

ANGOLA

Model Contract Terms And Conditions For Oil Concessions  
In The Overseas Provinces, Revised May 1973.

## CHAPTER I

### Article 1

#### Rights granted

1. The concession includes, in respect of the area defined in Article 2, the right of prospecting for and, on an exclusive basis, that of exploration and development and production of deposits of natural hydrocarbons which may occur in the liquid and gaseous state, as well as all the substances associated and produced together with them.

2. Excluded from the purpose of this concession are deposits of asphalt, asphaltite, pyrobitumen and wax.

3. Whenever, during the course of the activities referred to in No.1 of this article, there is discovered an accumulation of any natural mineral substances, including, apart from those referred to in the preceding number, rock salt, potassium salts, sulphur, carbon dioxide and other natural gases that are not hydrocarbons, the company shall immediately advise the Provincial Geological and Mining Services of the fact.

4. The terms of Article 62 of the Decree of 20th September, 1906 are not applicable to this contract.

5. The rights granted to the company do not affect those previously acquired by any other party.

### Article 2

#### Concession area. Reductions. Demarcations.

1. The initial concession area is about                      km<sup>2</sup> and covers a portion of the continental shelf of the Province of Angola, in accordance with the attached maps, which show the squares in which the concession area is situated.

2. The boundaries of the area defined in No.1 of this Article are subject to adjustments resulting from any international agreements that may be made.

3. The squares referred to in No. 1. of this article are bounded by meridians of Longitude and parallels of Latitude of five minutes up to sixty minutes, and are designated by consecutive numbering in each square degree, from 1 to 144.

4. Should the company intend to obtain the extensions referred to in Nos, 3 and 4 of Article 3, it shall abandon, at least, the areas made up of the squares corresponding to the following percentages of the initial concession area, carrying out a rounding-off to the next highest number when the number of squares in the initial area is not divisible by 4:

1st extension - 25% of the initial total number of squares

2nd extension - 25% of the initial total number of squares

3rd extension - 25% of the initial total number of squares.

5. The areas to be abandoned under the terms of the preceding number shall be freely chosen by the company, but they must be grouped in a maximum of two blocks whose minimum width may not be less than one third of the greatest length.

6. At the end of the period referred to in No.1 of Article 3, or its possible extensions, the company may only carry out prospecting and exploration work in the areas delimited for exploitation.

7. The company may, within the areas retained, apply for demarcation for exploitation purposes of any field of hydrocarbons, under the terms of Nos. 1 and 2 of Article 30, until the end of the last extension period that it has been granted.

8. The total of the areas demarcated may not exceed \_\_\_\_\_ % of the initial area defined in No,1 of this article.

### Article 3

#### Duration of the concession and its extensions

1. The right of prospecting, exploration and development is granted for an initial period of three years, starting from the date on which this contract is signed.

2. The period fixed in the preceding number shall be extended for a further three years following authorisation by the Minister for the Overseas Provinces, at the request of the company, if the latter has integrally fulfilled the contractual and legal obligations in force.

3. The Minister for the Overseas Provinces, when the conditions required by the preceding number are met, on a duly founded application from the company and after consulting the Province of Angola, may authorise a second extension period for two more years.

4. If during the extension period referred to in the preceding number there appears evidence of the existence of hydrocarbons and this, together with the remaining knowledge already obtained in the concession area, justifies continuation of the prospecting and exploration work, the Minister for the Overseas Provinces may, on a duly founded application from the company and after consulting the province, grant a third and last extension period of two more years.

5. Requests for extension of the concession shall be presented to the Minister for the Overseas Provinces not later than ninety days before the end of the initial period referred to in No.1 of this article or its possible extensions, and shall include all the data required for studying it and be accompanied by a map in a scale of not less than 1:50,000, indicating any demarcations of the fields and areas to be retained and abandoned by the company under the terms of Article 2, together with the respective perimetral description.

6. The right of production in the terms of the contract is granted for a period of thirty years, which shall start on the date when this contract is signed.

7. The period fixed in the preceding number may be extended for a period of ten years, on authorisation from the Minister for the Overseas Provinces, after the province has been consulted, the company has integrally fulfilled its legal and contractual obligations and acted in accordance with the higher interests of the State.

8. Once the conditions referred to in the previous number (Para 7) are fulfilled, the Minister of Overseas may through a dispatch grant a further 10 years extension.

9. The terms of Nos. 6 and 7 are applicable to all deposits which, at the end of the periods referred to in Nos. 1 to 4 of this article, are subject to the execution of development work plans under the terms envisaged in Article 28, or for which the company has presented, before the end of the prospecting and exploration period, a request for approval of such plans and, after execution of such plans under the terms in which they are approved, may be recognised as economically exploitable.

10. After the initial period of prospection foreseen in Para 1 of this Article, the period of the first extension foreseen in Para 2, or the period of the second extension foreseen in Para 3, the company may declare the contract ended without incurring any penalty, provided it has totally fulfilled its contractual and legal obligations up to that time.

## Article 4

### Renunciation and abandonment of areas

1. During the periods of prospecting and exploration referred to in Nos. 1 to 4 of Article 3, the company may at any moment renounce all of its rights to the area of the concession in total or in part when the work carried out has failed to reveal the existence, within that area, of any deposits of hydrocarbons which, according to the practice of the industry, are economically exploitable.
2. The request for renunciation to be accepted shall be accompanied by a justificatory report, and the company shall undertake to deliver to the Government all the data on which it has been based.
3. In the case envisaged in the preceding number, should the Minister for the Overseas Provinces accept the renunciation, the company shall be obliged to make the minimum obligatory investments determined pro rata temporis, in relation to the area renounced, up to the date of the presentation by the company of its request for renunciation and in relation to payment of the surface rents due for the current civil year, without having the right to any reimbursement of any amounts paid in advance to the State on account of any clause of this contract, but without this affecting the proportional reduction of the deposit of guarantee referred to in No.1 of Article 57 of this contract.
4. If the justification referred to in No.1 is not accepted, the company shall continue to be wholly bound by

its contractual obligations.

5. If the company interrupts prospecting or exploration work for a period longer than one hundred and eighty days, consecutive or otherwise, within a period of three hundred and sixty consecutive days, the concession shall be considered to have been abandoned, except in the case of force majeure or on prior authorisation from the Minister for the Overseas Provinces.

## CHAPTER II

### Concerning the concessionaire company

#### Article 5

#### Constitution of the company. Nationality.

#### Renunciation of foreign lawcourts.

1. The company shall be Portuguese, constituted in accordance with the legislation in force, and shall be subject to the terms of Article 3 and No.1 of Article 21 of Decree-Law No,46,312, of 28th April 1965, and to the order of the Council of Ministers, of 24th August, 1965.

2. As guarantee of its proper constitution under the terms of the preceding number, a bank guarantee deposit has been made, duly accepted by the Minister for the Overseas Provinces and at his order, in the amount of \_\_\_\_\_ escudos.

3. The company renounces, for all the effects of this contract, any prerogatives conferred by its foreign lawcourts, should it have them, and submits in all matters to the applicable Portuguese legislation.

## Article 6

### Statutes and alterations to them

1. The statutes, and the list of shareholders of the company and their participation in the share capital must be presented to the Minister for the Overseas Provinces for his approval, not later than 60 days starting from publication of the decree authorising the concession. Neither the statutes nor the list of shareholders may be altered without authorisation from the Minister.

2. The company shall be constituted within 60 days of the approval referred to in the preceding number.

## Article 7

### Aims. Share capital and participation of the province

1. The company has as its aims solely to carry on the activities mentioned in No,1 of Article 1, as well as the operation of processing installations, transportation and storage of the products extracted and marketing of the products obtained, and may only engage in other activities on express authorisation from the Minister for the Overseas Provinces.

2. The initial share capital is, at least, equivalent to the minimum expenditure laid down in No,1 of Article 24 for the first period, of which at least 50% must be paid up on signing this contract, and shall be increased and paid up progressively according to the needs of the company, in such a way that the amount paid up, together with reserves, is never less than one third of the fixed assets.

3. If, on closing the accounts for any yearly operational period, the minimum rate envisaged in the preceding number has not been reached, the company undertakes to rea-



lise,' during the following operational period, the necessary increase in its share capital in order to reach, at least, that minimum amount.

4. Foreign funds shall enjoy the guarantees envisaged in Decree-Law No,46,312, of 28th April 1965, and any other guarantees that may be established with the same aim and applicable in general.

5. The shares of the company shall be \_\_\_\_\_ shares, and may not be transferred, one or more times, to any parties, without express authorisation from the Government.

6. The Province of Angola is recognised to have the right to receive free of charge \_\_\_\_\_ of the shares representing the initial capital of the company and any subsequent increases thereof, entirely free of onus and issued in accordance with the legislation in force, such shares being delivered within 60 days of the date of the deeds concerned.

7. The shares given to the Province of Angola shall confer all the rights attributed to the remainder, with exception of the dividends.

8. The Province of Angola shall be represented at the Shareholders' Meetings of the company under the terms of general legislation.

#### Article 8

##### Head offices and local administration

1. The company shall have its head offices in Portuguese territory and the majority of its directors must be resident in that territory.

2. According to whether the head offices are located in Lisbon or in Overseas territory, the company shall maintain in the Province of Angola or in Lisbon, a delegation managed by a representative provided with the necessary administrative and representative powers for dealing with the local authorities.

## Article 9

### Board of Directors

1. The Government may appoint to the company, under the terms of Decree-Law No,40,833 of 29th October, 1956, one or two directors, according to whether the number of members of the Board of Directors is less or more than five.
2. The number of five may only be exceeded on authorisation from the Government.
3. The directors shall choose from among themselves the Chairman, who shall have a casting vote, and a Vice-Chairman, who shall be one of the directors appointed by the Government if he has not been elected Chairman.
4. Independently of the special functions attributed to them by law, the directors appointed by the State shall have the same rights and obligations as the directors elected by the Shareholders' Meeting.
5. The Chairman of the Board of Directors shall be of Portuguese nationality by birth or by naturalisation for more than ten years.
6. It shall be obligatory for the Board of Directors to hold their meetings on Portuguese territory.

## Article 10

### Audit Council

1. Inspection and control of company business shall be carried out by an audit council, with functions as assigned to it by law and the statutes, and it shall consist of three members of effective status and one substitute. The Chairman and his substitute shall be appointed by the Minister for the Overseas Provinces.
2. The Audit Council shall be assisted by a commission of chartered accountants accredited by the Government, under the terms of the legislation in force.

Article 11

Government delegate, Special technical  
representative of the Province and  
inspection and control

1. The company is subject to the general rules as regards inspection and control of joint stock companies and concessionaire firms, which are in force in Portugal.
2. The Government may appoint a delegate, under the terms of Decree-Law No. 40,833 of 29th October 1956, who shall carry out the functions envisaged by law.
3. The company shall be subject to the general rules in force, or to those which may come into force, as regards inspection and control of the activities of companies exploiting natural resources or resources of general strategic or military importance, and to those intended to prevent the profits of companies in which the State participates, from being unduly lowered by means of unjustified increases in costs, or by unjustifiably lowering receipts.
4. The company shall make available to the Government Delegate such data as he may request, and also put at his disposal the means required for him to carry out his functions, any expenses being for account of the company.
5. The Governor of the Province of Angola may appoint a special technical representative to the company, in the Province, who shall make himself acquainted with any data of a technical, economic, administrative, accounting or any other kind which he deems necessary for the missions with

which he is charged by the Governor of the Province, and shall act in close collaboration with the Government Delegate and the provincial mining services.

