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GENERIC MODEL

PUBLIC WORKS CONTRACT

BASED ON UNIT PRICES

between

PEMEX EXPLORACIÓN Y PRODUCCIÓN

and

[CONTRACTOR]

NOTE: This is a courtesy English translation of the June 2003 version of the Generic Model Public Works Contract based on Unit Prices between PEMEX Exploración y Producción and the Contractor. PEMEX Exploración y Producción takes no responsibility for the accuracy of this translation. Reference should be made to the original Spanish version for the purposes of interpretation or review.

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PEMEX EXPLORACIÓN Y PRODUCCIÓN

CONTRACT PEP - _____

PUBLIC WORKS CONTRACT BASED ON UNIT PRICES¹ for the development and maintenance of non-associated gas fields entered into between **PEMEX EXPLORACIÓN Y PRODUCCIÓN ("PEP")**, represented herein by [_____] , acting in his capacity as [_____] , on the one hand; and [on the other hand [_____] ("**Company A**") , represented herein by [_____] , acting in his capacity as [_____] , and [_____] ("**Company B**") , represented herein by [_____] , acting in his capacity as [_____]] (hereinafter, Company A and Company B shall collectively be referred to as the "Contractor")]² , pursuant to the following declarations and clauses:³

DECLARATIONS

1 PEP, through its representative, hereby declares that:

- 1.1 It is a decentralized public entity of the Federal Government of the United Mexican States ("México"), with legal existence and its own patrimony, being legally capable of entering into this Contract pursuant to Article 4 of the Organic Law of Petróleos Mexicanos and its Subsidiary Entities, with Taxpayers Federal Registration No. PEP-920716-7XA.
- 1.2 Its purpose, in its capacity as a decentralized public entity of the Federal Government of México and in accordance with Article 3, Fraction I of the Organic Law of Petróleos

¹ In this Model Contract, the matters included between brackets are matters that should be determined and completed: (i) when the Model Contract is included in the *Bases de Licitación*; or (ii) when the Contract is executed with the bidder(s) to whom the bid is awarded.

² If the Contractor is only one company, then replace the bracketed text with the following: *on the other hand, [_____] , represented herein by [_____] , acting in his capacity as [_____] (the "Contractor")*.

³ For ease of interpretation, this version of the Model Contract has been drafted assuming that PEP shall enter into this contract with a Contractor formed by two companies that present a joint offer. Appropriate adjustments will be made to the Contract if the Contractor is more than two companies.

- Mexicanos and its Subsidiary Entities, is the exploration and exploitation of crude oil and natural gas, their transportation, storage in terminals and commercialization, and in accordance with such purpose, is carrying out a project to increase the non-associated gas reserves and production in the Work Area located in the [] Basin, described in Annex A.
- 1.3 It has decided to enter into this Public Works Contract Based on Unit Prices to contract the execution of the Works referred to under Clause 9.1 in the Work Area located in the [] Basin.
 - 1.4 The Works that are the purpose of this Contract are included within the authorized investment program of the *Proyecto de Infraestructura Productiva de Largo Plazo ("PIDIREGAS")* of PEP and the approval of the Chamber of Representatives in accordance with Volume IV of the Federation's Expense Budget for the fiscal year 2003. The Development and Infrastructure Works, as defined in this Contract, are investment expenses of PEP, and the Maintenance Works, as defined in this Contract, are operating expenses of PEP.
 - 1.5 The Works covered by this Contract were awarded based on Article 134 of the Political Constitution of the United Mexican States and Articles 3, Fractions I, II and VIII, 27, Fraction I, 28, 30, Fraction II, and 38 of the *Ley de Obras Públicas*, the Regulations of the *Ley de Obras Públicas* and the international treaties executed by the Federal Government of México, through International Public Bid number [] (the "Bid"). The call was published in the Official Gazette of the Federation on [] (the "Call"), and the decision was announced in a public session on [], after a prior favorable opinion of the [Technical Sub-Committee for Public Works Contracting], granted in its [] meeting number [], held the [] day of [], [].
 - 1.6 Neither the execution of this Contract by PEP, nor the compliance with its obligations derived from the same, shall conflict with, or result in a breach of, or constitute violations or breaches of any Applicable Provisions as of the date of this Contract (including the Organic Law of *Petróleos Mexicanos* and its Subsidiary Entities) or of any other instrument, contract or agreement to which PEP is a party or by virtue of which PEP is bound or to which any of its assets may be subject.
 - 1.7 This Contract has been duly executed by PEP in accordance with the Applicable Provisions. Assuming the due authorization and execution of the Contract by the Contractor, the Contract constitutes legal, valid and enforceable obligations against PEP, which are enforceable in accordance with their respective terms, subject to the laws which regulate the enforcement of creditors' rights in general.
 - 1.8 PEP has the legal capacity and power to be owner of its assets and to carry out the activities that it currently carries out or that it intends to carry out under this Contract.

