shall contain a reduction plan, so that upon fulfillment of obligation, it shall be reduced in relation to progress made in the Work Program, in accordance with the provisions in Sub-clause 4.2.

The aforementioned reductions shall only be made annually, in the amount approved by PERUPETRO. This approval must be made expressly and in writing within thirty (30) days of receipt of the request in this regard. The amount to be deducted shall correspond to nine hundred thousand and 00/100 US Dollars (US \$900,000) for Development Wells, one million five hundred thousand US dollars and 00/100 for 2D Seismic (US \$ 1,500,000) and one million five hundred thousand and 00/100 US Dollars for 3D Seismic (US \$ 1,500,000).

Upon fulfillment of obligation secured by the guarantee, PERUPETRO shall return through the Contractor the corresponding bond to the guarantor.

The execution of any bond shall have the effect of extinguishing the obligation of Contractor to perform the Work Program, without prejudice to the application of the provisions set forth in item 22.3.2.

3.5 *...(PARENT OIL COMPANY)...* participates in order to provide a corporate guarantee which appears as Appendix "D".

In case of a Consortium, the following paragraph is added for every company that constitutes the Contractor. *...(PARENT OIL COMPANY)...* participates in order to provide a corporate guarantee which appears as Appendix "D".

The corporate guarantee(s) shall be delivered to PERUPETRO on the Date of Execution.

The corporate guarantee(s) shall continue as long as the obligations of the Contractor are enforceable. Item 22.3.4 shall apply if, upon occurrence of an event as set forth in such item, Contractor should fail to replace it within a period of fifteen (15) Business Days after receiving notice from PERUPETRO

requesting the substitution.

FOUR.-WORK PROGRAM

- 4.1 Contractor shall commence Operations as from the Effective Date.
- 4.2 The Work Program during the first period of the exploitation stage, is the following:
- a) Acquisition and interpretation of three hundred (300) km² of 2D seismic in areas that do not compromise deposits, during the second year of the first period of the exploitation stage.
 - b) Acquisition and interpretation of one hundred (100) km² of 3D seismic in the northwestern region of Block 192, in the third year of the first period of the exploitation stage.
 - c) Drilling of two + x² (2+x)..... Development Wells per year from the expiry of the first year of the first period of the operational stage during the ten (10) following years, one of which must be in Heavy Oil Reservoirs.

If Contractor should fail to drill the number of Development Wells committed for each year due to duly substantiated technical reasons, Contractor may request to defer fulfillment of the obligation to the year immediately following, provided that it undertakes to perform an additional investment equivalent to fifty percent (50%) of the investment corresponding to the unrealized activity. In this case, the amount of unrealized investment plus the additional investment equal to fifty percent (50%) of such unrealized investment shall be allocated to implementing activities approved by PERUPETRO, preferably drilling or drafting new technologies aimed at increasing production and reserves of Block 192. In this case, the amount of the current bond shall be increased by an amount equal to ten percent (10.0%) of the value of the additional investment corresponding to the unrealized activity in the current annual period, or otherwise, an additional bond in such amount shall be delivered, with the same characteristics and duration as the main bond, before the start of the new year period. Failure to comply with the provisions of this paragraph shall cause execution of the bond and application of the contents of item 22.3.1.

For purposes of the provisions set forth in the preceding paragraph, maximum thirty (30) days before the end of the annual period, Contractor shall submit to PERUPETRO the request and corresponding support as well as the proposed activities and schedule for the additional investment for approval by PERUPETRO.

In case of breach of the obligations described in this paragraph within each annual term established, after the application of the two preceding paragraphs, including additional activities approved by PERUPETRO, if applicable, the bond shall be executed and the contents of item 22.3.1 shall apply.

- 4.3 Contractor agrees to drill each year and during the first fifteen (15) years of the second period of the exploitation stage, at least ten percent (10%) of the proven undeveloped locations that are indicated in the Annual Book of Hydrocarbon

² x = Technical Offer. Is the number of Development Wells per year offered by the winner of the Bidding Process

Reserves of the Ministry of Energy and Mines, in force on the date of submission of the annual Work Program referred to in paragraph 5.1.

To this effect, ten percent (10.0%) of the number of locations described in the relevant Annual Book of Hydrocarbon Reserves will be calculated and rounded to the integer without decimals.

- 4.4 The Development Wells to be drilled in accordance with Sub-clauses 4.2 and 4.3 shall be deemed drilled and, consequently, Contractor's obligation fulfilled, when drilling goes thirty (30) meters below the most representative production goals of each field .

Failure to comply with the obligation established in this Sub-clause, within the corresponding annual period shall cause the application of the contents of item 22.3.2.

- 4.5 Contractor agrees to drill one (01) Exploratory Well every three (3) years from the end of the third year of the exploitation stage, for which sixty (60) days before the start of each three (3) year period, the Contractor shall submit to PERUPETRO the relevant exploratory drilling program. The first opportunity to present the above program will be sixty days prior to the expiry of the first year.

If within the period specified in the preceding paragraph Contractor should fail to present the exploration program or having presented it and having it been approved by PERUPETRO, it has not actually been drilled, Contractor will only retain the area where there has been discovery of hydrocarbons and which has been incorporated in the annual programs referred to in this Sub-clause.

Exploratory Wells drilled pursuant to this section, will be considered drilled, and thus the obligation of the Contractor fulfilled, when a minimum true vertical depth (TVD) of 4,200 meters is reached, or 200 meters inside the Pre-Cretaceous, whichever should occur first, unless the main objective of the Exploratory Well is the "reef" type seismic facies at the base of the Chonta Formation, the Exploration Well will reach the true vertical depth (TVD) of 3,900 meters or penetrate 50 meters in the Agua Caliente Formation, whichever should occur first.

- 4.6 If, during the drilling of any wells referred to in Sub-clauses 4.2, 4.3 or 4.5, insurmountable geological or mechanical problems were encountered, PERUPETRO may the obligation of drilling fulfilled, at the request of the Contractor, based on a technical report.
- 4.7 All well drilling work that Contractor may perform in excess of the annual program established in the Work Program under Sub-clause 4.2, of the annual program corresponding to Sub-clause 4.3 and Sub-clause 4.5 within the corresponding timeframe, shall be applied to offset the obligation to execute the same type of work in the following years or periods, as applicable.
- 4.8 Within ninety (90) days after the Effective Date, Contractor shall verify the initial inventory of the wells in the Agreement Area and submit it to PERUPETRO.
- 4.9 During the month of January of each calendar year, Contractor shall submit to PERUPETRO an updated inventory of the number, location and status of wells, indicating any variations thereof.

FIVE.- EXPLOITATION

- 5.1 Not less than sixty (60) days before the end of each year, Contractor shall

submit the following to PERUPETRO:

- a) An annual Work Program and detailed budget of revenues, costs, expenses and investments for the next Year Development, Production and Exploration.
- b) A work program and its projected revenues, costs, expenses and investments for Development, Production and Exploration for the next five (5) calendar years.

The annual and 5-year work programs referred to in foregoing paragraphs a) and b), must include the Work Program as set out in Sub-clause 4.2, the drilling of Development Wells as set out in Sub-clause 4.3 and the drilling of Exploratory Wells as set out in Sub-clause 4.5, as well as improved production projects or use of new technologies to increase production and reserves of the Block, as applicable, for approval of PERUPETRO. Contractor may request the amendment of these programs by submitting a technical report to PERUPETRO for approval.

In June of each calendar year, Contractor shall submit to PERUPETRO the results of implementing the annual work program of the previous year, mentioned in paragraph a) and the justifications for the changes in the results of this program.

- 5.2 Each work program shall pursue the Development of the Field or Fields applying the existing regulations and shall use the equipment and/or methods that are necessary and appropriate to allow a permanent assessment of:
 - a) Reservoir pressure through a minimum of 5 pressure tests per year
 - b) Productivity index, through information obtained from pressure tests
 - c) Recovery efficiency through a numerical simulation study of reservoirs

This list is merely illustrative and does not limit to the above.

The results of the evaluations carried out under this Sub-clause, shall be submitted to PERUPETRO, through technical reports, in June of each calendar year.

- 5.3 Contractor commits to the Exploitation and economic recovery of the Hydrocarbons reserves in the Contract Area in accordance with the programs referred to in this Clause and current applicable regulations.
- 5.4 The Contractor is entitled to use in the Operations, the Hydrocarbons produced in the Contract Area, free of charge.
- 5.5 Contractor shall be entitled to recover the Liquid Hydrocarbons from any Natural Gas produced in the Contract Area and extract the Liquid Hydrocarbons at any cooling, compression, or handling stage of such Natural Gas.

Liquids thus separated shall be considered as Natural Gas Liquids for purposes of determining the royalty payable by Contractor, unless when for economic and operational reasons it is not possible to collect and they may be mixed with the Oil and to be audited together.
- 5.6 The Natural Gas not used by Contractor in Operations in accordance with Sub-clause 5.5, may be sold, re-injected into the reservoir or both. To the extent that the Natural Gas is not used, sold or re-injected, Contractor may burn it, with prior approval of the Ministry of Energy and Mines.
- 5.7 Should a commercially exploitable Oil Deposit or Deposits extend from the

Agreement Area to one or more adjacent areas, Contractor and the contractors who have contracted these areas should agree on a joint or common Exploitation plan. Failure to reach an agreement will result in the Ministry of Energy and Mines submitting the disputes to a technical committee of conciliation and its decision will be binding.

Also, if a commercially exploitable Oil Deposit or Deposits extend contiguously from the Contract Area to adjacent areas not assigned to a contractor or not under negotiation, contest, bidding process or in a contractor selection process and there is no limitation in terms of environmental protection, Contractor may request that these adjacent areas be incorporated into the Agreement Area, which will be duly evaluated by PERUPETRO, and if applicable, at its discretion, the corresponding modification shall proceed according to law.

- 5.8 Upon completion of drilling of a well, Contractor shall inform PERUPETRO about the testing program and estimated production. Tests must be initiated not later than three (3) months after completion of drilling, period which may be extended prior approval by PERUPETRO.
- 5.9 In November of each calendar year, Contractor shall submit to PERUPETRO the annual maintenance and calibration program for the measuring equipment and instruments used to measure the volume and determine the quality of the Hydrocarbons produced in the Agreement Area. PERUPETRO may at any time inspect and request the respective tests.

The measuring equipment and instruments shall be calibrated periodically as established in the regulations in force. PERUPETRO representatives may be present during these calibrations, to which end, such information shall be notified promptly by Contractor.

During the first two (02) years, Contractor shall install, at the Production Auditing Point, an automatic measuring system which should allow remote monitoring and control of production from the Block and which must meet the minimum requirements specified in the relevant technical standard as required by current regulations.

- 5.10 To determine the volume and quality of Audited Hydrocarbons, the Parties shall use the measurement procedure to be applied in the Production Auditing Point, which includes the following, among others:
- a) The frequency with which measurement shall be made.
 - b) Methods to be used for the auditing, measurement of field production volumes by Deposit, determination of their quality, as well as volume of hydrocarbons for consumption or own use.
 - c) Frequency of inspections, testing and calibration of measuring equipment and instruments.
 - d) Actions taken to make corrections, in case of determining a measurement error.

SIX: SUBMISSION OF REPORTS AND STUDIES

- 6.1 Contractor shall keep PERUPETRO permanently informed about its operations. All studies, information and processed and unprocessed data obtained by Contractors and Sub-contractors shall be shared with PERUPETRO.

Contractor has the right to use such information and data in order to develop and produce reports that other authorities may request. It also has the right to produce and publish reports and studies using such information and data.