6. Inspection and control of company activities shall normally be carried out through the services of the Ministry for the Overseas Provinces or of the Province, whose agents may visit and follow all its work and to whom the company shall give all such data as they may deem necessary for the inspection and control work.

#### Article 12

#### Financing. Issue of bonds

1. The company may have recourse to financing, both in Portugal and abroad, namely in the form of loan contracts or the issue of bonds, the operations concerned being subject to the authorisations and other requirements imposed by the legislation in force and in any case always approved beforehand by the Minister for the Overseas Provinces.

2. Approval shall take into due consideration the rate of interest, the method and conditions of amortisation or reimbursement and whether such operations affect or not any future increases in the share capital.

3. If the majority of the company capital belongs directly or indirectly to foreign parties, it may only have recourse to the Portuguese financing market for the purpose of obtaining the necessary funds in order to pay for goods or services of Portuguese origin.

Article 13

Transfer of rights

1. The company may not transfer, alienate or pledge the rights and obligations inherent in the concession, in any way, either totally or partially, without express authorisation from the Minister of Overseas.

Article 14

Association with other companies

on a joint venture basis

The company, under such terms as may be authorised by the Government, may enter into association with other companies on a joint venture basis, for prospecting, exploration, development and exploitation activities in all or part of the concession area.

## CHAPTER III

### Concerning association with the State Company

#### Article 15

### Concerning association with the "State Company"

1. After demarcation of the first commercial field, as defined in Article 29, the Government may, within 180 days of the official date of that demarcation give notice to the company to sign a joint venture association contract, in accordance with the convention attached to this contract, which for all effects is considered as forming an integral part of that same contract, and is hereinafter designated convention, whereby the company cedes an undivided participation in the rights and obligations inherent in the concession to a state firm or body or public or mixed economy company, hereinafter designated "State Company".
2. The company undertakes to sign the contract referred to in the preceding number, not later than 30 days after having been notified to do so.
3. Instead of participating under the terms of the Contract of Association referred to in Para 1, the State Company or the Government may opt to buy a part of the production of the company, corresponding to the percentage of participation foreseen in the annexed convention, by a price which shall be calculated in a way that no increase or decrease in charges to the company shall occur, as compared with the solution of participation under the terms of the referred convention.

4. If the option foreseen in the previous paragraph takes place, the rules of commercialization foreseen in Article 10 of the convention annexed to the contract shall be applicable, in the relevant part, to the production that the Government or the State Company will buy.

Article 16.

Marketing of the state company's output

1. The quantities of crude oil or natural gas produced shall be due to the associates in proportion to their participation in the concession, and each shall have the right to withdraw his quota of the production, as well as the obligation to pay the concession royalties which are due to the State for the quantities taken out.

2. The company shall undertake the obligation to market part or all of the output due to the state company, should the latter so wish, under the terms of the convention referred to in Article 15.

CHAPTER IV

Concerning prospecting exploration  
and development

Article 17

Risk and responsibility of  
the company in operations

1. The activities of prospecting, exploration, development and exploitation shall be carried on for account of and at the risk of the company in accordance with the proper technical norms concerned, the company being entirely responsible for any loss or damage caused to the State or to third parties in carrying out the above mentioned activities.

2. Approval by the competent authorities of any installation or activity of the company does not absolve it of the responsibility referred to in No.1 of this article.

3. The company shall undertake to sign contracts of general or special insurance necessary for covering the risks incurred in its operations.



## Article 18

### Work plans. Budgets

1. No work of prospecting, exploration, development and exploitation may, except for safety reasons, be carried out unless it has been the object of an approved work plan,

2. Approval of work plans and their alterations is the responsibility of the Minister for the Overseas Provinces, who may delegate it to the Governor of the Province of \_\_\_\_\_

3. Any work plan is considered to have been tacitly approved whenever, sixty days having elapsed since its presentation to the provincial Geological and Mining Services, the company has not been informed of any decision.

4. All work plans which are not approved shall be altered in accordance with the instructions contained in the official letter of rejection, and be presented again within thirty days of the date of the aforementioned letter to the company.

5. If the alterations introduced are in accordance with the instructions given and are limited to those instructions, the work plan may immediately be put into effect.

6. When the conditions of the preceding number are not complied with, the company shall submit for approval a new work plan, within thirty days of the date of the communication rejecting the previous plan.

7. When the official communication referred to in No,4 does not expressly forbid it, and without this affecting what is laid down in the preceding numbers, the concessionnaire may start and proceed with the work corresponding to that part of the plan which has not been the object of rejection, or that work authorised by the Government.

8. The work plans referred to in the preceding numbers must be detailed, explanatory and justified, and shall be delivered in quadruplicate to the provincial Geological and Mining Services of Angola, duly complying with the applicable contractual arrangements, and shall include at least the following elements:

- a. Areas to be covered, density of coverage, duration of the work, equipment to be applied, type of data to be collected and likely contractor for gravimetric, aeromagnetic, seismic and surfact geology surveys.
- b. The number of stratigraphic wells (core-holes) to be drilled, its approximate depth and location.
- c. Number of wells to be drilled, their locations, justification for drilling them, likely contractor, drilling program and approximate costs.
- d. Estimate of costs and duration of total program.
- e. Measures to be taken to avoid pollution.
- f. Lists of national personnel who will participate in the operations, their qualifications and their duties.

9. The works and installations accessory to the carrying out of the work plans for prospecting and exploration shall be included in such work plans, and on approval of the latter are

provisionally authorised, until such time as the respective deposit starts being exploited, after which they are dependant on final authorisation under the respective terms of the law.

10. The concessionnaire shall present, in relation to each civil year, together with the work plans, a budget of expenditure with distribution of the budget items in such a way as to show its intention to comply with the minimum investments and works obligations, under the terms of Articles 24, 25 and 27.

11. If the beginning of the execution of any work plan of the company, presented in accordance with its contractual obligations, is delayed due to the need of extended study of the referred plan by the Government, such fact shall not constitute a default by the Company in its contractual obligations.

#### Article 19

#### Time limits for delivering prospecting and exploration work plans

1. Prospecting and exploration work shall in each civil year be the object of a work plan, which shall be delivered not later than 1st October of the preceding year.

2. The first work plan for prospecting and exploration shall be delivered not later than ninety days after the signing of the concession contract, and may cover the work to be carried out during the civil year in which occurs the date of the signing of the contract and the following civil year.

3. Half yearly reports shall be presented up to 1st April of each year for the purpose of updating the program of the costs of the prospection and exploration.

Article 20

Concerning the carrying out of the  
work proposed in the prospecting  
and exploration plans

1. Execution of work plans for prospecting and exploration referred to in Article 18, or duly approved alterations thereto, must start not later than thirty days after the date of the express or tacit approval of them, and shall be kept up regularly and continuously during the whole period that applies to them, except in the case of force majeure.

2. In the case of non-compliance with any work plan for prospecting and exploration, or alterations thereto, the company shall be obliged to carry out, in the year following that to which that fact refers, all the work and operations in default, unless the Government considers that it is not of interest to do them, or ascertains the technical impossibility of carrying them out.

## Article 21

### General obligations of the company

1. As regards all works of prospecting, exploration, development and exploitation to be carried out in accordance with the approved plans, the company shall:

- a) Carry them out precisely as they have been approved, bearing in mind their regularity and continuity, as well as the maximum productivity within the terms of the law and the proper technical norms and, in all cases, without affecting good use and development of the deposits. The Government may, however, on fully justified application by the company, authorise suspension, alteration or renunciation of a certain work plan;
- b) Provide the competent services of the Ministry for the Overseas Provinces and the provincial Geological and Mining Services, to whose inspection and control the company's activity is subject, with all the data considered necessary for the purpose of effective technical and administrative inspection and control, as well as the agents of the Government and the Services with free access to all documentation, books and registers, of a technical, economic, administrative and accounting nature, and to all localities and construction works, equipment and wells in or at which the company carries on its activity, and also to take samples and carry out tests and examinations of such a kind as those services may deem convenient;

- c) Present, in quadruplicate, to the Provincial Geological and Mining Services, not later than the end of February and the end of August in each year, a complete, circumstantiated and documented report, in accordance with the best standards of the industry and instructions from those Services, on all the work carried out during the previous six months of the civil year, and prepare monthly a succinct report of its activity;
- d) Present, as quickly as possible after they have been completed, the complete, circumstantiated and documented final reports, in accordance with the best standards of the industry, of any operational and boring activities and also any explanations requested by the Services;
- e) Keep in good order the complete and up-to-date register of all technical operations carried out under the terms of this contract;
- f) Keep the register of all operations in such a manner as to enable a rapid and complete appreciation of the respective costs, expenditure and receipts, and to that end adopt a suitable accounting system in keeping with the proper accounting practice of the industry and in compliance with the applicable Portuguese legislation, and periodically revise it in order to adapt it to the development of techniques, the necessary books being duly entered up and kept in the Province of Angola, always being up-to-date;
- g) Keep strictly confidential, except as far as the companies of the group to which the company belongs and to their employees, who must maintain a similar confidentiality are concerned, any information of a technical or economic nature obtained during the course of its activity, except on express written authorisation from the Minister

for the Overseas Provinces, who shall likewise ensure confidential treatment except in the case of written agreement from the company as regards its divulgation, which shall not be refused unless there occur important reasons for this;

h) On termination of the concession owing to the time limit having been reached, or if it has been declared as expired, allow the Government free use of the data, studies and works mentioned above, as well as those obtained by the company relating to areas liberated from the terms of this contract, which shall become Government property;

i) Provide the Provincial Geological and Mining Services with all data which may be obtained during its work, and are capable of being used in exploration and exploitation of subterranean waters or other resources or in the preparation of geological maps of the province;

j) Mark, in a perfectly visible manner, the boundaries of areas in which there have been carried out prospecting, exploration, development and production work, in submerged areas, with buoys or other signs approved by the competent services, as soon as it has been notified to do so by the Provincial Geological and Mining Services;

k) Illuminate, between sunset and sunrise, all or any of the buoys referred to in the preceding paragraph, as well as the outside limits of bridges, rigs and any other of its installations, whenever the competent services deem convenient, as soon as it has been notified to this effect by the Provincial Geological and Mining Services;

2. Without this affecting the obligations contained in the preceding numbers, the company is obliged to comply with

all the general regulations in force or which may come into force, relating to its activity.

3. The company shall obtain the agreement of the Provincial Government before choosing consultants and contractors for working in the Province of Angola or in the area of concession, Such agreement shall not be denied unless there are important reasons, but preference must be given by the Company to Portuguese firms and consultants, in accordance with the applicable provisions.