1.9 Mr. [_____] has the necessary power and authority to execute this Contract in accordance with the provisions of Article 12 of the Organic Law of Petróleos Mexicanos and its Subsidiary Entities, and evidences his appointment through public writ number [_____] dated [_____] , granted in the presence of Notary Public number [_____] of [_____] , Mr. [_____].

1.10 Its domicile is established at:

[_____

_____]

and the following domicile is hereby provided for all legal purposes and effects of this Contract:

[INSERT CONTACT ADDRESS OF THE OFFICE OF THE CONTRACT OPERATIONS MANAGER]

2 Company A and Company B, through their respective representatives, each hereby declares that:

2.1 They are corporations duly organized and existing according to the laws of [indicate places where the companies are legally registered, and in case of a branch office, make reference to the branch registered in México], respectively and are legally capable to enter into and comply with the obligations arising from this Contract, which they evidence with public writ No. [_____] , dated [_____] of [_____] , [_____] , granted in the presence of Notary Public No. [_____] of [_____] , Mr. [_____] , and registered with the Public Commercial Registry under commercial folio number [_____] , and with public writ No. [_____] , dated [_____] of [_____] , [_____] , granted in the presence of Notary Public No. [_____] of [_____] , Mr. [_____] , and registered with the Public Commercial Registry under commercial folio number [_____] , respectively.

2.2 They enter into this Contract in accordance with their purpose and for commercial reasons, and hereby waive any form of sovereign immunity or immunity of jurisdiction that they may be entitled to. The Contractor and its members acknowledge that as a result of their participation in this Contract, they are formally obligated before the *Secretaría de Relaciones Exteriores* to be considered for that sole purpose as Mexicans with respect to such participation and the rights and obligations arising from the Contract, and to refrain from invoking the protection of their foreign governments, at the risk of losing, in benefit of the Nation, any rights that they may have acquired, provided, however, that nothing in this declaration shall be interpreted as a limitation of any right

- that the Contractor and its members may have under any applicable international treaties entered into by the Federal Government of Mexico.
- 2.3 Neither the execution of this Contract by the members of the Contractor nor the compliance by the members of the Contractor with their obligations arising therefrom, conflicts with, or results in any breach of, or constitutes violations or defaults under any of the Applicable Provisions as of the date of this Agreement, of their respective articles of incorporation or by-laws, or of any mortgage, trust or any other instrument, contract or agreement to which the members of the Contractor are a party or by virtue of which they are bound or to which any of their assets may be subject.
- 2.4 The execution and performance of this Contract by the Contractor has been duly authorized by all necessary corporate and legal action, and this Contract has been duly executed by the members of the Contractor. Assuming the due authorization and execution of this Contract by PEP, the Contract constitutes legal, valid and enforceable obligations against the Contractor, enforceable in accordance with their respective terms, subject to the laws which regulate the enforcement of creditors' rights in general.
- 2.5 There is no lawsuit or proceeding against them nor, to the knowledge and understanding of the members of the Contractor, is there any imminent lawsuit or proceeding which, if it were decided against any of the members of the Contractor, could have a material adverse effect on its business or financial condition or the performance of the activities contemplated in this Contract. There is no action or proceeding that has been instituted, nor is there any order, decree, injunction or any kind of judgment by any governmental authority, be it national or foreign, that has been issued to avoid, restrain or in any other manner limit the performance of the activities of the members of the Contractor contemplated in this Contract.
- 2.6 The members of the Contractor have fully complied with the requirements of the Call and the *Bases de Licitación*, and all the representations made, and information provided to PEP, are true and complete. In compliance with the *Bases de Licitación*, the members of the Contractor have entered into a private agreement whereby they have agreed to be jointly and severally liable for their obligations under this Contract and have agreed upon the portions of the Works under this Contract that each member of the Contractor will perform; such agreement was included in their joint proposal and is attached to this Contract as Annex B. In addition, in such document, [Company A] is appointed as common representative of the Contractor (hereinafter referred to as the "Lead Company"), to act in the name and on behalf of the members of the Contractor *vis-à-vis* PEP in all matters related to this Contract, and the activities and duties of each member of the Contractor regarding this Contract are described. From the date of delivery to PEP by the members of the Contractor of any information required in accordance with the Call and the *Bases de Licitación*, there has not been any material adverse change in the financial condition of the members of the Contractor nor has there been since that date any change in the shareholding of the capital stock of the members of the Contractor nor in the participation of their Shareholders, nor Change of Control of any of the members of the Contractor.