- 6.2 All technical information, studies, processed and non-processed data, as well as results provided by Contractor to PERUPETRO under this clause shall be the best quality obtained by Contractor. When information and results are obtained using methods or systems of its exclusive property, Contractor shall not be required to disclose such methods or systems.
- 6.3 In March each year, Contractor shall submit to PERUPETRO copy of all geological and geophysical studies, the results and information obtained from the drilling and completion of wells, production and reservoir conditions related to the development of the Oil Deposits produced with technical information provided from the Agreement Area. Contractor shall also provide any clarification required by PERUPETRO in relation to such studies.
- 6.4 Contractor shall submit to PERUPETRO all information corresponding to the work program obligations before the expiry of each exploration stage period provided in Sub-clause 3.2.
- 6.5 Contractor shall submit to PERUPETRO the following reports:
 - 6.5.1 "Monthly Production Report ", not later than fifteen (15) Days after each calendar month, including the following:
 - a) Quantity and quality of each type of Hydrocarbons produced in the calendar month.
 - b) Quantity and quality of each type of Hydrocarbons produced from the Effective Date up to the end of the relevant calendar month.
 - c) Quantity and quality of natural gas re-injected and burned in the calendar month, as well as the cumulative amount from the Effective Date up to the end of the relevant calendar month.
 - d) Quantity and quality of each type of Hydrocarbons used in the Operations during the calendar month, as well as the cumulative amount from the Effective Date up to the end of the relevant calendar month.
 - e) Inventory level of each type of Hydrocarbons in the Transportation and Storage System at the beginning of the calendar month.
 - f) Quantity and quality of each type of Hydrocarbons sold, discriminating between domestic and foreign markets during the relevant calendar month.
 - g) Quantity and quality of each type of Hydrocarbons sold, discriminating between domestic and foreign markets from the Effective Date up to the end of the relevant calendar month.
 - 6.5.2 "Monthly Report of Revenues and Expenditures", not later than thirty (30) days after each calendar month, in the formats delivered by PERUPETRO for that purpose.
 - 6.5.3 "Social Monthly Report", not later than (30) Days after each calendar month in the formats delivered by PERUPETRO for that purpose.
 - 6.5.4 "Monthly Environmental Report, not later than (30) Days after each calendar month in the formats delivered by PERUPETRO for that purpose.

- 6.6 Upon request from PERUPETRO, Contractor shall deliver to PERUPETRO copy of all information provided to Banco Central de Reserva del Perú, in accordance to provisions set forth in Clause 11.
- 6.7 Within thirty (30) Days following the end of each calendar month Contractor shall deliver to PERUPETRO a list of the agreements entered into with its Sub-contractors during that month and submit, upon request, copies of the agreements that PERUPETRO may require.
- 6.8 Contractor shall notify PERUPETRO about the expiry of any corporate guarantees referred to in Sub-clause 3.5, as well as the declaration of insolvency, dissolution, liquidation or bankruptcy of the entity that issued any of the guarantees mentioned in the referred Sub-clause 3.5; within ten (10) Business Days following the occurrence of any of the cases previously mentioned
- 6.9 PERUPETRO or Contractor (*in the case of Consortium, each one of the companies constituting the Contractor*), may disclose information obtained from the Operations without approval from the other Party, in the following cases:
- a) To an Affiliate;
 - b) In connection with financing or insurance, signing a confidentiality agreement;
 - c) Insofar as it is required by law, regulation or resolution issued by a competent authority, including, without limitation, regulations or rulings of governmental authorities, insurance entities or stock exchange in which the securities of PERUPETRO or Contractor (*in case of Consortium, each one of the companies constituting the Contractor*) and the Affiliates of any of them, are listed
 - d) To consultants, accountants, auditors, financing entities, professionals, potential purchasers or assignees of PERUPETRO or of Contractor (*in the case of Consortium, each one of the companies constituting the Contractor*) or their respective Affiliates, or of a participation in the Contract, as may be necessary in connection with the Operations, signing a confidentiality agreement.

In such cases where the Parties agree to communicate certain confidential or proprietary information to third parties they must expressly indicate the nature of such information, so that it is not disclosed by such third parties.

- 6.10 PERUPETRO has the right to publish or otherwise disclose data and geological, scientific or technical reports, referring to the areas which the Contractor has released. For areas in operation, the above-mentioned right given shall be exercised upon expiry of the second Year after the information was received or earlier with the agreement of the parties.
- 6.11 The information Contractor delivers to PERUPETRO under the Contract and the applicable regulations shall be additionally delivered in digital form, at the same time of the physical delivery, according to the established forms provided in the Manual for Receipt and Delivery of Hydrocarbon Exploration and Exploitation Technical Information or the established form for each case.

SEVEN: SUPERVISION COMMITTEE

- 7.1 The Supervision Committee shall be constituted by three (3) members or their alternate members representing the Contractor, and by three (3) members or their alternate members representing PERUPETRO. A representative of

PERUPETRO shall preside over the Supervision Committee.

Such Supervision Committee shall be installed, and shall prepare and approve the operating regulations within thirty (30) Days following the Date of Execution.

- 7.2 The Supervision Committee shall have the following duties:
- a) Exchange and discussion between its members of any information related to the Operations, including social and environmental issues, to which end the parties shall designate the responsible professionals.
 - b) Supervise the execution of work programs referred to in Sub-clauses 4.2, 4.3 and 4.5.
 - c) Supervise the execution of the work programs referred to in paragraph 5.1.
 - d) Supervise the execution of the Operations. The Parties' representatives in the Supervision Committee may obtain the necessary counseling.
 - e) All other duties set forth in the Contract or as agreed by the Parties.
- 7.3 The Supervision Committee shall meet at the request of either Party and with the frequency established in their regulations. Minimum attendance of two members of each Party shall be required to convene the Supervision Committee.
- 7.4 Each Party shall assume the expenses incurred by the participation of their respective members in the Supervision Committee.
- 7.5 In the event a discrepancy should arise and persist in the Supervision Committee, each Party may request the technical or legal opinion as deemed convenient and shall submit same to the Supervision Committee in a special meeting. Should no agreement be reached at the special meeting, the matter shall be raised to the general management of the Parties for settlement in accordance to Sub-clause 21.2 of this Contract. In case discrepancies should persist, either Party may call for the Technical Conciliation Committee.

EIGHT: ROYALTY AND VALUATION

- 8.1 Contractor shall pay the royalty in cash based on Audited Hydrocarbons valued at one or more Production Auditing Points, as set forth in Sub-clauses 8.3, 8.4 and 8.5. In the event of loss, robbery or theft of Hydrocarbons, provisions set forth in Sub-clause 14.2 shall apply.
- 8.2 For the purposes herein, the following terms shall have the meaning indicated below:
- 8.2.1 **Transportation and Storage Cost:** is the cost expressed in Dollars per Barrel or Dollars per million BTU, as the case may be, comprising:
- a) the rate paid to third parties or the Estimated Rate, expressed in Dollars per Barrel or Dollars per million BTU, as the case may be, for the required transportation and storage of Audited Hydrocarbons from the Production Auditing Point to the point of sale or export, including storage at that point; and,
 - b) handling and dispatch expenses, as well as corresponding shipment of Audited Hydrocarbons up to the vessel's intake flange or to facilities required for sales operations.
- 8.2.2 **Valuation Period:** each calendar month fortnight, being understood that the first fortnight is the period comprised between the first and the fifteenth Day of

such calendar month, and the second fortnight is the remaining period until the end of such calendar month.

The Valuation Period may be extended or shortened by agreement of the Parties, and as allowed by the applicable legal provisions.

8.2.3 **Audited Liquid Hydrocarbons per Oil Deposit:** Amount of Liquid Hydrocarbons calculated separately per Oil Field in each Valuation Period by multiplying Audited Liquid Hydrocarbons by the ratio resulting from dividing Liquid Hydrocarbons produced by each Oil Field by the Liquid Hydrocarbons produced in the Contract Area in such Valuation Period.

The Liquid Hydrocarbon volume produced in the Contract Area shall be assigned to each oil field as stipulated in the measurement procedure in accordance to provisions set forth in Sub-clause 5.10.

8.2.4 **Basket Price:** Price expressed in Dollars per Barrel, representing the FOB value at the Peruvian port of export, determined in accordance with paragraph 8.4.2 for Audited Condensates and paragraph 8.4.3 for Audited Natural Gas Liquids.

8.2.5 **Realized Price:** Price expressed in Dollars per million BTU, determined in accordance with paragraph 8.4.4, effectively paid or payable by a purchaser to Contractor for Audited Natural Gas, which shall include any other concept directly derived from the sale of Audited Natural Gas and the volume of Audited Natural Gas effectively delivered.

The following shall not be considered for the Realized Price calculation:

- a) any payment resulting from the conciliations of Natural Gas volumes contained in the respective sales agreement; and,
- b) Value Added Tax (IGV), Excise Tax, Municipal Promotion Tax and/or any other consumption tax.

8.2.6 **Estimated Rate:** cost expressed in Dollars per Barrel or Dollars per million BTU, as the case may be, for the transportation from a Production Auditing Point to a point of sale or export or other third party's pipeline. Such cost must consider concepts, methodologies and procedures referred to in the "Regulations for Hydrocarbon Transportations by Pipeline" as modified or superseded; in the case of transportation by river, the Parties shall provide the procedure to be applied.

8.2.7 **Value of Audited Oil:** is the result of multiplying the Audited Oil of an oil field during a Valuation Period calculated as indicated in paragraph 8.2.3, by the Audited Oil Basket Price for such period, calculated as indicated in Item b) of Paragraph 8.4.1, Price after deducting Transportation and Storage Cost, as the case may be.

8.2.8 **Value of Audited Condensates:** is the result of multiplying the Audited Condensates of a Valuation Period by the Basket Price of the Audited Condensates for such period, after deducting the Transportation and Storage Cost, as the case may be.

8.2.9 **Value of Audited Natural Gas Liquids:** is the result of multiplying Audited Natural Gas Liquids of a Valuation Period by the Basket Price of the Audited Natural Gas Liquids for such period, after deducting the Transportation and Storage Cost, as the case may be.

8.2.10 **Value of the Audited Natural Gas:** is the result of multiplying Audited Natural Gas, in terms of its caloric content, in million BTU, for a Valuation Period by the Realized Price for such Period, after deducting the Transportation and Storage

Cost, as the case may be.

8.3 The methodology to be applied to determine the royalty for Audited Oil that Contractor has to pay shall be the Cumulated Production per Oil Deposit with Price adjustment, and for each Valuation Period procedure shall be as follows:

8.3.1 The Royalty (expressed in percentage) shall be fixed for each Oil Field based on the accumulated production, subject to price adjustment according to the weighted average price per barrel, corresponding to the production of such Oil Field.

The percentage values for Base Royalty, Base Price and K_2 Constant are as follows:

Type of Oil /Fields	Pb (US\$)	Base Royalty
Light	80.00	35.00%
Heavy	80.00	25.00%

These values shall be adjusted as follows:

Royalty Percentage (%) to be applied = F x base Royalty Percentage

Where:

$$F = 1 - (P_i - P_b) \times K_2$$

F = Base Royalty adjustment percentage factor that allows determining the Royalty for a specific Weighted Average Price.

P_i = Cumulative Weighted Average Price per barrel.

It is determined by dividing the aggregate of the Audited Hydrocarbon Liquids multiplication per Oil Field of each Valuation Period by the corresponding Price determined per oil field (according to Item b), paragraph 8.4.1), from the first to the last Valuation Period, by the aggregate of Audited Hydrocarbon Liquids per Oil Field in the same period.

P_b = Base Price established for the Base Royalty percentage.

K_2 = Constant that determines variation curve of the Base Royalty percentage with respect to prices higher and lower than the base Price. The following constants shall be applied, according to P_i :

For P_i higher than US\$ 80, K_2 the value for Heavy Oil shall be -0.0055, and for light Oil -0.0040; for P_i lower than US\$ 80, K_2 value for heavy Oil shall be -0.0070, and for light Oil -0.0050.

Royalty percentage shall be determined and rounded to two (2) decimal digits, in no case this shall be less than 20%.

8.3.2 To determine the royalty of Audited Oil, the Value of Audited Oil (per Oil Field) shall be multiplied by the royalty percentage determined under Paragraph 8.3.1.

8.3.3 To determine the royalty of Audited Condensates, the Value of Audited Condensates shall be multiplied by the royalty percentage determined under Paragraph 8.3.1.

8.3.4 To determine the royalty of Audited Natural Gas Liquids, the Value of Audited

Natural Gas Liquids shall be multiplied by the royalty percentage determined under Paragraph 8.3.1..

- 8.3.5 To determine the royalty of Audited Natural Gas, the Value of Audited Natural Gas shall be multiplied by the royalty percentage determined under Paragraph 8.3.1.

Royalties calculated in accordance with Paragraphs 8.3.2, 8.3.3, 8.3.4 and Sub-clause 8.3 shall be rounded to two (2) decimal digits.