4. The company must follow Government orientation as regards commercial policy on imports or exports that it wishes to carry out, always bearing in mind the higher interests of the State, in all its activities.

5. With the aim of contributing to the economic development of the Province, the company undertakes to invest in it, independently of the other obligations of this contract, at least:

- Up to the production of .....barrels per day,  
0.25% of the price of the barrel;
- Up to the production of .....barrels per day,  
0.33% of the price of the barrel;
- Over the production of .....barrels per day  
0.50% of the price of the barrel.

6. The price of the barrel referred to in the preceding number shall be calculated according to the terms of 38 of this contract.



## Article 22

### Portuguese personnel

1. As regards the nationality of its administrative, technical and manual workers, the company and any organisation collaborating with it in the development of its activities shall:

- a) Staff its organisation, at all levels and as regards all categories of employees, with Portuguese citizens, only contracting foreign personnel while, and within the limits of what is reasonably necessary for carrying out the responsibilities, there do not exist Portuguese citizens available with the required qualifications and experience;
- b) Present every year for approval by the Minister for the Overseas Provinces, and for the first time not later than ninety days after the signing of this contract, the technical specialisation and occupational upgrading programmes, in the petroleum industry, for Portuguese technical and manual workers to be carried out in Portuguese territory or abroad, with the aim of gradually and progressively reducing foreign personnel in the service of the company and other organisations collaborating with it, so that within the shortest possible period the number of foreigners working on the concession shall not exceed, in any category, including the highest administrative posts, the essential minimum number required for conducting its operations in the most effective and economic manner possible, this number being duly fixed, from time to time, in accordance with norms to be agreed upon, bearing in mind the principles established in the

preceding paragraph and the applicable analogous provisions generally in force in the industry under similar circumstances, the following being observed:

- i) Expenditure incurred by the company in Portuguese territory and abroad, in connection with the technical specialisation and occupational upgrading programmes approved by the Government, shall be considered as expenses deductible from net taxable profits;
- ii) Portuguese citizens and foreigners employed by the company in identical categories shall enjoy, under similar circumstances, identical remuneration and benefits of a pecuniary, social and professional nature;
- iii) The company shall submit to the Government for approval the special plans for medical assistance to its personnel, as well as the social security, retirement and pensions plan that it may create or intend to create for all its personnel, whether Portuguese or foreign, within a period of one year after the signing of this contract, without this affecting its subjection to the general legislation and to the proper practice of the petroleum industry.

2. In employing any Portuguese or foreign personnel, compliance shall be made with the laws and regulations in force, except as regards the percentages of such personnel who are in the service of the company or other organisations which may carry out contract work for account of the company, which percentages must not exceed, as regards foreign personnel and at the end of            years after the signing of this contract, of the total number of employees on the concession,

3. As regards personnel who occupy senior posts in the direction and administration of the company, at least 50% at the end of        years and 75% at the end of        years, shall be of Portuguese nationality.

4. If, for valid reasons, it becomes necessary to employ foreign personnel in greater numbers than as stipulated above, the Minister for the Overseas Provinces may authorise employment of such personnel for an expressly fixed period and as an exception.

#### Article 23

#### Preference to Portuguese industry and services

1. The company and any organisation collaborating with it in the activities resulting from this contract, shall give preference to goods and services of Portuguese origin (in particular to utilisation of the available capacity of the national means of transport), provided that such goods and services, when compared with those of foreign origin that are similar, may be purchased under equally advantageous conditions, bearing in mind their quality, price, availability within the time limit and in the quantities requested and their adequacy for the purpose for which they are intended.

2. In comparing prices of imported articles with those of articles manufactured or produced in Portuguese territory, there shall be taken into consideration freight and any customs duty that are generally applicable, which would be paid by imported articles if they were not exempt from them.

3. The company shall comply with other regulations of general application which are in force or may come into force as regards protection of national economic activities.

Article 24

Concerning minimum obligatory  
investments

1. During the initial period of the concession, starting from the signing of this contract, or its extensions, if such exist, the company shall be obliged to invest in the execution of prospecting and exploration work plans relating to each civil year, the following minimum amounts:

- a) during the 1st year (initial period) .....
- b) " " 2nd " " " .....
- c) " " 3rd " " " .....
- d) " " 4th " (1st extension period) .....
- e) " " 5th " " " .....
- f) " " 6th " " " .....
- g) " " 7th " (2nd extension period) .....
- h) " " 8th " " " .....
- i) " " 9th " (3rd extension period) .....
- j) " " 10th " " " .....

2. Authorisation may be given for work plans involving investments lower than those envisaged in the preceding number, provided that there is considered to be proof that it is not feasible to carry out the work corresponding to the obligatory minimum investments.

3. If in any of the years referred to in No.1 of this article, the company spends on prospecting and exploration work an amount higher than the minimum sum corresponding to it, the balance shall be deducted from the obligatory minimum investments envisaged for the following year or years.

4. Should there occur a discovery of commercial value, the company shall undertake to invest what is required in order to enhance its value within the shortest space of time, in such a way as to reach the optimum production, bearing in mind the economic conditions and characteristics of the de-

posits, and further aspects of technological native or any other native to be considered.

5. For the purpose of this article and in order to calculate the amount in escudos to be spent in a certain month, the exchange value of the American Dollar to be considered shall be the parity Escudo-Dollar, set up in the agreement of the International Monetary Fund.

6. If such parity is not officially established, the exchange value to be adopted shall be that of the free international market.

Article 25

(Minimum obligatory work)

1. /The company shall be obliged to carry out, at least, the following exploration work:

a) .....

b) .....

c) .....

(to be defined in each case)

d) .....

e) .....

f) .....

2. If in any of the periods referred to in the previous paragraph, the Company carries out works beyond the established minimum, such works shall be deducted from the obligatory minimums foreseen for the next period.

Article 26

Penalties for not carrying out  
the minimum investments

If in any of the years of the initial period of the concession or its extension, the company has not disbursed the minimum amounts referred to in No. 1 of Article 24, after taking into account the exploration expenditure provided for in Paragraph 3 of Article 24, it shall be obliged to pay to the Province of Angola, within a period of six months dating from the end of the year in which the omission occurs, a sum equal to double the amount not spent, provided, however, that before the application of any penalty the Government shall send to the Company a registered letter with receipt acknowledgment, stating the year .

Article 27

Expenditure to be considered  
in minimum investments

1. Considered as investments, for the effects of the preceding article shall only be expenditure during the course of prospecting and exploration work, incurred with:

- a) Salaries, fees, wages, transportation and any other remuneration to company personnel or to third parties for services rendered in the province or in the area of concession.
- b) Services rendered outside the province or of the area of the concession, by Portuguese citizens or foreigners, including in both cases the inherent transportation expenses, as well as other technical and administrative expenses up to a total amount which does not exceed 20% of the expenditure considered in para (a);
- c) Material and equipment which, temporarily or permanently, may be utilised in the province or in the area of the concession including the respective transportation and insurance, with observation of what is laid down in the following numbers;
- d) The training and specialisation of Portuguese personnel, under the terms of No,1 of para (b) of No,1 of Article 22.

2. In expenditure with materials and equipment as referred to in para (c) of the preceding number, which are only utilised temporarily, there shall only be considered as an investment, for the effects of the same number, the difference

between their import or local purchase value and their export or export value as approved by the customs, after consultation with the Geological and Mining Services.

3. In the case of disposal of materials and equipment, the values of such disposals shall be deducted from the respective annual investments for the effects of ascertaining minimum investments.

4. The company may sign contracting agreements with third parties for the execution of approved works, but the Minister for the Overseas Provinces reserves the right not to accept for the effects of calculating the obligatory minimum investment, wholly or in part, the charges and expenditure resulting from such contracts, when they are not justified in the light of sound criteria according to the practice of the industry.

5. For the effects of the preceding number, the company shall deliver to the Provincial Geological and Mining Services copies of the above mentioned contracts immediately after they have been signed.

6. For the effects of No.1 of this article, there shall not be considered any expenditure or charges resulting from work contracts or services rendered as referred to in No.4 of this article, when they include the values of materials or equipment imported or purchased by the contractor for the purpose of fulfilling such contracts, and when their inclusion would mean duplication.



## Article 28

### Borings and tests. Discovery of hydrocarbons.

#### Discovery of commercial wells

1. No boring, with the exception of core drills, may be started unless the respective programme has already been delivered to the Provincial Geological and Mining Services at least thirty days beforehand.
2. Whenever during the course of drilling, hydrocarbons are discovered, the company shall inform the Provincial Geological and Mining Services immediately of that discovery, and shall indicate the date on which it is expected to carry out formation tests (drill-stem tests), sufficiently far in advance to enable a representative of the inspection and control services to attend those tests, if this is regarded as convenient.
3. The formation tests (drill-stem tests) shall be carried out at all levels showing indications of hydrocarbons, which so justify unless they are expressly waived by the Provincial Geological and Mining Services.
4. Whenever the formation tests indicate the existence of potentially productive formations, the company shall be obliged to complete the wells and proceed to additional tests required to determine if the well will be commercial or not in conformity with the most modern practices of the industry.
5. In case the formation tests demonstrate the existence of hydrocarbons in the well in amounts that, according

to the Company's criteria, are not submissable to commercial production according to the practice generally adopted in the industry, the Company shall be obliged notwithstanding to leave the well in a condition that it may be completed at the minimum costs and without detriment to the indispensable security conditions.

6. The company shall deliver to the Provincial Geological and Mining Services, within thirty days of concluding any drilling, an end-of-well report in which, apart from the specific data on drilling and completion, it shall circumstantiatedly give the information obtained on the stratigraphical column, the nature of fluids encountered, thickness of the permeated layers, petrophysical properties of the storage rock, results of the formation tests, productivity indices, results of production tests and P.V.T. assessments, when such exist, accompanied by copies of the diagraphs, D.S.T. graphs and other drawings considered necessary for giving a full picture of the operations carried out.

7. The discovery of a commercial well determines the end of the prospecting and exploration phase in the area which is the object of the work referred to in No,8 of this article.

8. The company shall, within ninety days of the date of conclusion of the production tests referred to in No,4 of this article, submit to the Government for its approval a development work plan, if the tests make this justifiable and advisable.

9. The work plan referred to in the preceding number shall contain a descriptive and justificatory memorandum and shall be accompanied by the drawings required for a full

understanding of the projected works, as well as a plan in a scale of not less than 1: 50,000, which shall be the object of provisional demarcation consisting of an entire number of squares.

10. Execution of the work plan referred to in No.8 of this article shall begin not later than thirty days after the date of its approval, except for duly justified reasons accepted as such by the competent authority.

11. The useful substances produced and stored during the prospecting and exploratory work are, for all the effects of this contract, considered as such for the same terms as those produced during the exploitation phase, except as regards payment of royalties, for which the terms of Decree No,637/70 of December 31, 1970, shall be applied.

12. No well may be abandoned, either while it is being made or after it has been completed, and whatever may be the causes of abandonment, without prior approval from the Provincial Geological and Mining Services of the abandonment programme concerned.

Article 29

Discovery of a commercial oilfield.  
Special convention. Extension of  
the field beyond the concession area.