- 2.7 Messrs. [_____] and [_____] have the necessary power and authority to execute this Contract on behalf of Company A and Company B, respectively, as evidenced by public writ No. [_____] dated [_____] granted in the presence of Notary Public No. [_____] of the [_____] Mr. [_____] and registered with the Public Commercial Registry under commercial folio number [_____] and by public writ No. [_____] dated [_____] granted in the presence of Notary Public No. [_____] of the [_____] Mr. [_____] and registered with the Public Commercial Registry under commercial folio number [_____] respectively.
- 2.8 Their Taxpayers Federal Registrations are [_____] for Company A and [_____] for Company B.
- 2.9 Company A has its domicile in [_____] and Company B has its domicile in [_____] and both companies indicate the following domicile for all legal purposes and effects of this Contract: [_____] or any address that replaces it as a result of a new designation of the Lead Company, appointed in accordance with Clause 39 by the members of the Contractor as their common representative.
- 2.10 They know the contents and requirements established by the *Ley de Obras Públicas*, the Regulations of the *Ley de Obras Públicas* and other legal provisions applicable to the dependencies and entities of the federal public administration, and know all the other Applicable Provisions, and it is their intention to enter into this Contract, which has been awarded to them through and as a result of the award issued in the Bid.
- 2.11 They know that the Works that are the purpose of this Contract, are included within the authorized investment program of the *Proyecto de Infraestructura Productiva de Largo Plazo ("PIDIREGAS")* of PEP and the approval of the Chamber of Representatives in accordance with Volume IV of the Federation's Expense Budget for the fiscal year 2003.
- 2.12 They are familiar with the Work Area and have considered all the foreseeable factors that may affect carrying out of the Works.
- 2.13 Under penalty of perjury, they state that they do not fall under any of the cases established in Article 51 of the *Ley de Obras Públicas*, and they are aware of their tax obligations pursuant to Article 32-D of the Tax Code of the Federation, as per the provisions of Norm [_____] of the Miscellaneous Fiscal Resolution for [_____] published in the Official Gazette of the Federation on [_____] of [_____] of [_____] ⁴.

⁴ If the Contractor is only one company, the text of the declarations of the Company A and the Company B shall be adjusted to reflect that such declarations are made by the Contractor, through its representative.

3 The Parties hereby declare under penalty of perjury that:

- 3.1 Each of them is bound by the terms of this Contract and its Annexes, and by the content of the *Ley de Obras Públicas* and other Applicable Provisions governing the contracting, execution and performance of this Contract.
- 3.2 The powers of their respective representatives to enter into this Contract have not been revoked, limited or amended to this date, and thus the Parties are bound and obligated by the terms of same.

Based on the above, the Parties agree on the following clauses:

CLAUSES

***PART I:
DEFINITIONS AND INTERPRETATION***

**CLAUSE 1
DEFINITIONS**

The terms defined in this Contract shall have the meaning indicated below:

"[] *Basin*" means the non-associated gas geological basin located in the [State of []] [States of [] and []], México.

"*2D Seismic Survey*" means the field operation with bi-dimensional seismological reflection method that uses energy sources to generate seismic data along a line on the surface of land and its subsurface projection.

"*3D Seismic Survey*" means the field operation with three-dimensional seismological reflection method that uses seismic energy sources in an area on the surface of land and its subsurface projection to generate a seismic data cube.

"*Abandonment*" means the proper plugging and abandoning of a Well, other than Dry Wells, of any other Development Works, or abandonment of Infrastructure, in compliance with Applicable Provisions, as well as the restoration of such Well site and any access road.

"*Affiliate*" means, in relation to any Person or entity, any other Person or entity that controls such Person, is controlled by it, or is under common control with it, it being understood that:

- (a) control consists of the ability to direct or cause the direction of the management or policies of such other Person or entity, whether by means of the ownership of shares or other voting securities or by any other means, and
- (b) in the case of PEP, the term Affiliate shall include PEMEX and its Subsidiary Entities (other than PEP) or its affiliates, but shall not include the Government of México.

"*Annexes*" means each of the annexes of this Contract identified in Clause 42, as amended during the Term.

"*Annual Letter of Credit*" means the letter of credit that the Contractor must obtain and deliver to PEP within fifteen (15) days from the date when the approval of the Annual Work Program for every year following the First Development Stage is notified in writing to the Contractor, for a value equal to ten percent (10%) of the amount of the authorized budget for the Annual Work Program corresponding to such year.