- 8.4 For the purpose of the Contract, the Price of each type of Audited Hydrocarbons of each Oil Field shall be expressed in Dollars per Barrel or Dollars per million BTU, as the case may be, and shall be determined as indicated below:

- 8.4.1 To determine Audited Oil Basket Price, the following procedure shall be used:

- a) The Oil basket must include a maximum of four (4) components and comply with the following specifications:

1. Quality must be similar to that of the Oil to be measured at a Production Auditing Point;
2. Quotations must appear regularly in the "Platts Oilgram Price Report" or in another source recognized by the oil industry and agreed by the Parties; and,
3. They must be competitive in the market or markets where Oil measured at a Production Auditing Point could be sold.

- b) On the Effective Date, the basket will be comprised by the following components:

- *Castilla (Colombia) of 18.8° API and 1.96 %S*
- *Napo (Ecuador) of 19.0° API and 2.1 %S*

In order to assign the price for each crude oil produced by an Oil Field corresponding to a valuation period, an adjustment factor must be determined for API gravity, and the following averages shall be used as highest and lowest levels:

- i) Highest level, average quotation for the following Liquid Hydrocarbons:

- *Vasconia (Colombia) of 24.5° API*
- *Escalante (Argentina) of 24.1° API*
- *Mesa 30 (Venezuela) of 30.0° API*

Which arithmetic API average is: 26.20° API

- ii) Lowest level, average quotation for the following Liquid Hydrocarbons:

- *Castilla (Colombia) of 18.8° API*
- *Napo(Ecuador) of 19.0° API*

Which arithmetic API average is: 18.9 °API.

The API gravity adjustment factor shall be determined by the ratio of the difference of the average prices of both quotations, with their respective average API gravity degrees difference, as reported by Platts in the METHODOLOGY AND SPECIFICATIONS GUIDE – Crude Oil (Latest Update at the Valuation Period closing date.)

The final hydrocarbons price per Oil Field shall be determined by interpolation or extrapolation, considering the following:

- When crude oil API produced is higher than the highest level: It shall be extrapolated over the highest level applying 50% of the adjustment

factor for API gravity.

- When value of API crude oil produced is intermediate between both levels: it shall be interpolated over the lowest level applying 100% of the adjustment factor for API gravity.
- When value of API crude oil produced is lower than the lowest level: it shall be extrapolated beneath the lowest level applying 5% of the adjustment factor for API gravity.

- c) If necessary, the Parties shall enter into a “Valuation Agreement” where they will establish the terms and conditions additional to those detailed in this Sub-clause and which may be required for the proper application thereof.

The “Valuation Agreement” shall contain the adjustment procedures that may be required for quality reasons. Quality adjustments shall consider rewards and/or penalties for improved and/or degraded quality of Audited Oil with respect to the quality of the components that make up the basket. Likewise, the “Valuation Agreement” shall establish the effective term and periodicity with which the methods and procedures agreed are to be revised, in order to guarantee a realistic determination of Audited Oil prices at all times. . If any of the Parties should at any time consider that the application of the methods and procedures established in the “Valuation Agreement” does not result in a realistic determination of the Audited Oil value, the Parties may agree to apply other methods and procedures that may effectively produce such result.

- d) Every six (6) months or earlier, if requested by either Party, the Parties may revise the basket established for the valuation of Audited Oil, to verify compliance with the previously listed conditions. If it should be verified that any of such conditions is no longer met, the Parties shall modify the basket within thirty (30) Days following the date on which revision of the basket was initiated. If upon completion of this term the Parties should fail to agree on a new basket, provisions set forth in Paragraph 8.4.5 shall apply.

If a significant variation should be verified in the API gravity (weighted average) sulfur content, or any other element that measures the quality of the Audited Oil with respect to the quality of the basket components (simple arithmetical average) the Parties shall modify the composition of the basket to reflect the quality of the Audited Oil.

- e) If the “Platts Oil gram Price Report” or any publication that may replace same should no longer be published, the Parties shall agree on another publication to replace it. If no other publication were available as reference, the Parties shall agree on the procedure to be followed to price-fix the basket.
- f) In the event one or some of the components comprising the basket should no longer be quoted, the Parties shall agree the component(s) that will replace it/them, which shall be similar to the ones replaced. As long as the Parties reach an agreement on the replacing basket components the Basket Price shall be determined as provided in this paragraph, excluding from the basket those components no longer quoted. Once the replacement of the component(s) for the basket has been agreed, the respective adjustment shall be made retroactively to the Valuation Period corresponding to the date when the absence of the quotation for such component(s) occurred.

- g) If any one or more components comprising the basket should be quoted in a currency other than US Dollars, such prices shall be converted into Dollars at the exchange rates in force on the dates of each of the referred quotations. The exchange rates to be used shall be the average of the exchange rates quoted by Citibank N.A. New York, New York, or lacking this institution, the Parties shall agree on another one that may represent an adequate replacement.
- h) The Basket Price to be used to calculate the Audited Oil valuation and the highest and lowest Levels in a Valuation Period shall be determined as follows:
1. The average price for each component comprising the basket is determined by calculating the arithmetic mean of their quotations published in the Valuation Period. Only the Days on which all the basket components were quoted shall be considered. It is hereby understood that if two or more quotations appear in a regular edition of "Platts Oil gram Price Report" or the publication selected by the Parties for the same basket component, the quotation closest to the publication date ("Prompt Market") shall be used; and,
- 8.4.2 The procedure to determine the Basket Price for Audited Condensates shall be as set forth in Paragraph 8.4.1, as applicable. The Parties may agree the necessary adjustments for the Basket Price to best reflect the value for the Audited Condensates.
- 8.4.3 The procedure to determine the Basket Price for Audited Natural Gas Liquids shall be as set forth in Paragraph 8.4.1, as applicable. The Parties may agree the necessary adjustments for the Basket Price to best reflect the value for the Audited Natural Gas Liquids.
- 8.4.4 The price for Audited Natural Gas shall be represented by the Realized Price, which shall reflect the selling price in the domestic market or at an export point within the national territory, as the case may be. The minimum Realized Price to be applied shall be US\$ 0.060 per MMBTU. Copy of the Natural Gas supply or sales agreement shall be submitted to PERUPETRO within ten (10) Days after being signed.
- 8.4.5 If the Parties should be unable to reach any of the agreements considered in this Sub-clause, the provisions set forth in Paragraph 21.2 shall apply.
- 8.4.6 Insofar as an agreement is not reached as provided for in Items e) and f) of Paragraph 8.4.1, or a definite determination of the basket is not made, adequate adjustments shall be made immediately, including interest as provided in Sub-clause 19.6 Item b), and payment according to such determination shall be made within thirty (30) Days following submission of the respective invoice according to final determination or agreement, so that the Parties are in the same situation they would be if they had reached an agreement on the basket or if the determined basket had been in force during the corresponding period.
- 8.5 Royalty payment shall be made in Dollars not later than the second Business Day after the end of the corresponding fortnight, and PERUPETRO shall issue the respective certificate in the name of Contractor, according to law. The volume of Audited Hydrocarbon for each fortnight shall be documented with the respective audit notes.
- 8.6 If Contractor should fail to pay to PERUPETRO the royalty amount, in whole or in part, within the term provided in Sub-clause 8.5, Contractor shall make available to PERUPETRO the Hydrocarbons of its property, extracted from the

Agreement Area, in the place, form and conditions indicated by PERUPETRO in the amount required to cover the amount owed, plus expenses incurred and corresponding interest as provided for in Sub-clause 19.6.

- 8.7 The Royalty to be paid by Contractor under the Contract, while the Parties agree the replacing Liquid Hydrocarbons for the Basket, shall be determined as set forth in Sub-clause 8.3, excluding from the current basket those components no longer quoted. Upon agreement of Liquid Hydrocarbons to be replaced for the Basket, the corresponding adjustment shall be made retroactively as of the date when the elements ceased.
- 8.8 If PERUPETRO and Contractor should fail to reach an agreement to determine the Basket for the purpose of Sub-clause 8.4, the Parties may agree to submit such discrepancy for consideration of the Technical Conciliation Committee or the provision set forth in Clause 21 shall apply.
- 8.9 Insofar as no agreement is reached in regards to Sub-clause 8.4, or the Technical Conciliation Committee does not issue an arbitral award, the basket to be used, pursuant to Paragraph 8.3.2, as the case may be, shall be the last basket determined in accordance to Sub-clause 8.4.
- 8.10 Once an agreement is reached pursuant to Sub-clause 8.4, or a final determination is made for the basket, adequate adjustments shall immediately be made including interests established in Sub-clause 19.6 and corresponding payments shall be made, so that the Parties are in the same situation they would be, if they had reached an agreement on the basket or if the determined basket had been in force during the corresponding period.

NINE - TAXES

- 9.1 Contractor (*if a Consortium, each of the companies constituting the Contractor*) is subject to the common tax regime of the Republic of Peru, which includes the common Income Tax regime as well as the specific provisions set forth in Law 26221 in that regard, in force on the Date of Execution.

The State, through the Ministry of Economy and Finance, guarantees Contractor (*if a Consortium, each of the companies constituting the Contractor*) the benefit of tax stability throughout the Effective Term of the Contract; accordingly, Contractor (*if a Consortium, each of the companies constituting the Contractor*) shall remain subject only to the tax regime in force on the Date of Execution, as established in the "Regulations on Tax Stability Guarantee and related Tax Provisions in Law 26221, Organic Law on Hydrocarbons Guarantee", approved by Supreme Decree 32-95-EF, in the "Law that regulates Stability Agreements with the State under Sector Laws - Law 27343", as applicable and in the " Updating on the Hydrocarbons Law - Law 27377".

- 9.2 Export by Contractor (*if a Consortium, each of the companies constituting the Contractor*) of Hydrocarbons from the Contract Area, is exempt from any and all Taxes, including those that require express mention.
- 9.3 Payment of the oil production royalties (canon) and overriding royalties (sobre canon) and profit participation shall be borne by PERUPETRO.
- 9.4 Pursuant to the legal provisions in force, Contractor shall pay taxes applicable to import of goods and supplies required by Contractor to perform the Operations according to Law.
- 9.5 Pursuant to the provisions in Section 87 of the Tax Code, Contractor (*if a Consortium, each of the companies constituting the Contractor*) may carry its accounting records in US Dollars and, therefore, determination of the applicable

tax base for its account and the amount of such Taxes and payment thereof shall be executed according to Law.

TEN - CUSTOMS DUTIES

10.1 Contractor is authorized to import, in final or temporary form, pursuant to the legal provisions in force, any goods required for the economic and efficient performance of the Operations.

10.2 Contractor may import on a temporary basis, for a period of two (2) Years, goods required for its activities, with Import Taxes suspended, including such taxes that require express mention; and, in the event an extension should be required, Contractor shall request them to PERUPETRO for one-year periods up to two (2) times and PERUPETRO shall take care of the formalities with the Bureau of Hydrocarbons, to obtain the corresponding Directorate Resolution. With the above-mentioned document, the National Superintendence of Tax Administration or the entity that may replace it, shall authorize the extension of the Temporary Admission Regime for Re-export in the same conditions.

The procedure, the requirements and guarantees for application of the Temporary Admission Regime for Re-export in the same conditions, shall be subject to the provisions contained in the General Customs Law, as amended, and its regulations.

10.3 Taxes corresponding to import of goods and supplies required by Contractor for Exploitation activities and for Exploration activities during the exploitation stage, shall be borne by importer.

ELEVEN.- FINANCIAL RIGHTS

11.1 Guarantee from the State

Banco Central de Reserva del Perú participates in the Contract pursuant to the provisions of Law 26221 and of Executive Order 668, to grant the Contractor, on behalf of the State, the guarantees set forth herein, pursuant to the legal system in force on the Date of Execution.

The guarantees granted in this clause are also valid in the event of assignment, subject to the Law on Hydrocarbons and to this Contract.

11.2 Foreign Exchange

Banco Central de Reserva del Perú, on behalf of the State and in compliance with the legal provisions in force on the Date of Execution, guarantees Contractor that it shall be entitled to the foreign exchange regime in force on the Date of Execution and, consequently, Contractor shall be entitled to the availability, possession, use and disposition, internal and external, of foreign currency, as well as to the unrestricted convertibility of domestic and foreign currency in the foreign exchange market according to the supply and demand market, in the terms and conditions set forth herein.

In this respect, Banco Central de Reserva del Perú, guarantees Contractor, on behalf of the State, pursuant to the legal framework in force on the Date of Execution, the following:

a) Free disposal by Contractor of up to one hundred per cent (100%) of the

currency generated by its exports of Audited Hydrocarbons, which Contractor may dispose of directly in its bank accounts in the country or abroad.