1. As soon as the work envisaged in the present article indicates the existence of a commercial oilfield, as defined in No.2 of this article, the company shall present, in quadruplicate, to the Provincial Geological and Mining Services, a detailed report in which, inter alia, are clearly shown the following data:

- a) Geological and geophysical information; structural maps of the productive horizons with indication of the location of the water and oil planes; petrochemical and petrophysical properties of the storage rock (reservoir); results of the P.V.T. assessments of fluids in the reservoir or reservoirs; indices of productivity for each well; relevant characteristics and analyses of the crude oil discovered; and depth, pressure and other characteristics of the reservoir or reservoirs;
- b) Distance and accessibility of the oilfield delivery sites; and existing and/or projected transportation infrastructures, as well as expenditure required for establishing them;
- c) Bases on which the concessionnaire has formulated his conclusions.

2. An oilfield shall be considered as commercial.....  
.....  
.....

3. If it is verified that a deposit does not meet the necessary conditions for an oilfield to be considered commercial, exploitation of it, should this be justified, may be carried out on the basis of a special convention, to be negotiated between the Government and Company, bearing in mind the characteristics of the deposits and further elements to be considered.

4. If the field of natural hydrocarbons is located in such a way that it goes beyond the limits of the concession area, exploitation of it may only be carried out in conjunction with the neighbouring concessionaires who, for that effect, shall agree with the company on a special production plan to be submitted for approval to the Minister for the Overseas Provinces.

5. Should the various concessionaires interested fail to arrive at an agreement within a period of sixty days after having been notified by the Government to this effect, the Minister for the Overseas Provinces, bearing in mind the national interest in obtaining greater final production of oil, may stipulate the joint exploitation regulations that are to be in force.

6. Should extension of the oilfield occur in free land, production therein shall be carried out through special agreement with the Government, which shall decide the method of dividing production between the two areas.

7. If in the area of a final demarcation there is discovered a deposit of hydrocarbons whose limits go beyond the boundaries of the demarcation, production therein shall be subject, according to the case, to the rules laid down in Nos. 4, 5 and 6 of this article.

## Article 30

### Final demarcation and exploitation work plan

1. The company shall submit to the Minister for the Overseas Provinces for his approval, within a period of ninety days, starting from the date of delivery of the report referred to in the body of the preceding article, the work plan for the exploitation of that oilfield, requesting at the same time the respective final demarcation.

2. The request for demarcation, which must identify the squares that it is wished to have demarcated, shall be accompanied by a map in a scale not less than 1: 50,000 which must show the total area established in the contract of concession, the areas definitely demarcated and the area of the requested demarcation.

3. The exploitation work plan to be presented by the concessionnaire shall contain all the informative data enabling the Government to ascertain that extraction will be carried out under the best technical and economic conditions in order to obtain the maximum utilisation of the existing reserves, and shall include, inter alia, as soon as available, the following data:

- a) Plan of the envisaged primary production, mentioning methods, initial production for each well in the oilfield and control of the quantities of fluids extracted;
- b) Project for the surfact installations, with a view to obtaining the maximum returns in saleable hydrocarbons;

- c) Plan for the utilisation of the fluids produced, including a breakdown of the quantities intended for marketing, total consumption, reinjection and other reasons and method of transportation envisaged;
- d) Measures envisaged for conservation of the power of each deposit;
- e) Methods of secondary recovery envisaged;
- f) Safety measures planned for each well and surface installations;
- g) Breakdown of the personnel to be used on the exploitation work;
- h) Equipment available for workovers.

4. At the same time as the exploitation work plan for any deposit of natural hydrocarbons, there shall be submitted to the Minister for the Overseas Provinces for his approval the prospecting, exploration and development work plans for new objectives in the same oilfields or deposits, as well as in deposits that may possibly exist in the same area.

#### Article 31

#### Time limits for delivering exploitation work plans

For each deposit that is being exploited, the company shall submit annually to the Government for approval, not later than 30th November, the respective exploitation plan for the following year, and this plan shall show, inter alia, the envisaged production programme and any modification of installations and transportation of products, as well as an estimate of production for the following five years.

## Article 32

### Exploitation registers and reports

1. The company shall keep up to date, in the offices of the oilfield under exploitation, the registers designated below, in models to be approved by the Provincial Council of Mines and Mining Services:

- a) Quantities of crude oil, natural gas, condensates and other substances extracted daily from each well, with indication of the number of hours of operation at each well;
- b) Average pressure in the separators or processing installations used;
- c) Average pressures at the mouth of each well;
- d) Destination of each of the products extracted, with indication of the quantities used in the company's work, those sent for consumption of the local refineries, those reinjected, those stored at the oilfield or in the port of embarkation for export;
- e) Quantities of gas, air, water or other substances injected into each well;
- f) Origin of the substances injected;
- g) Details of any treatment to which the gas, air, water or other injected substances have been subjected;
- h) Accidents which have occurred or any special operations carried out on each day, in relation to each well;
- i) List of the substances produced and stored at the oilfield, showing details of the quantities contained in



reservoirs and those in transit in the pipelines.

2. The company shall send to the Provincial Geological and Mining Services, during the first fifteen days of each month and for each oilfield, a production report which shall contain, inter alia, the following data:

- a) Average daily production of crude oil, natural gas, condensates, for each well;
- b) Average monthly value for the GOR and WOR ratios, for each well;
- c) Accumulated monthly production of crude oil, natural gas, condensates, water and other substances for each well;
- d) For each type of fluid injected, the average daily injection for each well;
- e) For each type of fluid injected, the average pressure of injection at the well-head, for each well;
- f) For each type of fluid injected, the accumulated monthly volume of fluid injected, for each well;
- g) Data and type of all treatments of the well and work-overs carried out during the month, for each well;
- h) Calculation, for each section of the deposit subject to a regime of total or partial maintenance of pressure, of the balance between the fluids injected and the fluids extracted from that section of the deposit;
- i) Any other interpretative information that the company or the Provincial Geological and Mining Services may deem necessary for the correct evaluation of the progress of the returns and efficacy of the production methods adopted;
- j) Observations as to the methods in use for quality control and treatment of water injected into the deposit

or deposits;

k) Destination of crude oil, natural gas, condensates, water and other substances produced, with indication of the quantities used in the work of the company, those reinjected, those sent for consumption by local refineries, those stored and those exported.

### Article 33

#### Abandonment of oilfields or oil deposits

1. Any oilfield that has been finally demarcated under the terms of Article 30 may be considered abandoned at the request of the company or by decision of the Government.

2. Except on express authorisation from the Government or for reasons of force majeure, any oilfield or oil deposit shall be considered as abandoned when:

a) During the course of one year the aforementioned oilfield or deposit remains unproductive for ninety days;

b) The approved exploitation plan ceases to be complied with, owing to the company practising ambitious exploitation, to the detriment of later utilisation of the field or deposit, or of deliberately and unjustifiably reducing normal production possibilities;

c) There occurs, as regards an oilfield or deposit, absence of approval of the work plans, reports and any other items which are an obligation of the company by virtue of this contract, or when the company fails to comply, as regards the above mentioned oilfields or deposits, with any other provision of the law or the contract, without the situation of incorrect procedure of any of the cases envisaged in this paragraph having been rectified within a period of ninety days after it has been notified to do so by the competent authorities.

3. Abandonment, in the cases envisaged in the preceding number, shall not be declared by the Government before the company has been heard.

4. In the case of abandonment, the company is obliged to hand over the oilfield or deposit in a perfect state of conservation and safety, and shall forfeit to the State all work carried out in them and also any property directly pertaining to such an oilfield or deposit, when there occur any of the situations referred to in the various items of paragraph 2 of this article.

5. If, in the case of abandonment, the company does not comply with the terms of the preceding number of this article, it shall be barred from obtaining another other concession in the Overseas Provinces, with lapse of any rights which on the date of the occurrence it may have as regards oil in any Portuguese Overseas Province.

#### Article 34

#### Natural gas

1. Production, storage, utilisation and sale of a natural gas discovered by the company shall be subject to the terms of the following numbers.

2. As regards natural gas produced together with crude oil, the concessionaire shall conserve it in the best technical conditions inside the well itself, make use of it for its operations when justified, or make any other commercial or economic use of it, under conditions to be approved by the Government, it also may burn it if this is deemed convenient by both parties, but the Government shall dispose freely of any natural gas that is not made use of or burnt under the conditions mentioned.

3. As regards natural gas that is capable of being used for extraction of condensates, the company may make use of it for that purpose and dispose of the surplus gas for any

economic or commercial purpose, including the injection of wells, utilisation in its operations or sale, under conditions to be approved by the Government. The Government shall freely dispose of such natural gas as is not utilised under the conditions mentioned.

4. The quantities of natural gas that belong to the Province by virtue of the preceding numbers shall be delivered by the company, free of any charges, ex crude oil/gas or condensate/gas separation installations or at any place nearby, any expenditure or direct additional charges which the company may have to incur in order to carry out the envisaged delivery, being borne by the Province.

5. Whenever the Government has an assured consumption for the quantities of natural gas referred to in the preceding numbers, the company may not increase its own consumption beyond what is technically and economically recommendable, according to the proper practice of the industry, for conservation of the power of the wells or for its own operations, but should the company apply for the use of such gas for the conservation of the power of one or more wells, there being no possibility of having recourse to any other adequate method for that purpose, the Government shall not put obstacles in the way of, or delay such authorisation.

6. As regards deposits capable of producing only dry natural gas, the company may make use of this in its own operations, for sale on the home market or for export, but must obtain the Government's agreement beforehand on the signing of contracts for sale outside the Province, and give preference to home consumption as fuel or raw material for local manufacturing industries.

7. As regards areas definitely and finally demarcated as fields of natural gas, which, seven years after demarcation, have still not come into exploitation under the conditions of Article 30, owing to circumstances accepted by the Government, and over which the company has no control, such as insufficient and uneconomic markets, inevitable delay in carrying out gas pipeline projects and other technical or

economic circumstances not imputable to negligence or delay on the part of the company, the Government may require the company to enter into negotiations with it for the sale of the company's gas, at a price to be mutually agreed upon.

8. Failing an agreement, and on six months having elapsed after the decision on the start of negotiations, the Government may require the company to transfer, to the State or to a party designated by the Government, all the rights, titles and interests relating to the reserve of natural gas that it possesses and pay be considered as reasonably necessary for carrying out the supplies of gas desired by the Government.

9. In the case of transfer to the State of all the rights relating to the deposits of gas, the company shall be paid for the installations and equipment required for the exploitation of gas in the areas referred to and may be considered as pertaining to them, the just present price on the date of the transfer.

10. Failing an agreement, that value shall be determined by arbitration under the terms of Article 53 of this contract.

11. Without affecting the terms of No.9, 12 years after the date of demarcation of any deposit of natural gas, if the company has not started exploiting it, the Government shall dispose, without any charge, of all or part of the non-exploited reserves of gas that have not been previously transferred to the State under the terms of the preceding numbers, and the deposits and all their installations must be in perfect conditions of safety and working order.