- b) Free disposal and right to freely convert into foreign currency up to one hundred per cent (100%) of the domestic currency resulting from its sales of Audited Hydrocarbons to the domestic market and the right to deposit in its bank accounts in the country or abroad, both the foreign and domestic currency.
- c) Right to hold, control and operate bank accounts in any currency, both in the country and abroad, hold the control and free use of such accounts and to hold and freely dispose abroad of such funds in those accounts with no restriction whatsoever.
- d) Without prejudice to the foregoing, the right for the Contractor to freely dispose of, distribute, remit or retain abroad, without restriction whatsoever, its annual net earnings, as determined according to law.

11.3 Currency availability and conversion

It is hereby agreed that Contractor shall recur to the entities within the financial system established in the country for conversion of currency referred to in item b) of Sub-clause 11.2.

If the above-mentioned entities should be unable to provide availability of such currency, in whole or in part, Banco Central de Reserva del Perú guarantees that it will provide the required currency.

To that end, Contractor shall address the Central Bank in writing, forwarding photocopy of letters received from not less than three (3) entities from the financial system, informing Contractor of the impossibility to meet its currency requirements, in whole or in part.

The letters from the financial system entities shall be valid for two Business Days following their date of issue.

Before 11 am of the Business Day following the presentation of the above-mentioned documents, the Central Bank shall advise Contractor the foreign exchange rate to be used for the required conversion, which shall be valid provided that Contractor delivers during that same day the equivalent value in domestic currency.

If for any reason, Contractor should fail to deliver the equivalent value as required above, Banco Central de Reserva del Perú shall advise Contractor on the next Business Day, within the same time limit, the foreign exchange rate that shall prevail for the conversion if effected during that day.

Notwithstanding the foregoing, if Banco Central de Reserva del Perú should verify in a timely manner that such availability may not be met, in whole or in part, by the previously mentioned entities, it shall notify Contractor so that it may call upon Banco Central de Reserva del Perú with the corresponding domestic currency in order to complete the currency conversion operation.

11.4 Modification to the Foreign Exchange Regime

Banco Central de Reserva del Perú, in representation of the State, guarantees that the regime contained in this clause shall continue to apply to Contractor throughout the Effective Term of the Contract.

If for any reason the foreign exchange rate should not be determined by the supply and demand market, the applicable exchange rate for Contractor shall

be as follows:

- a) If a single official exchange rate, of equal value for all foreign currency or related operations, should be established, such official exchange rate shall be the one used under the Contract.
- b) If a differentiated or multiple exchange rate regime should be established or if different values should be given to a single exchange rate, the exchange rate to be used for all Contractor's operations shall be the highest one with respect to the foreign currency.

11.5 Application of other legal provisions

The guarantees granted by Banco Central de Reserva del Perú to Contractor shall subsist throughout the Effective Term of the Contract.

Contractor shall have the right to recur to, in full or in part, as deemed pertinent, to new legal provisions on foreign exchange or exchange rate regulations that may be issued during the Effective Term of the Contract, including such provisions addressing exchange rate issues not foreseen in this clause, provided they have a general nature or are applicable to the Hydrocarbons activity. Recurring to the referred new provisions or regulations shall not have any effect on the effectiveness of the guarantees mentioned in this clause or on the exercise of such guarantees that refer to aspects other than those provided for in the new provisions or regulations recurred to by Contractor.

It is expressly agreed that Contractor may, at any time, resume the guarantees that Contractor opted not to use temporarily and that resumption of such guarantees does not create rights or obligations for Contractor with respect to the period during which Contractor recurred to the referred new provisions or regulations.

Furthermore, it is specified that resuming such guarantees does not affect those or the other guarantees, nor does it create additional rights or obligations for Contractor.

The decision by Contractor to recur to the new legal provisions on foreign exchange or foreign exchange regulations, as well as Contractor's decision to resume the guarantees set aside temporarily, must be informed to Banco Central de Reserva del Perú and to PERUPETRO in writing.

The provisions set forth in this Sub-clause are without prejudice to the provisions set forth in the first paragraph of Sub-clause 11.4.

11.6 Economic information

Contractor shall submit information to Banco Central de Reserva del Perú regarding its economic activity on a monthly basis, pursuant to the provisions of Section 74 of the Organic Law of the Bank, approved by Executive Order DL 26123.

IF CONTRACT FOR THIS BLOCK IS AWARDED TO A CONSORTIUM, SUB-CLAUSES 11.1 TO 11.6 SHALL READ AS FOLLOWS:

11.1 Guarantee from the State

Banco Central de Reserva del Perú participates in the Contract pursuant to the provisions of Law 26221 and of Executive Order 668, to grant on behalf of the State, each of the companies constituting the Contractor, the guarantees set

forth herein, pursuant to the legal system in force on the Date of Execution.

The guarantees granted in this clause are also valid for the Assignee in the event of assignment, subject to the Law on Hydrocarbons and to this Contract.

11.2 Foreign Exchange

Banco Central de Reserva del Perú, on behalf of the State and in compliance with the legal provisions in force on the Date of Execution, guarantees each of the companies constituting the Contractor that it shall be entitled to the foreign exchange regime in force on the Date of Execution and, consequently, each of the companies constituting the Contractor shall be entitled to the availability, possession, use and disposition, internal and external, of foreign currency, as well as to the unrestricted convertibility of domestic and foreign currency in the foreign exchange market according to the supply and demand market, in the terms and conditions set forth herein.

In this respect, Banco Central de Reserva del Perú, guarantees each of the companies constituting the Contractor, on behalf of the State, pursuant to the legal framework in force on the Date of Execution:

- a) Free disposal of up to one hundred per cent (100%) of the currency generated by its exports of Audited Hydrocarbons, which may be disposed of directly in their bank accounts in the country or abroad.*
- b) Free disposal and right to freely convert into foreign currency up to one hundred per cent (100%) of the domestic currency resulting from their sales of Audited Hydrocarbons to the domestic market and the right to deposit in their bank accounts in the country or abroad, both the foreign and domestic currency.*
- c) Right to hold, control and operate bank accounts in any currency, both in the country and abroad, hold the control and free use of such accounts and to hold and freely dispose abroad of such funds in those accounts with no restriction whatsoever.*
- d) Without prejudice to the foregoing, the right to freely dispose of, distribute, remit or retain abroad, without restriction whatsoever, their annual net earnings, as determined according to law.*

11.3 Currency availability and conversion

It is hereby agreed that each of the companies constituting the Contractor shall recur to the entities within the financial system established in the country for conversion of currency referred to in item b) of Sub-clause 11.2.

If the above-mentioned entities should be unable to provide availability of such currency, in whole or in part, Banco Central de Reserva del Perú guarantees that it will provide the required currency.

To that end, each of the companies constituting the Contractor shall address the Central Bank in writing, forwarding photocopy of letters received from not less than three (3) entities from the financial system, informing of the impossibility to meet their currency requirements, in whole or in part.

The letters from the financial system entities shall be valid for two Business Days following their date of issue.

Before 11 am of the Business Day following the presentation of the above-mentioned documents, the Central Bank shall advise the respective company of Contractor the foreign exchange rate to be used for the required conversion,

which shall be valid provided the respective company delivers during that same day the equivalent value in domestic currency.

If for any reason, the referred company should fail to deliver the equivalent value as required above, Banco Central de Reserva del Perú shall advise such company on the next Business Day, within the same time limit, the foreign exchange rate that shall prevail for the conversion if effected during that day.

Notwithstanding the foregoing, if Banco Central de Reserva del Perú should verify in a timely manner that such availability may not be met, in whole or in part, by the previously mentioned entities, it shall notify the respective company so that it may call upon Banco Central de Reserva del Perú with the corresponding domestic currency in order to execute the currency conversion operation.

11.4 Modification to the Foreign Exchange Regime

Banco Central de Reserva del Perú, in representation of the State, guarantees that the regime contained in this clause shall continue to apply to each of the companies constituting the Contractor throughout the Effective Term of the Contract.

If for any reason the foreign exchange rate should not be determined by the supply and demand market, the applicable exchange rate for each of the companies constituting the Contractor shall be as follows:

- a) If a single official exchange rate, of equal value for all foreign currency or related operations, should be established, such official exchange rate shall be the one used under the Contract.*
- b) If a differentiated or multiple exchange rate regime should be established or if different values should be given to a single exchange rate, the exchange rate to be used for all operations of each of the companies constituting the Contractor shall be the highest one with respect to the foreign currency.*

11.5 Application of other legal provisions

The guarantees granted by Banco Central de Reserva del Perú to each of the companies constituting the Contractor shall subsist throughout the Effective Term of the Contract.

Each of the companies constituting the Contractor shall have the right to recur to, in full or in part, as deemed pertinent, to new legal provisions on foreign exchange or exchange rate regulations that may be issued during the Effective Term of the Contract, including such provisions addressing exchange rate issues not foreseen in this clause, provided they have a general nature or are applicable to the Hydrocarbons activity. Recurring to the referred new provisions or regulations shall not have any effect on the effectiveness of the guarantees mentioned in this clause or on the exercise of such guarantees that refer to aspects other than those provided for in the new provisions or regulations recurred to by the respective company.

It is expressly agreed that the referred company may, at any time, resume the guarantees that it opted not to use temporarily and that resumption of such guarantees does not create rights or obligations for it with respect to the period during which it recurred to the referred new provisions or regulations.

Furthermore, it is specified that resuming such guarantees does not affect those or the other guarantees, nor does it create additional rights or obligations for the

respective company.

The decision by the company to recur to the new legal provisions on foreign exchange or foreign exchange regulations, as well as its decision to resume the guarantees set aside temporarily, must be informed to Banco Central de Reserva del Perú and to PERUPETRO in writing.

The provisions set forth in this Sub-clause are without prejudice to the provisions set forth in the first paragraph of Sub-clause 11.4.

11.6 Economic information

Each of the companies constituting the Contractor shall submit information to Banco Central de Reserva del Perú regarding its economic activity on a monthly basis, pursuant to the provisions of Section 74 of the Organic Law of the Bank, approved by Executive Order DL 26123.

TWELVE.- WORKERS

12.1 By the end of the fifth Year counted as of the Effective Date, Contractor shall have replaced all its foreign personnel with Peruvian personnel with equivalent professional qualifications. Exception is made in this regard with cases foreseen in the labor provision concerning alien employment.

Contractor agrees to train the Peruvian personnel in the execution of technically specialized work, so that the Peruvian personnel may gradually replace the foreign personnel in the execution of such work.

12.2 On start-up of Operations and at the end of each calendar year, Contractor shall submit to PERUPETRO the information concerning its personnel, in the form that PERUPETRO shall provide Contractor.

12.3 Contractor is committed to promote personnel hiring from communities or community entities located in the Contract Area, providing such personnel complies with the service requirements to be developed and is available when such service is required; for such purposes, Contractor shall observe the labor regulations in force.

THIRTEEN.- ENVIRONMENTAL PROTECTION AND COMMUNITY RELATIONS

13.1 Contractor agrees to comply with the environmental regulations, the rights of Indigenous Peoples, community relations and citizens' participation in force in the country, as well as with all obligations assumed in its environmental studies and supplementary environmental management instruments.

13.2 Contractor shall release and indemnify and hold Contracting Party and the State harmless from any claim, legal action or any other third-party burdens or liabilities that may result from its activities and relations performed under the Contract, generated from any relation, in or outside the contract, except for those originated by actions of the Contracting Party or of the State.

13.3 Contractor shall use modern techniques available in the international trade practices, observing environmental Laws and regulations and all regulations concerning environmental contamination prevention and control applicable to the Operations.

13.4 Upon ceasing to operate a well, equipment and facility or ceasing any exploration and/or exploitation activity, Contractor shall immediately notify PERUPETRO and shall be responsible for preparing and executing the corresponding abandonment or environmental program corresponding to the

closure of the activities. If expiry of Contract should be close, provisions foreseen in Sub-clause 13.6 shall apply.

- 13.5 Contractor shall be responsible for remediation, decontamination, restoration, rehabilitation and reforestation, as applicable, of the areas that may be affected or contaminated as a result of the Operations, and shall assume all the costs generated thereof.
- 13.6 The Abandonment program that Contractor shall submit to the competent authority responsible at the time of expiry of the Effective Term of the Contract, must be presented for evaluation in a period prior to expiring the fifth Year of the Effective Term of the Contract, under administrative penalty by the Environmental Enforcement Authority. The purpose is that such programs may be evaluated, approved, executed and monitored prior to expiry of the Effective Term of the Contract, as set forth in Section 104 of the Environmental Protection Regulations applicable to Hydrocarbon Activities, approved by Executive Order DS 039-2014-EM.
- 13.7 The remediation of environmental liabilities identified by the competent authority, generated by operations under the License Contract for Hydrocarbons Exploitation in Block 1-AB (formerly Block 1-AB Risk Oil Service Contract), shall be the responsibility of the Party the competent authority may determine, pursuant to provisions set forth in Law 29134, which regulates Environmental Liabilities in the Hydrocarbons Subsector and Regulations thereof, as well as the amending, complementary and supplementary provisions thereof.
- 13.8 Prior to start-up of Operations, Contractor must pursue and enter into any public or private easement agreements that may be required under Title VII of the Regulations on Hydrocarbons Exploration and Exploitation Activities approved by Executive Order DS 032-2004-EM and amending, complementary and supplementary provisions thereof.
- 13.9 Contractor agrees to respect any agreement entered into by and between the State and Indigenous Peoples as a result of the prior consultation process carried out before enactment of Executive Order that approves the License Contract for Hydrocarbons Exploitation in Block 192, and which was held within the framework of the Law on the Previous Consultation Right of Indigenous or Native Peoples recognized by Convention 169 of the International Labor Organization, Law 29785 and Regulations thereof, approved by Executive Order DS-001-2012-MC.
- If no agreement should be reached, Contractor agrees to abide by the measures given by PERUPETRO S.A. in its capacity as promoting entity, in order to guarantee the Indigenous Peoples' collective rights, as well as their right to life, integrity and comprehensive development, promoting improvement of their quality of life, as provided for by the laws on the matter.
- 13.10 During the course of the Operations, Contractor agrees to respect the rights of Indigenous Peoples within the Contract Area.
- 13.11 Contractor is responsible for any and all abandonment activities, including compliance verification approval by the audit entity, even beyond the expiry of the Effective Term of the Contract. Likewise, shall keep PERUPETRO informed on the progress of the activities, on a monthly basis.
- 13.12 A copy of any contract, contract, minutes or commitment of social nature signed by Contractor with any person, institution, organization, federation or community in general, related to the Operations, shall be forwarded to PERUPETRO within fifteen (15) Days after being signed.

- 13.13 Contractor shall provide PERUPETRO digital copy of any environmental study or supplementary environmental management instrument as from its submission to the competent authority, as well as copy of all documents submitted and received during evaluation and approval thereof.

FOURTEEN.- HYDROCARBONS CONSERVATION AND LOSS PREVENTION.

- 14.1 Contractor shall adopt any and all safety measures necessary to prevent the theft and robbery of the Hydrocarbons, as well as measures to prevent the loss or wastage on the surface or underground in any way, during the Exploration and Exploitation activities.
- 14.2 In case of theft, robbery or loss of Hydrocarbons on the surface, before the Auditing Point, in or outside the Contract Area, Contractor must report the event immediately to PERUPETRO, indicating the estimated volume and the actions taken to remedy the causes thereof. PERUPETRO has the right to verify the spillage volume and to analyze the causes.

In case of theft, robbery or loss of Hydrocarbons on the surface, before the Auditing Point, in or outside the Contract Area, the volume shall be appraised according to Clause 8 and included in the royalty calculation for the valuation period when such situation is determined, without prejudice to the provision in Sub-clause 13.1.

FIFTEEN.- TRAINING AND TECHNOLOGY TRANSFER

- 15.1 In compliance with provisions set forth in Section 29 of Law 26221, Contractor agrees to make available to PERUPETRO the following amount, in each calendar year throughout the Effective Term of the Contract:

Item	AUDITED HYDROCARBONS ANNUAL AVERAGE (B/D)	Annual contribution (in US\$)
	Barrels per day	
	0 to 30,000	100,000.0
	30,001 to 50,000	120,000.0
	50,001 and above	180,000.0

First payment shall be made on the Date of Execution, for an amount that shall be determined by multiplying the annual contribution corresponding to the first tranche by the fraction resulting from dividing the number of Days until completion of the current calendar year by three hundred and sixty-five (365).

The annual training contribution shall be the one corresponding to the tranche where the average daily production of the previous calendar year of Audited Hydrocarbons falls and shall be obtained by dividing the total volume of Audited Hydrocarbons for that year by the corresponding number of Days.

Payments referred to in this Sub-clause shall be made during the month of January of each calendar year, except for the first payment.

The following formula shall be used to determine Barrels/Day equivalence in the

case of Natural Gas production: Barrels shall be equivalent to the volume of Natural Gas expressed in standard cubic feet, divided by the factor five thousand six hundred and twenty-six (5,626).

- 15.2 Contractor shall comply with its obligations set forth in Sub-clause 15.1, depositing the contribution in the account of the Administrative Committee for Training Resources - CAREC, as indicated by PERUPETRO.

PERUPETRO shall confirm payment to Contractor in writing.

- 15.3 Contractor agrees, during the Effective Term of the Contract, to design and implement an annual program for pre-professional and/or professional internships. Within ninety (90) Days before the end of each calendar year, Contractor shall submit to PERUPETRO the programs that will be implemented the following calendar year and during the month of January of each calendar year, the program executed the previous year.

- 15.4 Contractor agrees to establish and execute training programs for its personnel both in the country and abroad and shall inform PERUPETRO accordingly during the month of January of each calendar year.

SIXTEEN.- ASSIGNMENT

- 16.1 If Contractor (*in case of a Consortium, any of the companies that constitute the Contractor*) should reach an agreement with a third party to assign its position in the Contract or to associate in the Contract, Contractor shall notify PERUPETRO of such agreement and shall accompany such notice with a request for qualification of the assignee or third party. The referred assignee or third party must comply with attaching the information that may be required to qualify as an oil company according to law.

If PERUPETRO grants the requested qualification, the assignment or association shall be executed through amendment of the Contract, according to law.

- 16.2 Prior notification to PERUPETRO, Contractor (*in case of a Consortium, any of the companies that constitute the Contractor*) may assign its position in the Contract or enter into an association with an Affiliate, according to law.

- 16.3 If any of the companies that constitute the Contractor should assign its contractual position or enter into an association with a third party, as provided for herein, the assignee or third party shall grant all the guarantees and assume all corresponding rights, responsibilities and obligations derived from the Contract, including responsibilities over areas affected or contaminated as a result of the Operations.

- 16.4 The assignment shall be executed in Peru and shall be governed by the Peruvian laws.

- 16.5 (In case *Petróleos del Perú - PETROPERÚ S.A.* participates) *Petróleos del Perú - PETROPERÚ S.A.* must keep, during the first period of the exploitation of the Contract, a participation of not less than the percentage assumed on the date of such Assignment.

SEVENTEEN.- UNFORESEEABLE EVENT OR FORCE MAJEURE

- 17.1 Neither Party is imputable for the non-performance or partial, late or defective performance of an obligation during the period of time when such Party is prevented from such performance by an Unforeseeable or Force Majeure Event

and provided that the cause preventing such performance is duly accredited.

- 17.2 The Party affected by the Unforeseeable or Force Majeure Event shall notify the other Party in writing within fifteen (15) Days after occurrence of the event, detailing the nature thereof, the obligations affected and the way performance of such obligations is affected and shall attach information accrediting the occurrence of the event and the effects thereof. Exceptionally, the affected Party may notify the other Party outside the above-mentioned term, provided that as of the date of the notice the event is still ongoing. Notices otherwise sent shall not be accepted.

The other Party shall reply in writing, accepting or refusing the cause within thirty (30) Business Days after receiving the referred notice.

If cause is accepted, terms for performance of affected obligations shall be suspended as of the moment when the referred event occurred. In the case of events notified outside the term set forth, suspension of term shall operate as from the date of the notification.

If the Party being notified should fail to reply within the term set forth, it shall be deemed provisionally as an acceptance of the cause claimed and performance of the affected obligation shall be suspended until the notified Party replies.

In the case of partial, late or defective performance of the affected obligation, due to an Unforeseeable or Force Majeure Event, the Party prevented from performing its obligation shall endeavor to perform in the spirit of the provisions established in the Contract and the Parties shall continue with execution of all other contractual obligations not affected by such event.

The Party affected by the Unforeseeable or Force Majeure Event shall resume performance of its obligations and conditions under the Contract within a reasonable period of time after such event or events have stopped or extinguished, to which end it shall send notice to the other Party within five (5) Days following the termination or extinction of such event. The other Party shall collaborate with the affected Party in these efforts.

- 17.3 The period of time during which the effects of the Unforeseeable or Force Majeure Event affect the performance of the contractual obligations shall be added to the term foreseen for performance of such obligations.

If the Unforeseeable or Force Majeure event should affect the execution of the Work Program referred to in Sub-clause 4.6, the guarantee securing such program shall remain in force and shall not be executed during the time such event affects the Work Program or during the time that PERUPETRO abstains from replying about the event claimed by Contractor and if a discrepancy should have arisen regarding the existence of such event, for as long as the discrepancy remains unresolved. To that end, Contractor shall extend or replace the guarantee according to the delivery and validity terms that PERUPETRO may determine.

Furthermore, insofar as PERUPETRO does not reply regarding the event claimed by the Contractor or the discrepancy that may have arisen regarding its existence is not settled, the calculation of the time for execution of the Work Program shall be suspended. If PERUPETRO accepts the existence of the Unforeseeable or Force Majeure Event claimed by Contractor, Contractor shall resume execution of the Work Program as soon as the effects of such event have ceased.

- 17.4 It is agreed that when either Party considers, at sole judgment, that their personnel or that of its subcontractors cannot perform within the Contract Area

with the required safety for their physical integrity, claiming this situation as an Unforeseeable or Force Majeure Event shall not be discussed by the other Party.

- 17.5 If Contractor should be affected by an Unforeseeable or Force Majeure Event duly accepted by PERUPETRO, preventing Contractor from completing execution of the Work Program, upon completion of twelve (12) consecutive Months counted from the moment when such event occurred, Contractor may terminate the Contract, by informing PERUPETRO of its decision at least thirty (30) Days before the date when Contractor will release the Contract Area.
- 17.6 The provisions of this Clause 17 are not applicable to obligations involving monetary payments.

EIGHTEEN.-ACCOUNTING

- 18.1 Contractor (*in case of a Consortium, each of the companies constituting the Contractor*) shall carry its accounting in line with the accounting standards, principles and practices established and accepted in Peru. Furthermore, Contractor shall keep the books, detailed records and documents required to record and control the activities performed in the country and abroad in connection with the purpose of the Contract, as well as to adequately document its income, investments, costs, expenses and Taxes incurred in each financial year. In turn, within one hundred and twenty (120) Days counted as from the Date of Execution, Contractor (In case of a Consortium, the Operator) shall provide PERUPETRO a copy in Spanish of the "Accounting Procedures Manual" Contractor has decided to propose to record its operations.

Among other things, the "Accounting Procedures Manual" shall include the following:

- a) Language and currency in which the accounting records will be carried;
 - b) Applicable accounting principles and practices;
 - c) Accounts Structure and Plan, according to the requirements of the Securities and Exchange Commission (SMV);
 - d) Mechanisms for identification of accounts corresponding to the Contract and other Hydrocarbon contracts, related activities and other activities;
 - e) Mechanisms for allocation of common income, investments, costs and expenses to the Contract, to other Hydrocarbon contracts, to related activities and to other activities.
- 18.2 Within not more than forty-five (45) Days after receiving it, PERUPETRO may formulate suggestions and/or observations to improve, expand or eliminate any of the accounting procedures proposed in such manual.
- Any changes in the Accounting Procedures Manual shall be previously submitted to PERUPETRO for approval, following, to that end, the procedure contained in the first paragraph of this Sub-clause.
- 18.3 The accounting books of Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) the financial statements and the supporting documents thereof shall be made available to the authorized representatives of PERUPETRO for verification, at the registered offices of Contractor, prior notification.

18.4 Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) shall keep a record of the movable and immovable properties used in the Operations under the Contract, pursuant to the accounting provisions in force in Peru and in line with the generally accepted account practices in the international oil industry.

PERUPETRO may request Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) information regarding its properties at any time it may deem pertinent. Furthermore, PERUPETRO may request Contractor its schedule of physical inventories of the goods inherent to the Operations, classifying them according to whether they belong to Contractor or to third parties and participate in them as deemed convenient.