12. The prices of natural gas destined for the home market shall not exceed the prices charged in sales abroad, bearing in mind any corrections relating to the duration of the sales contracts, the quantities sold, freight factors and any other aspects to be considered, observing the following as well:

- a) When the gas is intended as raw material for industry, attention shall be given, when fixing its price, to that currently charged for identical

or similar applications, taking as point of reference the competitive position of the products to be manufactured in foreign markets;

b) The prices already established for equal or similar applications in other supply contracts, approved by the Government;

c) The price of substitution fuels, in the case of its use as a fuel;

d) The production costs and transportation charges to the consumption or sales localities.

### Article 35

#### Oil and gas pipelines

1. The installation of oil or gas pipelines for carrying the production of the Company or the State Company required by them shall not be refused without good reasons by the Government.

2. The company undertakes to carry free of charge at the Government's request, the quantities of crude oil or gas corresponding to the royalties through any oil or gas pipeline that it may install, from the storage locality in the oilfield or gas field to the delivery point. The quantities of crude oil acquired by the State under the provisions of preferential purchasing rights referred to in Article 41, remain subject to payment of direct transportation expenses related to the aforementioned oil or gas pipelines.

3. The company and the state company shall not carry the risk for any loss of crude oil purchased by the State when exercising its preferential right as referred to in Article 41, but shall be held responsible if the fact is imputable to it on account of culpability or negligence.

4. The oil pipelines and gas pipelines referred to in No.1 of this article are intended to give priority to the transportation of company and state company products, but should there be available capacity, this may be used by any other oil concessionnaires existing in the Province of Angola on payment of a rate calculated on the basis of volumetric units and distance carried, which shall take into consideration the cost of construction, operation and upkeep of the above

mentioned means of transport, including the respective depreciation and also a reasonable profit.

5. The terms of the preceding numbers are not applicable to oil and gas pipelines intended for collecting crude oil, and natural gas, inside a field and to transport of these products to a central point of storage.

6. When any oil or gas pipeline crosses cultivated land, it shall be buried to a depth corresponding, at least, to triple the diameter of the pipe or to 50 cm., whichever is greater.

#### CHAPTER V

##### Tax system

##### Article 36

##### Surface rents

1. The company shall pay the Province of Angola an annual rent per square kilometre of the area that it maintains, as follows:

- during the initial period of concession .....
- during the 1st extension.....
- during the 2nd extension.....
- during the 3rd extension.....
- during the exploitation phase.....

2. Payment of the rent corresponding to the first civil year of the concession shall be made not later than thirty days after the signing of this contract and determined pro rata temporis.

3. Each subsequent payment of rent shall be made during the first fifteen days in January of the civil year to which it applies.

## Article 37

### Tax on Production of Oil (Royalty)

The company will be subject to the payment of royalties under the terms of Decree No.687/70 of December 31, 1970.

## Article 38

### Oil Income Tax

1. The company will be subject to the clauses of Decree No.688/70 dated December 31, 1970, which regulates payments of oil income tax in the Overseas Provinces, it being assured to the company the deduction foreseen in the following numbers.

2. For the purpose of determining the value of crude and natural gasoline exports, the company shall have the right to a deduction equivalent to the difference between the posted price and realized price times the quantities calculated on the basis of the number of productive wells and depth of the waters in which they are located.

3. For the purpose of determining the income tax, to which Decree 688/70 refers, the value of crude and natural gasoline exports, to which the previous number refers, shall be calculated by means of the formula:

$$V = BP - b (P - p)$$

it being

V = Value of exports

B = Total number of barrels exported

b = Total number of barrels from all productive wells, calculated according to the tabulation in the following number

P = posted price

p = realized price.

4. The number of barrels per day for the purpose of determining (b) which is a part of the formula of the previous



number, shall be calculated on the basis of the depth of the water in which the wells are located, according to the following tabulation:

<u>Depth of Water in Feet</u>	<u>Number of Barrels/Day</u>
Up to 600	500
600 1,000	1,000
1,000 2,000	2,500
2,000 3,000	3,500
More than 3,000	5,000

5. The realized price (p) considered in the previous formula, cannot be less than the actual and fair price of the international market, practised amongst companies not affiliated or associated, with necessary corrections for density, transport and others which must be considered.

6. The value of crude and natural gasoline exports (V) cannot be less than the realized price (Bp).

#### Article 39

#### Tax exemptions

1. The obligations and taxes to which the company is obligated by the contract constitutes remission of all others, as well as of the contributions or fiscal charges due in the Overseas Provinces to the State, to the Provinces or to local entities situated therein, whether they be general or special, and whether they already exist or are still to be created.

2. Namely, the tax on income from immovable property (contribuição predial), the tax on transmission of immovables (sisa) and other taxes relating to immovable property shall not apply to the mining activities of the company.

3. Any taxes, which are not the object of express exemption in the contract, and which may come to fall on the company, shall be deducted from the collected amount of the oil income tax.

4. No taxes and contributions whatever be their nature of designation, national, provincial or municipal, actual or future shall be levied on shares, capital and bonds of the company existing on this date or to be issued in the future or on any profits or reserves, attributed in any form, to such shares, capital and bonds, but only while they belong to the Parent Company of the Concessionnaire or to subsidiary or affiliated companies.

5. The company or entities associated with it for the realisation of its operations, including the contractors, shall also be exempt from any duties and other customs charges except those relating to the special regime of payments of the statistical tax of one per thousand ad valorem and to the stamp tax on customs clearance documents relating to equipment, machines, apparatus, instruments, tools, spare-parts and necessaries, vehicles, including those of mechanical traction and aeroplanes and any other goods to be used solely in the works of prospection, exploration and mining exploitation and mining equipment.

- a) The company may intervene directly in the clearance of imported goods to be used in the execution of its works;
- b) When the goods referred to in the previous item are capable of being used in a different way from that mentioned therein, there shall be observed the provisions of Article 15 of Decree No.41024 dated February 26, 1957;
- c) The disposal of goods imported under the terms of this number is subject to the conditioning factors referred to in Article 16 of the same decree and to the provisions of Decree No.41818 of August 9, 1958;
- d) The temporary import of any goods and their consequent re-exportation are exempt from the payment of the general customs fees;

e) Goods imported under the terms of this number may be exported with exemption of dues and other fiscal charges, with exception of the customs clearance stamp;

f) The company shall advise with prior warning to the Provincial Geological and Mining and Customs Services of any import to be made with exemption of duties;

g) Authorisation shall be given for importation, exportation, and permanence in the territory of the Province of floating material such as floating rigs for prospection and exploration, launches and other marine craft, intended for the works of the company, whilst this contract remains in force, with total and full exemption of duties and other fiscal or customs charges.

6. The provisions of the previous number also apply to the import of grease, combustibles and lubricants.

7. The export by the company of products extracted from the concession area shall be exempt from the payment of customs duties and other customs charges, with exception of the statistical tax of 1 per 1,000 "ad valorem" and the customs clearance duty.

8. The company shall not be exempt from the payment of service charges or services which are actually rendered to it and which are not of a fiscal nature.

## CHAPTER VI

### Marketing of Products

#### Article 40

#### Sale and export of products

1. Without this affecting the terms of Article 41 and supplies necessary for normal deliveries to refineries and other manufacturing plant in the territory of the province, the company may produce, store, sell and export,

under the terms of this contract and the general applicable rules, the part attributed to it of the substances referred to in No.1 of Article 1 and extracted from the concession area.

2. The terms of the preceding number shall apply to any firm associated with the company which may take part in the purchase, sale and exportation of that crude oil, but in this case the conditions of activity of the associated company must be approved beforehand by the Minister for the Overseas Provinces.

#### Article 41

##### Preferential right of purchase

1. The State shall always have a preferential right of purchase of a maximum of 37.5% of the quantities of all substances extracted and set aside for sale, determined in accordance with Decree No.687/70, and without this affecting deliveries in kind that may be made under the terms of that same article. There shall, however, be deducted from that percentage the part of the production which may fall to the state company, or which may be acquired according to No.3 of Article 15.

2. In case of war or any grave emergency which affects the supply to the country of the substances referred to in the preceding number, all the company's production shall be put at the disposal of the Government without there being any need for any formality, but the concessionnaire shall receive equitable compensation.

3. When the Government exercises preferential right of acquisition to which previous numbers refer, it will allocate its needs over all producers existing in the Province, in proportion to the production of each of them, but bearing in mind the qualities produced and other factors to be taken into consideration.

## Article 42

### Quantities and delivery conditions of substances purchased by the State

1. The right of preference referred to in No,1 of the preceding article shall apply to the quantities extracted and set aside for sale during the period running between the day of the start of the delivery laid down in No,4 referring to that purchase and the end of the civil year in which delivery is begun.

2. In the case of the preceding number, there shall be applicable the point of inspection and control envisaged for the effect of collecting royalties, and the method of calculation and deduction of quantities used by the company in its operations, under the terms of Decree 687/70 of Dec 1970.

3. Should the State decide to make use of the right of preference referred to in Article 41, it shall, on the first day of any month, notify the company in writing of that decision and of the quantities to be purchased in this way, such notification being considered irrevocable.

4. Whenever the State exercises its right of preferential purchase, delivery of the substances concerned shall start six months after the date of notification referred to in No.3 of this article.

5. The company shall carry out delivery as referred to in the preceding number in accordance with the plan presented to it but, should any delivery extend over more than three months, it shall not be obliged to make available to the State in each period of three months more than 37.5% of the production programmed for that same period.

6. Delivery of substances acquired shall be made at a point, to be agreed upon, on the company's transportation system, the terms of Article 35 being complied with.

7. The terms of this article shall be applied to any products, byproducts, derivatives and residues of the substances produced by the company in the Province or in the area of concession.

8. The prices of the products acquired by the State, under the preferential right, shall be agreed with the Company and shall be based on the real and fair market prices, which are actually being practised and that the Company may obtain through its sales.

9. The payments to the Company, made under the terms of the regime established in this article may be deducted from any amounts due by the Company to the Province, including the tax on income from oil. The Company is allowed to transfer the remainder out of the Province.

## CHAPTER VII

### Sundry provisions

#### Article 43

##### Facilities granted

1. The Portuguese authorities shall try, as far as possible, to take the steps and shall grant the facilities required for enabling the company freely, efficaciously and completely to carry on its operations, and shall make every effort to ensure that private bodies grant it the facilities, and shall carry out the necessary expropriations for public utility, under the terms of the Decree of 20th September, 1906, all expenses incurred with the expropriations being for account of the company.

2. Roads and ways, as well as any other form of communication by vehicles, which are built by the company on public lands, enter the public domain forthwith, but should use of the aforesaid means of communication by any persons, animals or vehicles alien to the company cause damage to the company, the latter shall be entitled to indemnization, under the terms of the applicable legislation.

3. The Portuguese authorities shall as far as possible facilitate, subject to national interests and security, the entry, stay and departure from Portuguese territory of the individuals of any nationality that the company or any parties collaborating with it in its operations may have taken on or dismissed.