18.5 Within thirty (30) Days after issuance of the external auditors' report concerning its financial statements for the previous financial year, Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) shall submit copy of such report. If Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) should have more than one contract with PERUPETRO, or if it should perform activities other than those under the Contract, Contractor agrees it will carry separate accounts in order to prepare financial statements for each contract and/or activity and, therefore, the report prepared by its external auditors shall also include financial statements for each contract and/or activity.

18.6 Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) shall send to PERUPETRO copy of the annual Income Tax Return submitted to the National Superintendence of Tax Administration (SUNAT) or the entity that may replace it, within fifteen (15) Days after submission thereof.

IF CONTRACT FOR THE BLOCK IS AWARDED TO A CONSORTIUM, THE FOLLOWING SUB-CLAUSE SHALL BE INSERTED:

18.7 *The company designated as Operator shall carry a special accounts system where it shall record all transactions concerning the Operations.*

NINETEEN.- MISCELLANEOUS.

19.1 Failure by either Party to claim or insist at any time on compliance of any of the provisions in the Contract or to exercise any of the rights granted hereunder, shall not be interpreted as a waiver of such provision or right. The provisions in this Sub-clause do not apply to the provisions set forth in Sub-clause 17.2 of the Contract.

19.2 Contractor agrees to comply with all provisions issued by the competent authorities with regard to national defense and security aspects.

19.3 Contractor has the right to freely enter or exit the Contract Area.

19.4 In accordance with the legal provisions in force, Contractor has the right to use the water, wood, gravel and other construction materials located within the Contract Area in order to carry out the Operations, respecting the rights of third parties, as the case may be. . Furthermore, Contractor must obtain permits, easements, water use permit and surface rights, as well as any rights and authorizations pertaining to public or private land, required to carry out the Operations.

Pursuant to Article 82, Rights of Use and Easement, of the Hydrocarbons Organic Law, Law 26221, any economic damage caused by the Operations

must be compensated by Contractor.

- 19.5 The license for technical data use regarding the Contract Area and other areas, which Contractor should wish to acquire, must be requested to PERUPETRO, who shall provide same in line with the Transfer and Use of Technical Exploration and Production Data Policy of PERUPETRO.
- 19.6 If any of the Parties should fail to pay within the agreed term, any obligation hereunder or in any other agreement or transaction between the Parties, the amount subject matter of such payment shall accrue interest as of the Day following the date on which it should have been paid, at the following interest rates:
- a) For accounts expressed and payable in domestic currency, the applicable rate shall be the lending rate in domestic currency (TAMN) for credits with up to three hundred sixty (360) Days term, as published by the Superintendence of Banking and Insurance Company or by the entity that may replace it, applicable to the period elapsed between the due date and the actual date of payment.
 - b) For accounts expressed in Dollars and payable in domestic currency or Dollars, the applicable rate shall be the Prime Rate plus three (3) percent points, as published by the Federal Reserve of the United States of North America, applicable to the period elapsed between the due date and the actual date of payment or, in the absence thereof, the Parties shall agree a rate that may adequately replace it.
- 19.7 In the event of national emergency declared by law, under which the State must acquire Hydrocarbons from local producers, such acquisition shall be made at the prices resulting from applying the valuation mechanisms established in Clause 8 and shall be paid in Dollars thirty (30) Days after delivery.
- 19.8 PERUPETRO shall endeavor to obtain the assistance and cooperation of the corresponding Government authorities in order to take the necessary measures to ensure a safe and continuous implementation and operation of the activities provided for in the Contract.
- 19.9 The State, through the Ministry of Defense and the Ministry of Internal Affairs, shall provide the necessary security measures to Contractor in the Operations to the extent possible.
- 19.10 Contractor shall indemnify and hold PERUPETRO and the State harmless, as applicable, against any claim, legal action or other third-party burdens or liabilities that may arise as a result of the Operations and relations engaged under the Contract, originated from any relationship inside or outside the contract, except for those caused by actions of PERUPETRO or the State.
- 19.11 Contractor (*in the case of a Consortium, each of the companies that constitute the Contractor*) shall be entitled to freely dispose of the Hydrocarbons corresponding to Contractor under the Contract.
- 19.12 Contractor shall pay PERUPETRO for the transfer of the existing equipment the amount of US\$346'548,602 (Three Hundred Forty-Six Million Five Hundred Forty-Eight Thousand Six Hundred and Two United States Dollars) in three installments, with the corresponding interests, plus Value Added Tax (IGV), as detailed below:
- Forty percent (40%) of the amount before the Effective Date.
 - Thirty percent (30%) of the amount plus corresponding interests, before August 30, 2016.

- Thirty percent (30%) of the remaining amount plus corresponding interests, before August 30, 2017.

Failure to comply with the provisions herein shall cause the application of paragraph 22.3.7.

TWENTY.- NOTIFICATIONS AND NOTICES.

- 20.1** All notifications or notices pertaining to the Contract shall be deemed validly sent when in writing and delivered with proof of receipt, or when received through registered mail or by fax or through other means as may be agreed by the Parties, signed by the legal representative, or by the person to whom he has granted its faculties, which shall be previously informed and addressed to the addressee on a Business Day, at the following addresses:

PERUPETRO:

PERUPETRO S.A.
Gerencia General
Av. Luis Aldana N° 320
Lima 41 - Perú
Fax: 206-1801

Contractor:

OIL COMPANY
Gerencia General
Av. XXXX
XXX, Lima XX - Perú.
Fax :XXXXXX

Corporate Guarantor:

OIL COMPANY HEADQUARTERS.....
Gerencia General
Av. XXXX
XXX, Lima XX - Perú.
Fax :XXXXXX

Notices or notifications may also be addressed as already indicated, to whomever the addressees may designate expressly and who are duly authorized to that effect.

- 20.2** PERUPETRO, the Contractor and the Corporate Guarantor shall have the right to modify their address or their fax number for the purpose of notifications and notices, through notice to the other Party, at least five (5) Business Days before the effective date of such modification.

IF THE CONTRACT FOR THE BLOCK IS AWARDED TO A CONSORTIUM, THE FOLLOWING SECTION SHALL BE INSERTED:

20.3 *Notifications and notices shall be sent to the Operator and shall be deemed delivered to all the companies that constitute the Contractor, except for notifications and notices concerning Clauses 9, 11, 16 and 22, which shall be sent by PERUPETRO to each of the respective companies that constitute the Contractor.*

TWENTY-ONE.- SUBMISSION TO PERUVIAN LAW AND SETTLEMENT OF DISPUTES

21.1 Submission to Peruvian Law.

The Contract has been negotiated, written and entered into under the legal provisions of Peru and its content, validity, interpretation, execution and other consequences originating there from shall be governed by the private law provisions of the Republic of Peru.

21.2 Direct Negotiation

All conflicts, discrepancies and disputes that may arise between the Parties in connection with the interpretation, execution, performance and any other aspect concerning the existence, validity or termination of this Contract, in the last mentioned case, produced according to Clause 22 of the Contract, shall be settled through direct negotiation between the Parties within a term of fifteen(15) Business Days counted as from the date on which one of the Parties gives notice to the other, in writing, about the existence of a conflict or dispute (the "Direct Negotiations Term").

Unless resulting from the application of Section 32 of Law 26221, in which case the procedure set forth therein must be followed, the Parties may, within the Direct Negotiations Term, which may be extended by mutual agreement for one single time and for an additional term of maximum fifteen (15) Business Days, settle their disputes through a Minute of Agreements, which shall be binding for both Parties in the terms set forth therein, with the same enforceability and conditions as any other provision in the Contract.

21.3 Technical Conciliation Committee

If the Parties, should be unable to settle the discrepancy, conflict or dispute, within the Direct Negotiations Term, they shall submit it to the Technical Conciliation Committee as provided for herein below, including the eventual discussion regarding termination of the Contract.

The Technical conciliation committee may be called upon by either Party and shall consist of three (3) qualified members in the subject matter of each case, regardless of its nature, whether detected or not within the scope of the Supervision Committee pursuant to Clause 7. To that effect, within thirty (30) Days following the call, each of the Parties shall select one (1) member and the third one shall be appointed by the members designated by the Parties within fifteen (15) Days after such designation. The above-mentioned terms may be extended by agreement of the Parties.

If either Party should fail to designate its Representative member within the established term or if the members designated by them should be unable to agree on the appointment of the third member within the established term, or if the Technical Conciliation Committee should fail to issue an opinion within the established term, either Party may submit the discrepancy for settlement as provided for in Sub-clause 21.4 of the Agreement.

The Technical Conciliation Committee's opinion shall only be binding for the Parties if issued and notified within the term established in the following paragraph.

Resolutions of the Technical Conciliation Committee must be issued and notified within forty-five (45) Days after being installed and shall have an enforceable nature as to the provisions expressly determined therein, as long as an arbitral award, if that should be the case, does not settle the dispute definitively. Without prejudice to the enforcement of the resolution issued by the Technical Conciliation Committee, either Party may call an arbitration proceeding pursuant to the provisions in Sub-clause 21.4 of the Contract, within sixty (60) Days after the date that notification of the previously mentioned resolution is received. The Parties agree that upon expiry of such term, the decision of the Technical Conciliation Committee shall be final and binding in the terms issued.

Within sixty (60) Days counted as from the Signing date, the Parties shall agree on a procedure that will govern this Technical Conciliation Committee. The procedure shall set forth the mechanisms to clearly establish the scope and type of matters to be submitted to the opinion of the Technical Conciliation Committee that will bind the Parties.

The procedure mentioned in the foregoing paragraph shall establish that the Technical Conciliation Committee must prepare a preliminary opinion to be delivered to the Parties within thirty (30) Days after being installed. The Parties shall prepare and deliver their comments to such preliminary opinion within five(5) Days after the notice and the Technical Conciliation Committee shall analyze them and issue its final opinion within ten (10) additional Days.

21.4 Arbitration Agreement

- a. Any legal action, controversy, difference or claim resulting from the Contract or in relation to the Agreement, such as interpretation, compliance, termination, efficacy or validity thereof, that may arise between the Contractor and PERUPETRO, and may not be settled by mutual agreement between the Parties, shall be settled through an international *de jure* or *ex aequo et bono* arbitration, as applicable according to the matter in discussion, according to the Arbitration Rules of the International Chamber of Commerce (CCI), and under its administration. In absence of an agreement regarding the nature of the discussion, the arbitration shall be conducted *de jure*, unless it is a case foreseen in paragraph 8.4.5 of Clause 8, or any other hypothesis of a technical nature, in which case, the arbitration shall be *ex aequo et bono*. When either Party decides to call an arbitration proceeding, it must previously notify the other Party of its decision.
- b. The law applicable to the essence of the controversy shall be the Peruvian private law.
- c. The Parties agree to perform all acts that may be required for the conduction of the arbitration proceeding up to its conclusion and execution. Throughout the conduction of the arbitration, the Parties shall continue with the execution of their contractual obligations, including the subject matter of the arbitration,

unless same should have become impossible to comply with.

- d. The arbitration proceeding shall be conducted in Spanish and in accordance with the provisions agreed in this clause. Anything not foreseen in this clause regarding the Arbitration proceeding, shall be organized and conducted according to the Rules of Arbitration of the International Chamber of Commerce (CCI) and shall be under its administration. The Arbitration Panel shall consist of three (3) arbitrators, who shall be designated one by each Party and the third one by agreement of the two arbitrators previously designated by the Parties. If after thirty (30) Days of having been designated, the first two arbitrators were unable to designate the third one, either party may call upon the CCI to appoint the third arbitrator.
- e. The arbitration proceeding shall take place in the City of Lima - Peru. However, if the matter submitted to arbitration should involve an amount exceeding US\$20 million (twenty million US Dollars) and one of the Parties should consider another city as the place to hold the arbitration, it shall suffice for such Party to express its opinion and propose a new city to hold it in its first notice addressed to the other Party, informing of its decision to call an arbitration. If after fifteen (15) Days from such notice the Parties should fail to reach an agreement about the new place to hold the arbitration proceeding, the place shall be set by the CCI.
- f. In case of discrepancy over the amount, or if the amount cannot be determined, the CCI shall establish the arbitration venue, taking into account the content of the foregoing paragraph.
- g. The Parties expressly agree that the arbitral panel to be established according to this clause and under the Rules of Arbitration of the CCI shall be the sole and only competent body to issue a final ruling regarding the controversies that may arise from the Contract or which in any way may be connected thereto and regarding the breach or not of the rights that the Contract confers to each of the Parties, without prejudice to applying, upon entering into or during the execution of the Contract, international treaties concerning investments or free trade, which provide for other international arbitration instances.
- h. Considering the international arbitration agreed upon in this Clause 21, under the Rules and the Administration of the CCI, Contractor expressly waives any other kind of diplomatic protection and any other right that a bilateral treaty on investments of free trade may confer to Contractor, to discuss the rights conferred hereunder in an international forum other than the one indicated in Item d. above.
- i. The arbitration award is binding and enforceable for the Parties and may not be subject to appeal or to any other motion, except as provided for in the Rules of Arbitration of the CCI.
- j. The Parties agree that the Arbitral Panel to be established hereunder shall only be competent for the matters submitted previously to the Direct Negotiations Term, and with regard to which there was at least a call upon the Technical Conciliation Committee, regardless of whether same was actually established or whether it issued its final opinion or not.

TWENTY-TWO .- TERMINATION

22.1 Termination of the Contract is governed by the provisions hereunder and, in addition, by the provisions of Law 26221; and, in whatever not provided for

therein, by the provisions of the Civil Code.

Except for the cases foreseen in Sub-clause 22.3, if either Party should incur in default of any of their obligations set forth in the Contract for reasons other than Unforeseeable or Force Majeure Events or other not imputable reasons, the other Party may give a sixty (60)-Day notice to such Party informing about its intention to terminate the Contract upon the expiry of such term, unless the non-performing Party may, within that term, cure the referred default or show the other Party that same is in the process of being cured.

If the Party receiving a notice of default challenges or denies the existence thereof, said Party may activate the mechanism for settlement of controversies established in Clause 21, within thirty (30) Days following the notice. In that case, the counting of the sixty (60)-Day term shall be suspended from the moment the mechanism for settlement of controversies is activated, until a Minute of Contract, a Technical Conciliation Resolution or an Arbitral Award has been issued pursuant to the provisions in Clause 21 and notified to the Parties. The Contract shall be terminated if upon confirmation of the default, the non-performing Party fails to cure the default or to show the other Party that same is in the process of being cured, within the term remaining from the sixty (60)-Day notice previously mentioned.

The Contract may terminate earlier than the Effective Term of the Contract by expressed mutual agreement of the Parties.

22.2 Upon termination of the Contract, all rights and obligations of the Parties specified in the Contract shall cease completely and the following shall be considered:

- a) The rights and obligations of the Parties arising from this Contract prior to such termination shall be honored, including, among others, the right of Contractor to the Hydrocarbons extracted and the guarantees established in the Contract; and
- b) In case of default incurred by either Party on a date prior to termination, with regard to any of the obligations set forth in the Contract, such default shall be cured by the non-performing Party, except for such obligations that due to their nature are extinguished with the termination thereof.

22.3 The Contract shall be terminated by operation of the law and without any previous formality, in the following cases:

22.3.1 If Contractor should fail to perform the Work Program within the terms established in Sub-clause 4.2 of the first period of the exploitation stage, after having made use of the extension foreseen in Sub-clause 3.3, as applicable, and without justification to the satisfaction of PERUPETRO.

22.3.2 In the specific cases set forth in Sub-clauses 3.4, 4.4, 4.5 and 17.5.

22.3.3 If Contractor should be declared insolvent, in dissolution, liquidation or bankruptcy and should fail to notify as provided in Sub-clause 16.1, within fifteen (15) Business Days, identifying the third party who will assume its contractual position.

22.3.4 In the event that the corporate guarantee referred to in Sub-clause 3.5 is not in force and Contractor fails to replace it within a maximum term of fifteen (15) Business Days following receipt by Contractor of the notification from PERUPETRO, requesting its replacement, or if having insolvency, dissolution, liquidation or bankruptcy been declared, of the entity that granted the guarantees referred to in Sub-clause 3.5 and Contractor should fail to notify PERUPETRO accordingly within a maximum term of fifteen (15) Business Days

after being required by PERUPETRO, identifying the third party that will assume the corporate guarantee, prior qualification and acceptance by PERUPETRO.

- 22.3.5** By order of an arbitral award that states, in the cases of Sub-clause 22.1, a default and such default is not cured as provided for in that clause; or by order of an arbitral award declaring termination of the Contract.
- 22.3.6** If Contractor should fail to pay the royalty within the term established in Sub-clause 8.5 of the Contract during three (3) consecutive or five (5) non-consecutive fortnights.
- 22.3.7** If Contractor should fail to pay the amount due for the existing equipment as provided for in Sub-clause 19.12.
- 22.3.8** Termination of the Contract for any of the reasons set forth in this Sub-clause 22.3 shall entail the execution of the guarantee that secures performance of the Wok Program obligation for the period the Contractor is in, as applicable.
- 22.4 Pursuant to the provisions of Section 87 of Law 26221, in the event of default by Contractor of the provisions concerning the Environment, the competent authority shall impose the pertinent sanctions and the Ministry of Energy and Mines may even terminate the Contract, prior report from the competent authority.
- 22.5 If Contractor should seek protection against the actions of its creditors, PERUPETRO may terminate the Contract if it should deem that its rights hereunder are not duly protected.
- 22.6 Upon termination of the Contract, Contractor shall transfer in property to the State, through PERUPETRO, unless the State should not request them, free of any charge or cost, whatsoever, in good preservation, maintenance and operating conditions and taking into account the normal wear and tear, the real property, energy facilities, campsites, communications means, pipelines and other production goods and installations owned by the Contractor (in case of a Consortium, any of the companies that constitute the Contractor) that may enable the continuation of the Operations.

If there should be joint exploitation of Oil, Non-Associated Natural Gas and/or Non Associated Natural Gas and Condensates, at the end of the term established in Sub-clause 3.1 for the Oil exploitation stage, Contractor shall transfer in property to the State, through PERUPETRO, unless the State should not require them, free of any charge or cost, in good preservation, maintenance and operating conditions and taking into account the normal wear and tear, the real property and installations pertaining to the Exploitation of Oil, which would not be required for the Exploitation of Non-Associated Natural Gas and/or Non-Associated Natural Gas and Condensates.

The real property and installations kept by Contractor (*in case of Consortium, any of the companies that constitute the Contractor*) for the Exploitation of Non-Associated Natural Gas and/or Non-Associated Natural Gas and Condensates that were being used also in the Exploitation of Oil, even if they remain as property of Contractor (*in case of Consortium, any of the companies that constitute the Contractor*), shall be applied to serve both Exploitations, to which end the Parties shall enter into an agreement.

If Contractor (*in case of Consortium, any of the companies that constitute the Contractor*) was using the goods and facilities described in the first paragraph of this Sub-clause, but same were not exclusively related or accessory to the Operations, that is, that they were also being used for operations in other areas with a contract in force for Exploration or Exploitation of Hydrocarbons in the

country, Contractor (*in case of Consortium, any of the companies that constitute the Contractor*) shall continue owning such goods and making use of them, to which end the Parties shall enter into an agreement.

- 22.7 For the purpose of the provisions in Sub-clause 22.6, during the last two (2) years of the Effective Term of the Contract, Contractor shall facilitate and collaborate with PERUPETRO in anything that may be required so that, without interfering with the Operations, PERUPETRO may perform all acts and enter into any and all agreements to enable an orderly and uninterrupted transition of the Operations being conducted as of the date of termination of the Contract.
- 22.8 Upon expiry of the contractual term or by termination of the Contract for any of the reasons established in Clause 22, the Parties shall sign a minute of termination of Contract within ninety (90) Days after termination occurs.

APPENDIX "A"

Description of the Contract Area

(Description shown in Appendix 2 of the Bidding Conditions will be included)

APPENDIX "B"

Map of the Contract Area

(The Map shown in Appendix 2 of the Bidding Conditions will be included)

APPENDIX "C"

LETTER OF GUARANTEE FOR THE WORK PROGRAM

LETTER OF GUARANTEE N°

Lima,

PERUPETRO S.A.

Lima.

Dear sirs,

We (entity of the financial system) hereby stand as joint and several guarantors of.....OIL COMPANY X, OIL COMPANY Y, (hereinafter the Contractor), before PERUPETRO S.A., (hereinafter PERUPETRO), for the amount of US\$21 million (twenty one million US dollars) in order to guarantee faithful compliance of Contractor's obligations under the Work Program of the exploitation stage, contained in Clause 4 of the License Contract for the Hydrocarbons Exploitation in Block 192 entered into with PERUPETRO (hereinafter the Contract).

The obligation assumed by (entity of the financial system) under this Guarantee is limited to paying PERUPETRO the sum of US\$21 million (twenty one million US dollars)³, against their request for payment.

1. This is an irrevocable, unconditional, joint and several guarantee, without benefit of excussion, of immediate execution and payable during its effective term, against presentation of a notarized letter sent by PERUPETRO to (entity of the financial system) requesting payment of US\$21 million (twenty one million US dollars), stating that the Contractor has failed to comply with the aforesaid payment obligation, either in whole or in part, and attaching thereto, as single supporting document and justification, a certified copy of the notarized letter forwarded by PERUPETRO to Contractor demanding compliance with such obligation previously referred to, and expressing its intention to enforce the letter of guarantee. Said notarized letter from PERUPETRO to Contractor must have been delivered to Contractor at least twenty (20) calendar days prior to the date when PERUPETRO submits the request for payment to ... (entity of the financial system).

2. This letter of guarantee shall be reduced after the execution of each of the activities of the Work Program upon receipt by ... (entity of the financial system) from Contractor, of a letter from PERUPETRO indicating that Contractor has complied with

³ The Guarantee Amount shall be the amount resulting from the valuation of the total number of Development Wells of the Work Program corresponding to the First Period, multiplied by 10%. To this end, each development well is valued at US9 million (Nine Million US dollars).

execution of a certain part of the referred Work Program.

The reduction per each Development Well drilled and deemed complied with shall be of US\$900,000.00 (Nine Hundred Thousand US dollars) and for Seismic Prospecting performed US\$1.5 million (One Million Five Hundred Thousand US dollars).

3. Contractor shall submit the requests for reduction to PERUPETRO, who, pursuant to the provisions in the Contract, shall authorize them expressly and in writing within the term established in Sub-clause 3.4 of the Contract, delivering such authorization to the Contractor. Such authorization shall indicate the amount of the reduction to be made pursuant to the provisions in the foregoing paragraphs.

4. Upon submission to ...(entity of the financial system) by the Contractor, of the authorization issued by PERUPETRO, as described in the foregoing paragraph, ...(entity of the financial system) ... shall immediately proceed to consider the guarantee amount reduced by the corresponding amount and shall inform PERUPETRO in writing accordingly. The issuance of a new guarantee document for the reduced amount shall not be necessary and the original document shall be deemed valid only for such amount.

5. This letter of guarantee shall expire on or before, unless, prior to such date ... (entity of the financial system) receives a letter from PERUPETRO releasing (entity of the financial system)... and Contractor from any responsibility hereunder, in which case this letter of guarantee shall be rendered ineffective on the date said letter from PERUPETRO is received.

6. Any delay on our part in honoring this guarantee in your favor shall accrue interest equivalent to the Foreign Currency Lending Rate (TAMEX) used by financial institutions and published by the Superintendence of Banking and Insurance Companies (SBS) applicable during the period of the delay, or any rate which may replace it. Interest shall be calculated as from the reception date of the notarized request sent by PERUPETRO to ...(entity of the financial system).

As from the expiry or termination date, no claim may be filed regarding this guarantee and ... (entity of the financial system) and Contractor shall be exempted from any responsibility or obligation hereunder.

Yours truly,

.....

(Entity of the financial system)

APPENDIX "D-..."

CORPORATE GUARANTEE

PERUPETRO S.A.
Av. Luis Aldana 320
Lima 41
PERÚ

In accordance with paragraph 3.5 of the License Contract for the Exploration & Exploitation of Hydrocarbons in Block 192, to be entered into by and between PERUPETRO S.A. ("PERUPETRO") and **OIL COMPANY, PARENT OIL COMPANY** hereby guarantees jointly and severally before PERUPETRO, compliance by **OIL COMPANY** of all the obligations under the Contract, including the obligations **OIL COMPANY** may assume in the work programs described in Sub-clauses 4.2, 4.3 and 4.5 of the Contract, as well as the execution by **OIL COMPANY**, of each one of the annual Exploitation programs, as they may be readjusted or modified, which the **OIL COMPANY** will present to PERUPETRO in compliance with paragraph 5.1 of the Contract and with strict compliance of the environmental regulations in force.