## CHAPTER VIII

### Article 44

#### Exchange regime

The operations carried on by the company, its associates or contractors are subject to the exchange regime in force in the province, in particular as regards interterritorial payments.

### Article 45

#### Measures against pollution and for the protection of natural resources

The company shall take the appropriate steps, in accordance with indications from the competent authorities and according to the most up-to-date techniques, to prevent as far as possible its prospecting, exploration, development, exploitation, refining or other work from resulting in contamination of the public waters, in atmospheric pollution and any damage to persons, animals and plants or to the conservation of the natural resources.



## Article 46

### Revision of the terms of the contract

1. With the aim of ensuring the State those advantages generally enjoyed by other countries, the Government and the company, five years after the first commercial export or at the time of the payout, whichever is the longer period, and, subsequently, at the end of each five year period, shall proceed to revise its clauses, in order to adapt them to the new economic conditions which are proved to exist and to maintain the just balance of the provisions of the contract.

2. Should the company, its parent company or any company in which either of them directly or indirectly has a controlling interest, sign a contract regarding deep waters of which the terms differ from this one, with any petroleum exporting country in the Middle East or on the African Continent, such terms being more favourable to the respective country than those envisaged in this contract, bearing in mind the benefits with financial consequences granted by such contracts, the company shall advise the Government of this fact within a maximum period of three months after it has come into force.

3. After being so notified, the Government may summon the company in order to enter into negotiations with the aim of ensuring the State identical more favourable benefits and consequently altering this contract in accordance with the aforesaid negotiations, in conformity with the terms and conditions of the above mentioned contracts.

4. The alterations eventually agreed upon in the revisions referred to in No.1 shall become effective from the date on which ends the period at the end of which the revision must be carried out, and the first shall thus become effective five years after the first commercial export or the payout whichever is the longest period.

5. In the cases envisaged in No.3, the alterations agreed upon or decided by arbitration under the terms of No.8, should such be the case, shall become effective from the date of notification envisaged in the aforementioned No.3.

6. Should the Government have knowledge of the signing of any contract, to which No.2 of this article applies, without the company having taken steps to give notification thereof as envisaged therein, the Governor may summon the company to start the negotiations referred to in No.3, without this affecting any application of the penalties envisaged in Article 52.

7. The alterations eventually agreed upon which are referred to in the preceding number or, failing agreement, those resulting from arbitration shall become effective from the coming into force of the contracts referred to in No.2, in the respective countries.

8. Should the Government and the company fail to arrive at an agreement as regards the revisions envisaged in the preceding numbers, the difference of opinion between them shall be resolved by having recourse to arbitration under the terms of the concession contract.

## Article 47

### Force Majeure

1. Failure of either of the parties in its obligations shall not constitute violation of the contract if such is caused by force majeure.

2. If what is envisaged in the preceding number delays fulfilment of any contractual time limit, this shall be extended by an equal period.

3. If the delay envisaged in the preceding number is more than one year, the duration of this contract shall be automatically extended by an equal period, without this affecting possible extensions to be applied for by the company, under the terms that may be agreed upon.

4. The cases of Force Majeure include war contingencies, declared or undeclared, insurrection, public disorders and strikes, storms, earthquakes, floods, lightning, explosions, fires, interruption of transport, paralyzation or serious reduction in commerce, accidents of navigation, interference through third parties in the exercise of the rights of any of the parties or any legal determination or regulation impeaching the activities of the company and, in a general way, every unforeseeable event which cannot be avoided or controlled.

## Article 48

### Adjustments of amounts expressed in Escudos

The fixed amounts corresponding to surfacr rents, fines and to the fixed part of the contribution to the Overseas Mining Fund, shall be equitably adjusted in case of a variation occurring in the purchasing power of the escudo, exceeding 20% for any size of its actually more or less, according to the consumer price indexes in the city of Lisbon, published by the National Statistical Institution.

## Article 49

### Penalty clause

1. Should the company with no justified reason fail to comply with any of the clauses of this contract or the legal regulations to which it is subject, a conventional penalty shall be applied to it, such a penalty being graded by an order from the Minister for the Overseas Provinces on proposal from the Governor of the Province, and not exceeding 500,000 escudos for each infraction, without this affecting the civil or penal responsibility which may result therefrom, under the terms of general law.

2. The dispatch which will apply shall determine the entity who shall benefit from this amount.

## Article 50

### Rescission at the request of the cessionnaire, Non-reimbursement of monies paid in advance

1. The concession contract shall be rescinded at the request of the company when

a) The work carried out has led to a wellgrounded belief that no accumulations of fluid hydrocarbons exist, in the concession area which, according to the practice of the industry, are capable of being economically exploited;

b) The work has been interrupted or paralysed for a period of one hundred and eighty days for reasons of force majeure.

2. If in the event of the rescission of the concession at the request of the company, under the terms of the previous number, the latter shall retain all the rights over the property which it has acquired, with the exception of the real estate directly pertaining to the concession, and the guarantee deposit referred to in Article 57 shall be returned to it, but it shall not be entitled to reimbursement of any monies paid in advance to the province, including surface rents.

3. The request for rescission referred to in paragraph (a) of No.1 of this article shall be accompanied by a justificatory report, and the company shall undertake to deliver all the data on which this has been based.

4. In the event of the rescission the company shall hand over all elements it possesses related to the concession.

## Article 51

### Rescission imposed by the Government

The Government may put an end to the concession when it recognises that any of the following facts have occurred:

- a) Repeated opposition to the inspection and control services;
- b) Divergence from the aim of the concession as defined in Article 1 of this contract;
- c) Interruption of prospecting, exploration and development work for a period of more than one hundred and eighty consecutive days, except in the case of force majeure.
- d) Interruption of the exploitation work for a period of more than ninety days, in any period of three hundred and sixty consecutive days, except for reasons of technical or economic nature or in the case of force majeure.

## Article 52

### Reversion of the concession

When the concession terminates owing to the end of the time limit having been reached, or to it having been declared to have lapsed, the State shall forthwith take possession of the land, buildings, works, equipment and installations of any kind pertaining to the concession in a permanent way, and these shall revert to it free of any charges or onus, in a good state of conservation and safety, the company having no right to any indemnity, nor being able to invoke the right of retention.

## Article 53

### Arbitration Tribunal

1. Any difference of opinion which may arise between the Government and the company as regards interpretation, integration or application of the legal and contractual provisions that regulate the relations between both as contractual parties, shall be decided by Arbitration Tribunal, to sit in Lisbon. The arbiters shall judge by the rules of equity, Portuguese law being applicable, as laid down in Article 5.

2. The Arbitration Tribunal shall consist of an arbiter appointed by the Minister for the Overseas Provinces, another by the company and a third chosen by agreement between them or, failing agreement, designated by the President of the Supreme Court.

3. Lodging of an appeal to arbitration shall have a suspensive effect, except when related in any way to the payment of sums of money to the province.

## Article 54

### Applicable legal and special provisions

In everything that is not contradicted by the provisions of this contract, there shall be applicable the Decree of 20th September, 1906, the Decree of 9th December, 1909 and Decree No.32,251 of 9th September, 1942, and any other present or future legal precepts or rulings, as well as the regulations imposed by the competent services.

For each multiple of .....barrels per day .....  
thousand escudos.

3. The company shall contribute.....thousand  
escudós per year to the Overseas Mining Development Fund.

4. After the commencement of commercial production,  
this contribution shall be increased by 0.25% of the actual  
value of the sale of the part of production, belonging to  
the company.

5. The contributions shall be deposited where the  
Administrative Central Commission of the Fund shall direct,  
the first being calculated pro rata temporis and delivered  
within 30 days of the signing of the contract and the  
subsequent contributions during the first three months  
of the calander year to which they refer,

6. The premiums referred to in Nos. 1 and 2 of this  
article shall not be deductible in calculating the income  
of the company for the purpose of calculating income tax.

7. The contributions referred to in Nos. 3 and 4  
shall be deductible from the gross income for the purpose  
of calculating the taxable net income.



Article 57

Deposits of guarantee

1. Within ninety days of the date of the signing of this contract, the company must deposit in the Banco de.....in the Province of Angola at the order of the Minister for the Overseas Provinces, the sum of 100,000\$00 per square or fraction thereof or, alternatively, present a bank guarantee in the same amount issued by Portuguese bank that the Minister accepts.

2. As the company restitutes or carries out final demarcation of part of the concession area, the deposit or guarantee corresponding to the part restituted or demarcated shall be returned to it or proportionately reduced.

3. Before starting any prospecting, exploration, development and exploitation work in the offshore zone of the concession, the company shall, under the terms and for the effects of the terms of the sole paragraph of Base IV of Law No. 2,080, deposit in the Banco..... in the Province of Angola at the order of the Minister for the Overseas Provinces, the sum of 1,000,000 escudos or, alternatively, provide a bank guarantee in the same amount issued by a Portuguese bank acceptable to the Minister.

4. The deposit referred to in the preceding number shall be returned to the company at the end of the concession or at the moment when all the offshore areas are abandoned.

Article 58

Doubts and Omissions

The doubts or omissions which may appear in the interpretation or implementation of the contract of the convention referred to in Article 15, which are incapable of affecting the rights of the parties legitimately constituted interests, shall be resolved by dispatch of the Minister of Overseas, after having heard the company and the State Company if such is the case.

Article 59

Concerning the transfer of obligations, rights and powers of the Public Administration

The obligations, rights and powers envisaged in this contract and in it attributed to the Public Administration when not inherent in the exercise of sovereign rights, may be wholly or in part transferred to a state firm or body or public or mixed economy company.

ANNEX I

TEXT OF THE JOINT VENTURE CONTRACT FOR PROSPECTING, EXPLORING, DEVELOPING AND EXPLOITING FLUID HYDROCARBONS BETWEEN THE CONCESSIONARY COMPANY ..... AND THE STATE COMPANY MENTIONED IN ARTICLE 15 OF THE CONCESSION CONTRACT BETWEEN THE STATE AND THE COMPANY.....

Between....., hereinafter called the COMPANY, concessionaire of the right to prospect, explore, develop and exploit deposits of fluid hydrocarbons in the area defined in Article 2 of the concession contract, signed on ..... between the State and that Firm, and ....., hereinafter referred to as the STATE COMPANY, which wishes to associate itself to the work of the COMPANY in the area defined in Article 2, para. 1 of this contract and, consequently, will participate in the results obtained, the following contract, hereinafter known as the AGREEMENT and whose terms and conditions the contracting parties undertake to fulfil fully, is hereby established with the agreement of the Government:

ARTICLE 1

(Purpose of the AGREEMENT)

1. In compliance with the provisions of article fifteen of the concession contract, signed between the State and the Company on \_\_\_\_\_, hereinafter designated the CONTRACT and in the terms of the notification of His Excellency the Minister for the Overseas of \_\_\_\_\_, the COMPANY transfers to \_\_\_\_\_, hereinafter called the STATE COMPANY, and the latter accepts, by the present AGREEMENT, during its validity and in the terms and conditions laid down therein, an indivisible participation of \_\_\_\_\_ per cent in the rights and obligations emerging from the CONTRACT.

2. With the approval of the COMPANY, which shall only be refused for weighty reasons, the STATE COMPANY may cede, in whole or in part, its participation in the concession to a subsidiary company which it shall control while this Contract is in force, but the STATE COMPANY shall not be freed from the obligations and responsibilities which it assumed in case the same are not fulfilled by the subsidiary company.

3. Both as regards the meaning of the words and technical expressions and legal and operational rules, the STATE COMPANY and the COMPANY, as well as any other firm that may come to replace them or represent them or become associated with them, undertake to comply with and impose compliance with the regulations regarding their activities, which are in force or may come to be in force with general applicability in the Portuguese Overseas Provinces, hereinafter referred to as REGULATIONS, which shall be considered, for all intents and purposes, an integral part of this AGREEMENT.

4. The AGREEMENT shall go into force on the date of its signing and shall cease with the term of validity of the CONTRACT, unless, in the terms and conditions foreseen therein, it is decided otherwise.

## ARTICLE 2

### (Implementation of the Agreement)

1. The COMPANY shall receive from the STATE COMPANY a compensation corresponding to \_\_\_\_\_ per cent of the initial cost of the concession.

2. For the purposes of this AGREEMENT, the initial cost of the concession shall be taken to mean all the costs and expenses, mentioned in paragraph 3, which have been reasonably and necessarily made to comply with the objectives imposed by the CONTRACT on the COMPANY up to the date of demarcation mentioned in Article 15 of the contract, it being considered that such costs and expenses shall be calculated on the basis of effective spending and wholly exclude any profit for the COMPANY;

3. The expenses and costs of prospection, exploration and development, wherever they are made and directly arising from operations carried out under cover of the CONTRACT, shall be determined and included in accordance with the following items and conditions:

- a) Costs and expenses connected with prospection, exploration and development activities carried out by the Company in Portuguese territory, calculated in accordance with the principles laid down in this article.
- b) Costs and expenses connected with prospection, exploration and development activities carried out by third parties in or outside Portuguese territory and directly related to these activities of the Company in Portuguese territory, and met by said Company, shall be calculated on the basis of the debit resulting from such work and activities carried out by the above mentioned third parties, considering the prices and tariffs that are normal for similar services;
- c) Other costs and expenses, met by the COMPANY and/or

its affiliates outside Portuguese territory and related to prospection, exploration and development activities inside Portuguese territory, shall be calculated on the basis of normal accounting practices that have been followed in previous years, once they do not include any profit for the COMPANY and once they may be directly or indirectly related to the above mentioned activities; the indirect costs and expenses must include, among others, the overhead expenses;

d) Any sums paid under the terms of the contract by the COMPANY to the State as premiums, and to the Overseas Mining Development Fund, previous to the date of demarcation, shall not be included in the costs and expenses referred to in this article.

4. All the costs and expenses must be approved by a firm of auditors, accepted by the Government, such costs and expenses being calculated in accordance with the provisions of paragraphs two and three of this article.

5. The expenses owed by the STATE COMPANY, in the terms of this article, shall be determined as quickly as possible and paid, at the option of the STATE COMPANY, in one of the following ways:-

- a. In cash, immediately after the exercise of the option;
- b. In cash, in eight annual instalments, equal and successive, increased by the interest on the outstanding amount to be paid, calculated on the basis of the inter-bank-rate of London;
- c. In kind, through delivery of 50% of the share of production belonging to the State Company, until the total value of deliveries equals 200% of the amount due.
- d. By means of a combination of the processes referred to in the previous items.

6. If the State Company opts for any of the processes foreseen in items b, c and d of the previous number it may always make payments, or deliveries in kind, in advance.

7. When payments in kind are made, the value to impute to the substances to be delivered to the company shall be calculated on the basis of the actual and fair market prices, which are effectively practised amongst companies not affiliated nor associated.

8. The value of the substances referred to in the previous number shall be deducted from all taxes of any nature that the company must pay on them or on the respective income; they must be delivered to the company totally free from any fiscal charges or onuses, including the Royalties, which are the responsibility of the STATE COMPANY.

9. Any system of payment foreseen in the items of No.5 shall be immediately initiated as soon as the initial cost of concession is calculated, but if more than 180 days are required to determine this cost, counted from the execution of the agreement such delay not being imputed to the company, the STATE COMPANY shall owe temporary interest, calculated in accordance with item b. of No.5.

10. As soon as the average daily production in the concession area has reached three hundred thousand (300,000) barrels/day for ninety consecutive days, the Government may opt within the period of one hundred and eighty days counting from the last of these days, for the attribution of an additional undivided participation of up to ten per cent of the rights and obligations arising from the CONTRACT, in favour of the STATE COMPANY.

11. In the case of the option mentioned in the previous paragraph, the STATE COMPANY shall pay to the Company, in the conditions foreseen in paragraphs 5, 6, 7, 8 and 9, the following sums:

- a) A sum equal to ten per cent of the initial cost of the concession, as defined in paragraphs two and three, already amortised at the rate of one twelfth and a half ( $1/12.5$ ) of that value each year from the date of demarcation to the date of the option mentioned in paragraph 10.

- b) An amount equal to ten per cent of the total costs and expenses concerning supplementary prospection and exploration operations carried out during the period spanning the demarcation and the date of the option mentioned in paragraph 10 of this article, considered amortised linearly between the year in which such costs and expenses were made and the end of the initial thirty year period of the validity of the concession, in the terms of the AGREEMENT, the CONTRACT and the REGULATIONS;
- c) An amount equal to ten per cent of the sums spent on physical goods, already depreciated linearly in accordance with the amortisation tables contained in the CONTRACT;
- d) An amount equal to ten per cent of the sums spent on intangible expenses concerning development drilling, already amortised linearly in accordance with the amortisation tables contained in the CONTRACT.

12. If, as foreseen in paragraphs 1 to 10 of this article, the Government has taken an undivided participation in the concession corresponding to up to forty per cent of the respective rights and obligations, and the production of the concession area reaches six hundred thousand (600,000) barrels/day for ninety consecutive days, the Government may, within the period of one hundred and eighty days counting from the last of those days, opt for the attribution of an additional undivided participation of up to ten per cent of the rights and obligations arising from the CONTRACT, in favour of the STATE COMPANY.

13. In the case of the option mentioned in the previous paragraph, the provisions of paragraph 11 of this article shall also be applicable.

### ARTICLE 3

#### (Attribution of financial charges)

1. From the moment of the demarcation of the first commercial field in which the STATE COMPANY participates in the terms of article 15 of the CONTRACT:

- a) The Company and the STATE COMPANY shall bear, in proportion to their respective participation in the concession, the expenses concerning the prospection, exploration, development and exploitation operations carried out within areas already demarcated definitively.
- b) The expenses concerning the prospection, exploration and development operations carried on outside the definitely demarcated areas shall be borne by the COMPANY.
- c) In the case of demarcation of new commercial fields, the process mentioned in article 2 shall be applied in regard to the expenses relating to the period immediately after the last demarcation of areas for exploitation.

2. The STATE COMPANY may opt for payment in kind of the expenses foreseen in items a. and c. of the previous number, by delivering to the company 50% of the substances to which it has a right, observing in this case the provisions of item c. of No.5 and of Nos. 7 and 8 of Article 2.

### ARTICLE 4

#### (Reciprocal proofs of fulfilment of obligations)

While the AGREEMENT is in force, each of the parties shall supply the other with all the data proving the punctual fulfilment of its contractual obligations,



**ARTICLE 5**  
**(Mutual obligations)**

1. The Company undertakes the responsibility and charges resulting from any claims, disputes and indemnisations, of whatever kind, which may occur while this AGREEMENT is in force or after it has terminated, when they are caused by failure to comply with any of the financial obligations or commitments assumed by it, in its own name or in that of the STATE COMPANY, under the terms of the AGREEMENT and the CONTRACT, and also undertakes to indemnify the STATE COMPANY for any losses that it may have as a result of the aforementioned claims, disputes or indemnities, when the above mentioned failure is duly approved.

2. The STATE COMPANY assumes the responsibility and charges resulting from any claims, disputes and indemnisations, of whatever kind, which may occur during the period of exploitation, when they are caused by failure to comply with any of the financial obligations or commitments assumed by it during that period and after it has terminated, under the terms of the AGREEMENT and the CONTRACT, and also to indemnify the Company for any losses that it may have as a result of the aforementioned claims, disputes and indemnities, when the abovementioned failure is duly proved.

3. Should either of the parties not comply, within the period fixed by the Arbitration Tribunal referred to in Article 13 of this AGREEMENT, any decision of that Tribunal, or not meet any of its obligations or commitments of a financial nature assumed under the terms of the same AGREEMENT, and not rectify the omission within a period of ninety days from the date on which it has been notified for that effect by the other party, the latter may rescind this AGREEMENT, and the party in default shall forfeit to the other all rights, interests and obligations, without being entitled to any indemnity for services or goods integrated in the concession.

## ARTICLE 6

### (Renunciation and abandonment)

1. The areas demarcated may only be renounced or abandoned, wholly or in part, if both parties to this AGREEMENT have opted for such procedure.

2. It is the responsibility of the OPERATING COMPANY to notify the Government of any abandonment of an area and also of the decision, taken jointly by both parties, for total or partial renunciation of the areas demarcated for exploitation.

## ARTICLE 7

### (Cession of participation in the demarcation)

1. The total or partial cession to a third company of the total undivided participation of either of the associates may only be carried out with the agreement of the other, and on authorisation from the Minister for the Overseas, except in the case envisaged in No.2 of Article 9.

2. The cession, from STATE COMPANY to Company or vice versa, does not require Government authorisation.

3. Starting from the date on which cession is carried out, the ceding party shall cease to have any interest in the concession, and shall be freed of all obligations, except as regards meeting financial obligations assumed up to that date, while the other party shall assume all the remaining obligations and shall have the right to all the benefits resulting from the aforementioned contracts, in the part relating to the ceded interests.

4. In the acts of cession referred to in Nos 1 and 2 of this Article, the cessionary shall have the right to purchase from the

cedent the quota part belonging to the latter in the physical goods not directly pertaining to the concession but connected with it, paying for them a value to be agreed upon between the parties or, failing agreement, by recourse to arbitration,

5. If, after the cessions referred to in Nos 1 and 2 of this Article, the cedent wishes to participate again in the rights, interests and obligations of the concession, he may do so under the terms which are accepted by all interested parties and approved by the Government.