This guarantee will be in place as long as the obligations of **OIL COMPANY** derived from the Contract are enforceable. For the purpose of this guarantee, **PARENT OIL COMPANY** agrees to submit to the Laws of the Republic of Perú, and expressly waives any diplomatic claim, submitting itself to the arbitration procedures for the settlement of controversies as established in Clause 21 of the Contract.

Yours truly,

.....
Corporate Guarantor
(Person legally authorized)

APPENDIX "E"

ACCOUNTING PROCEDURE

1. GENERAL PROVISIONS

1.1 PURPOSE

The purpose of this appendix is to establish accounting rules and procedures to be able to determine operating income, investments, expenses and costs of the Contractor.

1.2 DEFINITIONS

The terms used in this appendix, which have been defined in Clause 1 of the Contract shall have the meaning awarded to them in that Clause. The accounting terms included in this appendix shall have the meaning awarded to them by the accounting standards and practices generally accepted in Peru and in the international petroleum industry.

1.3 ACCOUNTING STANDARDS

- a) Contractor shall carry its accounting records pursuant to the accounting standards, principles and practices established and accepted in Peru and in the international petroleum industry and in line with the provisions set forth in this Accounting Procedure
- b) The "Accounting Procedures Manual" referred to in Sub-clause 18.1 of the Contract must consider the provisions set forth in this appendix.

2. ACCOUNTING RECORDS, INSPECTIONS AND ADJUSTMENTS

2.1 ACCOUNTING SYSTEMS

Contractor shall carry a special accounting system to record, in US Dollars, income received and expenses made in connection with the Operations under the Contract.

2.2 EXCHANGE RATE

Transactions made in domestic currency shall be registered at the selling exchange rate in force on the Date the funds were disbursed or the income received. Transactions made in Dollars and the valuation of production shall be recorded as provided for in Sub-clause 3.3 of this appendix.

2.3 SUPPORTING DOCUMENTS

Contractor shall keep in its files all original documents supporting charges made to the accounts.

Contractor shall keep accounting records pursuant to legal regulations in force, to the regulations and accounting practices established and accepted in Peru

and in the international oil industry.

Contractor shall submit each month to PERUPETRO a Statement of Investments, Expenditures and Costs for each deposit that reflects all the charges and credits related to activities under the Contract.

Contractor shall submit each year to PERUPETRO a statement of Investments, Expenditures and Costs per oil field together with a copy of the Income Tax Statement, referred to in Sub-clause 18.6 of the Contract.

2.4 STATEMENT OF INCOME AND EXPENDITURE ACCOUNTS

Within fifteen (15) days following the completion of each calendar month, Contractor shall submit to PERUPETRO, a Monthly Statement of Income and Expenditure Accounts corresponding to the previous calendar month.

a) Income Account Statement

The Monthly Income Account Statement includes valuation of the Audited Production per oil field corresponding to such calendar month. Furthermore, it shall detail all transactions, classified by nature, for which Contractor has received income, including the date on which Contractor effectively received it, as well as a brief description of the transaction, number of the accounting voucher, amount in US Dollars or domestic currency and US Dollars if the income was received in domestic currency, and the corresponding exchange rate.

b) Expenses Account Statement

The Monthly Expenses Account Statement shall detail all transactions, classified by nature and per oil field, for which Contractor has made disbursements, including the date on which the disbursement was effectively made, as well as a brief description of the transaction, number of accounting voucher, amount in US Dollars or domestic currency and US Dollars if the disbursement was made in domestic currency and the corresponding exchange rate.

2.5 ACCOUNTING INSPECTION AND ADJUSTMENT

a) Accounting records and original supporting documents of transactions included in each Statement of Account shall be made available for inspection by authorized Representatives of PERUPETRO, upon request, during office hours.

The inspection of accounting records and supporting documents shall be performed in line with the generally accepted auditing standards, including sampling procedures when required.

b) Statements of Account shall be deemed accepted if PERUPETRO does not object them, in writing, within maximum twenty-four (24) Months, counted as from the date they were submitted to PERUPETRO.

Contractor shall respond documenting any observations raised by PERUPETRO, within three (3) Months following receipt of notice with observations raised by PERUPETRO. If Contractor should fail to comply within the above-mentioned term, the observations raised by PERUPETRO shall be deemed accepted.

c) Any discrepancy arising from an accounting inspection must be settled by

the Parties within a maximum term of three (3) Months, counted from the date when PERUPETRO received the reply from the Contractor. Upon expiry of such term, the discrepancy shall be submitted for the consideration of the Supervision Committee, to proceed as provided for in Sub-clause 7.5 of the Contract. If the discrepancy should persist, the Parties may agree that it be revised by an external auditing firm previously accepted by PERUPETRO, or to proceed as provided for in Sub-clause 21.4 of the Contract. The arbitral award or opinion of the external auditors shall be considered as final.

- d) If as a result of the accounting inspection it should be determined that in a certain period a basket price other than the one applied should have been applied to determine the weighted average price, the corresponding adjustments shall be made.

3. INCOME AND EXPENSES

3.1 INCOME

The following shall be considered as Income and shall be recorded in the Income Account:

- a) The valuation of the Audited Hydrocarbon Production, pursuant to Clause 8 of the Contract.
- b) Sale of assets purchased by Contractor for the Operations under the Contract, the cost of which was recorded in the Expenses Account.
- c) Services rendered to third parties, where personnel whose salaries and benefits are recorded in the Expenses Account participate and/or where goods, the cost of which was recorded in the Expenses Account were used.
- d) Rental of goods owned by Contractor, the purchase cost of which was recorded in the Expenses Account, or sub-rental of goods, the rental amount of which is charged to the Expenses Account.
- e) Compensations obtained from insurance policies acquired in connection with the activities under the Contract and with stolen/damaged goods, including insurance compensation for loss of profit. Income obtained as a result of price hedging operations is not included.
- f) Other income representing credits applicable to charges made to the Expenses Account.

3.2 EXPENSES

As from the Signing date, all operating investments, expenses and costs duly supported with the corresponding payment voucher, shall be recognized. However, this recognition shall be subject to the following limitations:

- a) With regard to personnel:
Salaries and benefits awarded to Contractor's personnel on permanent or temporary assignment to the Operations. To that end, Contractor shall make available to PERUPETRO, upon request, the payroll and personnel policy of the company.

All salaries and benefits of Contractor's operating and administrative personnel, incurred in the execution of the Operations shall be recorded, classifying them according to their nature.

If Contractor should be engaged in activities other than those pertaining to the Contract, costs related to personnel temporarily or partially assigned to the Operations shall be charged to the Expenses Account, pursuant to the provisions of Item h) of this Section 3.2.

b) With regard to services from Affiliates:

In services received from Affiliates, costs shall be competitive with respect to those where services could have been rendered by other companies.

c) With regard to materials and equipment:

Material and equipment acquired by Contractor shall be recorded in the Expenses Account, as provided for herein below:

- New material and equipment (condition "A")

Condition "A" shall include such new material and equipment that are in operating conditions without the need of any re-fitting whatsoever and shall be recorded at the price indicated in the corresponding commercial invoice, plus costs generally accepted by accounting practices, including additional import costs, if applicable.

- Used material and equipment (condition "B")

Condition "B" shall include such material and equipment that while not new, are in operating conditions without the need of any re-fitting whatsoever and shall be recorded at seventy-five percent (75%) of the price at which such material and equipment are quoted, new, at that time, or of the purchase price according to the corresponding commercial invoice, whichever is lower.

- Material and equipment (condition "C")

Condition "C" shall include such material and equipment that may be used for their original function after adequate re-fitting and shall be recorded at the lower of fifty percent (50%) of the price at which such material and equipment are quoted, new, at that time, or of the purchase price according to the corresponding commercial invoice, whichever is lower.

d) With regard to freight and transportation expenses:

The only personnel-related expenses recognized will be traveling expenses of Contractor's personnel assigned permanently or temporarily to the operations and their families, as well as transportation of their personal and household effects.

With regard to the transportation of equipment, materials, and supplies required for the Operations, Contractor shall avoid paying "dead freight". If that were the case, recognition of such disbursements shall be subject to express, written approval by PERUPETRO.

e) With regard to insurance:

Net insurance premiums and costs of policies acquired, in whole or in part, from related companies shall only be recognized to the extent the costs are competitive with respect to insurance companies that have no

relation with the Contractor.

Payments made as a result of price hedging operations are not included.

f) With regard to taxes:

Only taxes paid in connection with activities inherent to the Contract shall be recognized.

g) With regard to research expenses:

Expenses incurred in research for development of new equipment, materials, procedures and techniques to be used in the exploration, development and production of Hydrocarbons, as well as perfecting expenses thereof, shall be recognized prior written approval from PERUPETRO.

h) With regard to proportional allocation of expenses, in general (pro rata):

If Contractor should be engaged in other activities besides those under the Contract or should have more than one contract with PERUPETRO, costs for technical and administrative personnel, administrative office maintenance costs and warehouse operating costs, as well as other indirect expenses and costs, shall be charged to the Expenses Account on a pro rata basis in accordance with a policy previously proposed by Contractor and accepted by PERUPETRO.

3.3 ENTRY OF RECORDS

- a)** Income corresponding to valuation of Audited Hydrocarbons produced during a given month shall be recorded as income for the calendar month in which the Hydrocarbons were audited.
- b)** Income referred to in items b), c), d), e) and f) of Section 3.1 of this appendix, shall be charged to the Income Account at the time they were actually received.
- c)** Expenses shall be recorded at the time corresponding payments are made.

4. NON-RECOGNIZED INCOME AND EXPENSES

4.1 NON-RECOGNIZED INCOME

- a)** Financial income in general.
- b)** Income received from the provision of services or the sales of assets owned by Contractor, made prior to the Signing date of the Contract.
- c)** Income received for activities not related to Operations under the Contract

4.2 NON-RECOGNIZED EXPENSES

- a)** Investments, expenses and costs incurred by Contractor prior to the Signing date.

- b) Expenses incurred for interest on loans, including interest on credits from suppliers.
- c) Financial expenses in general.
- d) Costs incurred for inventory taking in the event an assignment of Contractor's rights takes place under the Contract.
- e) Depreciation and repayment of assets.
- f) Amounts that are paid as a result of a default on obligations under the Contract, as well as fines, sanctions and indemnities imposed by the authorities, including those imposed as a result of legal actions. Fines, sanctions and/or compensations imposed by authorities or caused by third parties as a result of an unforeseen event are not included.
- g) Fines, surcharges and readjustments resulting from default on timely payment of taxes in force in the country.
- h) Income Tax applicable to Contractor and Tax applicable to earnings available to foreign holder, if applicable.
- i) Value Added Tax (IGV) and Municipal Promotion Tax, except when deemed an expenditure according to the Income Tax Law.
- j) Donations in general, except as previously approved by PERUPETRO.
- k) Advertising expenses, except as previously approved by PERUPETRO.
- l) Hydrocarbons transportation and sales costs and expenses beyond the Production Auditing Point.
- m) Investments in transportation and storage of Hydrocarbons produced in the Contract Area, beyond the Production Auditing Point.
- n) Other expenses and investments not related to the Operations under the Contract.

4.3 INVENTORIES

- a) Contractor shall keep record of all its movable and immovable goods used in the activities related to the Contract, according to regulations and practices accepted in the country and those applied in the international oil industry.
- b) Contractor shall make inventories of the properties, at least once every five (5) years in case of immovable property and three years in case of movable property. Likewise, it shall make an inventory of warehouse stock, at least once a year. Contractor shall notify PERUPETRO, at least thirty (30) days in advance, indicating that it will make an inventory, and PERUPETRO, at its discretion shall exert its right to be represented when such inventory is made.
- c) Contractor shall reconcile its inventories and prepare a list of surpluses and deficits based on the physical inventory.
- d) The adjustments in the inventories shall be made by Contractor in the accounting books, indicating the surpluses and deficits.
- e) Contractor shall provide PERUPETRO a copy of the inventories within three (3) months following the date when they were made, as well as detailed information of conciliations and adjustments referred to in paragraphs c) and d) of this Sub-section.

5. REVISION OF ACCOUNTING PROCEDURE

The provisions set forth in this Accounting Procedure may be modified by mutual agreement of the Parties, indicating the date as of which it will be in force.