#### ARTICLE 8

(Agreement of Joint Operations and Operating Committee)

1. In the shortest possible time after the signing of the agreement, the Company and the STATE COMPANY shall execute another agreement regulating the joint operations of prospection, exploration, development and exploitation, which shall have the form normally used in similar cases and must be approved by the Government.
2. The agreement of joint operations shall include, besides the rules foreseen in the contract and in the agreement, the following rules:
  - a. The Company and the STATE COMPANY shall receive, maintain and freely dispose of the percentages of the production equivalent to their participation;
  - b. The management and supervision of the joint operations shall be entrusted to an operating committee composed of representatives of both parties, in which the Company and STATE COMPANY shall have a voting right in proportion to their respective participations;
  - c. The Operating Committee shall direct and manage the joint operations, and in this capacity shall choose the areas to be retained or relinquished and shall approve the work programs and production programs duly budgetted to be proposed

- by the operator;
- d. If a different solution is not agreed upon between the Company and the STATE COMPANY, the Company who maintains the largest participation in the Agreement shall be the operator;
  - e. The management and joint operations are subject to the same rules of control applicable to the Company and to the STATE COMPANY, namely through the representatives of the State in each of them, who will also exercise the functions foreseen in the law as regards the operator;
  - f. The operator shall submit for the approval of the Government all plans and programs of the joint operations which, under the terms of the law, of the contracts and applicable regulations, require such approval;
  - g. The decisions of the Operating Committee shall be taken unanimously, by 70% majority or by simple majority, according to the rules of the following items.
  - h. The following decisions require unanimity:
    - 1. Selection of an operator, other than any one of the Associates.
    - 2. Transfer or communication to third parties of technical data or the results of prospection or exploration work and of documents pertaining to the activity of the Association.
    - 3. The setting and revision of work plans and their corresponding budgets including the annual budget of the Management Committee.
    - 4. Stoppage or suspension of operations.
    - 5. Approval of statement of accounts for each financial year.
    - 6. Transfer of assets owned jointly by the Associates.
    - 7. Establishing the insurances referred to in No.3 of Article 17.

8. The choice of contractors and approval of the respective contracts, when this involves amounts higher than escudos 2,500,000.
- i. A 70% majority of the total number of votes of the associates is required for the following decisions:
  1. Approval of technical reports.
  2. Choice of a Public Accounting firm charged with auditing the accounts.
- j. The remaining decisions of the Operating Committee are taken by a simple majority of votes.
- l. For the purposes of item e. of this article the Government may designate one of the representatives of the State to participate in the meetings of the Operating Committee, exercising functions equivalent to those of the delegates of the Government towards the same.
- m. Whenever, in the exercise of the functions referred to in the previous item, the representative of the State uses the right of veto, regarding any decision of the Operating Committee which violates the law, this contract and the Contracts of Association or which is manifestly detrimental to the National interests, any associate may, within 8 days, ask from the Minister of Overseas suspension of the veto. Within 20 days from the date of such veto, if this has been confirmed by the Minister of Overseas or if the application referred to in the previous number has obtained no answer, the complaining party may resort to arbitration under the terms of Article 13.
- n. When the participation of the STATE COMPANY reaches 50%, the State Representative, besides having a casting vote, shall have the following powers:
  1. The decisions above referred on the matters considered in Nos, 1, 3, 4, 5, 6 and 8 of item h., and also in No.2 of item i., need the approval of the representative of the State in the Operating Committee;

2. When the representative of the State in the Operating Committee denies his approval to any of the decisions referred to in the previous number, the Associates may, if they so wish, resort to arbitration, under the terms of Article 13.
- o. The agreement of joint operations shall foresee the constitution and functioning of the Technical Committees which may be deemed necessary, which will act as consultants of the operator and of the Operating Committee.
  - p. Beyond what is referred to in the previous items, the agreement of joint operations shall also regulate the matters pertaining to expenses, accounts, auditing, payment of taxes, access to information, confidentiality, relinquishment of areas, sole-risk operations, arbitration and any other matters which may be agreed upon between the Company and the STATE COMPANY.

#### ARTICLE 9

(Cession of rights in OPERATOR and in the commission)

1. The STATE COMPANY shall have the right to transfer all or a part of its undivided participation to any company in which it maintains the majority of share capital with voting rights, and undertakes in such case to maintain the majority of share capital with voting rights in the new company, during all the period of validity of the agreement.
2. The company shall have the right to transfer, with the approval of the STATE COMPANY and the authorization of the Minister of Overseas, all or part of its undivided participation to the parent company that controls it or to any subsidiary that the said parent company controls or undertakes to control during the existence of the agreement, and the STATE COMPANY cannot refuse its approval to the referred transfer without well-grounded reasons.

3. In the case of any cession carried out under the terms of this article, the transfer of the rights and obligations to the cessionary does not affect the responsibility in solido of the cedent for the obligations assumed under the terms of this AGREEMENT, unless it is dispensed from this, wholly or in part, by agreement between the Government and the interested parties.

#### ARTICLE 10

##### (Marketing or production)

1. That part of the production which has to be delivered to the Government under the provisions of the CONTRACT and that which is required for the integrated operations that may eventually be carried out under the terms and conditions of Article 12 of this AGREEMENT, shall be supplied by the Company and the STATE COMPANY in the proportion of the respective undivided participations in the concession.

2. The STATE COMPANY and the Company shall separately receive, maintain and dispose of the shares of production equivalent to their respective participations, with observation of the conditions of this article.

3. Should the STATE COMPANY wish, under the provisions of No.2 of Article 16 of the CONTRACT, all or part of the production belonging to him to be sold by the Company, he shall notify the latter to this effect not later than one hundred and eighty days before the commencement of each annual period in which he wishes to do so, indicating the quantity that he wishes to be sold under those conditions by the Company during the aforementioned annual period, such notification being considered irrevocable.

4. The STATE COMPANY shall also inform the Company what is the percentage of his production that he intends to market through the latter in the four subsequent years.

5. The Company undertakes to sell the part of the STATE COMPANY'S production for the annual period referred to in No.3, and also to promote the placing of the production of the four subsequent years, if the STATE COMPANY so wishes,
6. Whenever the STATE COMPANY notifies the Company that it wishes to sell through the latter all or part of the production corresponding to its participation, the Company shall distribute that part of the production over all the sales carried out by it.
7. The value of sales to be paid by the Company to the STATE COMPANY shall be agreed between them, each time the STATE COMPANY makes the notification referred to in No.3 and shall be based on the actual and fair market prices, which are effectively practised amongst companies non-affiliated or associated.
8. The STATE COMPANY, provided it so notifies the Company one year in advance, may, at any time, revoke the authorisation given to the Company to market the production belonging to it.
9. The Company shall pay to the STATE COMPANY, within thirty days of the end of each calendar month, an amount equal to the value of the products sold for account of the STATE COMPANY in that calendar month, deducting a commission of 2%, to which the Company shall have right.
10. The Company shall render to the STATE COMPANY all information that the latter may require concerning sales made on its behalf at market prices.
11. The STATE COMPANY recognises to the Company the right of option of buying the production which belongs to it and which is destined for sale outside the National Territory, with the exception of the quantities destined to satisfy exchange obli-



gations or commercial agreements; the quantities acquired by the Company according to this right, shall be paid in U.S. Dollars if another currency is not agreed upon.

12. If the STATE COMPANY entrusts the Company with the selling of all or part of the production belonging to it, it gives to the Company the right of disposing or selling, without any restrictions, how and to whom it wishes, the quantities it delivers to it for sale.

13. The Company undertakes to inform the STATE COMPANY of the real prices that it expects to obtain in selling its production, whenever the latter so requests.

ARTICLE 11  
(Materials and services)

If it is necessary, during the exploitation period, to make use of drilling equipment which does not belong to the Company, the OPERATOR shall give preference to drilling equipment belonging to the STATE COMPANY, to the State or to companies owned by Portuguese nationals, provided that prices and quality of work are equivalent to any other that can be contracted.

ARTICLE 12  
(Integrated operations)

1. The two contracting parties in this AGREEMENT may together constitute an integrated oil company, and may for the purpose set up one or more companies whose aim shall be to undertake in the Province of Angola the complementary activities required for such integration, under the conditions of this article.

2. After signing the AGREEMENT, the two parties shall discuss the organization and undertaking of studies on the economic feasibility of constituting one or more integrated oil companies, for the operations of production, refining, marketing and transport in the Province.

3. Should such studies demonstrate the economic feasibility of one or more of the above mentioned activities as a wholly or partially integrated operation, the two parties may constitute one or more companies for the purpose of developing those activities within the framework of what is authorised by the Government.

4. The statutes of the company/ies intended for the carrying out of the integrated operations shall be approved under the terms of the law.

5. The two parties shall subscribe the majority of the share capital of the new company/ies in accordance with the respective participations, if no other solution is agreed upon.

6. The STATE COMPANY may arrange that all or part of its participation in that share capital is subscribed by another Portuguese company that it undertakes effectively to control during the whole period of the integrated operations referred to here, the STATE COMPANY being guarantor for that company as regards fulfilment of its obligations.

7. In the case of one of the parties not wishing to take part in the setting up of that/those integrated company/ies, the other party may promote its constitution alone or associating with third parties acceptable to the Government.

8. Should the conclusions of the study on economic feasibility be unfavourable to integrated operations, the contracting parties shall carry out fresh studies, provided they are deemed opportune.

9. When production of oil in the demarcated areas reaches a daily average of two hundred thousand (200,000) barrels, in a period of ninety consecutive days, the STATE COMPANY and the Company shall start up-to-date studies on the economic feasibility of a general program for the constitution of integrated oil companies.

10. These studies shall include projects for the construction, on National territory, of one or more refineries.

11. If any of the parties recognizes that the installation of the refining activities is not economical or is inconvenient, it shall have the right of not participating in the project, the other party being entitled to carry it out by itself or by means of an association with third parties, if the Government so approves.

ARTICLE 13  
(Arbitration Tribunal)

1. Differences of opinion that may arise between the STATE COMPANY and the Company as regards interpretation, integration or application of the legal and contractual provisions regulating the relations between them in the quality of contracting parties, shall be resolved by Arbitration Tribunal, which shall sit in Lisbon. The arbiters shall judge according to equity, with application of Portuguese law, to which both companies are subject, under the terms of Article 14 of this AGREEMENT.

2. The Arbitration Tribunal shall be composed of one arbiter designated by the STATE COMPANY, another by the Company and a third chosen by agreement between both or, failing this, designated by the President of the Supreme Court, at the request of either party.

3. Appeal to arbitration shall have a suspensive effect, except as regards payments to the State.

ARTICLE 14

(Applicable legislation)

In everything concerning execution of the provisions of this AGREEMENT, both parties declare themselves subject to Portuguese legislation and to Portuguese courts of law, and hereby renounce any foreign law courts.

ARTICLE 15

(Force majeure)

1. Failure of the parties in their respective obligations shall not constitute violation of this AGREEMENT, when such are caused by facts of force majeure.

2. Considered as cases of force majeure shall be contingencies of war, whether declared or not, insurrection, public disorder, strikes, storms, earthquakes, floods, lightning, explosion, fire, interruption of transport and marketing, shipping accidents, interference with the exercising of the rights of either of the parties owing to the intervention of third parties, or any legal provision or ruling or Government regulation and, in general any or every unforeseeable event that may not be prevented or controlled.

ARTICLE 16

(Confidential treatment of information)

1. Any information obtained by either party, and relating to the operations referred to in this AGREEMENT, shall be treated as confidential and may not be divulged by either of them without prior agreement by the other and express authorisation from the Government.

2. The provision of the previous number does not concern the State, nor the companies of the groups to which the Company

and the STATE COMPANY belong, nor to their employees who must be aware of such information, who will be obliged to maintain the same confidential treatment.