"*Annual Reserves Report*" means the report that must be prepared by an independent company, with internationally recognized capacity and prestige in the field, subcontracted by the Contractor with PEP's prior approval, that contains the calculation of proved, probable and possible non-associated gas reserves existing in the Work Area as of December 31st of the immediately preceding calendar year.

"*Annual Work Program*" means the work program and budget which must be prepared annually by the Contractor pursuant to Clause 10.12.

"*Applicable Provisions*" means all laws, treaties, regulations, official norms (NOM), decrees, criteria and authorizations issued by any Governmental Authority in force at the time of the execution and/or during the performance of the Contract. Those provisions include those aimed at the protection, conservation or restoration of the Environment or the conservation of archeological resources, including any applicable Mexican law related to the presence, storage, transportation, release, spill, emission, disposal or recycling of any substance (including any form of energy), as well as the *Ley de Obras Públicas* and the Petroleum Works Regulations; in the event of conflict or contradiction, they shall be applied in accordance with the hierarchy set forth in Article 133 of the Political Constitution of Mexico.

"*Assignment*" means for purposes of determining a Change of Control, any sale, transfer, assignment, delegation, merger or other form of disposition, direct or indirect, including the granting of a pledge or other similar lien, executed by any means.

"*Bases de Licitación*" means the bidding protocol issued pursuant to the Call, including any modifications, amendments, additions or clarifications to the same, issued in writing by PEP.

"*Base Price*" means USD\$3.50 per MSCF, adjusted on an annual basis pursuant to the U.S. Consumer Price Index for the calendar year 2002, in accordance with Clause 17.7.

"*Bid*" means the International Public Bid N° [_____].

"*Business Day*" means any day other than a Saturday, Sunday, PEP's Official Holidays and other days on which banking institutions in the City of New York, United States of America and in México City do not provide their services as required or authorized by law.

"*Call*" means the call for the Bid published by PEP in the Official Gazette of the Federation, on [_____], 2003.

["*Change of Control*"] means any Assignment or Assignments that would result in one or more members of the Contractor no longer being an Affiliate of the relevant parent company that granted the guarantee provided for in Clause 24.2(c).⁵

"*Claim*" means any legal action, complaint, law suit, demand, loss, cost, damage, procedure, Contributions and Improvements or expense, fines or administrative sanctions, including reasonable attorneys' fees and court costs.

"*Codes, Standards and Norms*" means the codes, standards and norms in respect of which compliance during the execution of the Works shall be mandatory, and which are listed in Annex C.

"*Company A*" means [_____], as identified in the preamble of the Contract.⁶

"*Company B*" means [_____], as identified in the preamble of the Contract.⁷

"*Condensates*" means blends mainly consisting of pentanes and heavier hydrocarbons, directly recovered from the Reservoirs or obtained from gas conditioning, which are liquid under ambient conditions of temperature and atmospheric pressure.

"*Confidential Information of Contractor*" shall have the meaning specified in Clause 26.3(b).

"*Confidential Information of PEP*" shall have the meaning specified in Clause 26.3(a).

"*Construction Specifications*" means any and all technical, engineering, construction and performance specifications and requirements for the Works, contained and listed in full in Annex C.

"*Construction Superintendent*" means the officer appointed by the Contractor, as provided in Clause 22.3.

"*Contract*" means this Public Works Contract Based on Unit Prices, including all Annexes attached thereto, as amended during the Term.

["*Contractor*"] means Company A and Company B, jointly.⁸

⁵ If the Contractor is only one company, then eliminate this definition.

⁶ If the Contractor is only one company, then eliminate this definition.

⁷ If the Contractor is only one company, then eliminate this definition.

⁸ If the Contractor is only one company, then replace the bracketed text for the following: "*Contractor*" means [_____], as identified in the preamble of the Contract.

"*Contractor's Personnel*" means the personnel that renders services related to the Contract, contracted by the Contractor and/or its Subcontractors.

"*Contract Operations Manager*" means the officer in charge of the Office of the Contract Operations Manager, appointed by PEP and acting as PEP's representative *vis-à-vis* the Contractor.

"*Contract Quarter*" means a three (3) Month period ending March 31, June 30, September 30 or December 31 of any year.

"*Contract Year*" means any calendar year included as part of the Development Phase, the Reactivation Phase or the Maximum Recovery Phase, other than the Initial Partial Year and the Final Partial Year.

"*Contributions and Improvements*" means each and every contribution, its accessories and all fiscal levies set forth in the provisions applicable to the Parties (including income tax, tax on property of assets or their transfer and value added tax), fees (including fees for documentation, licenses or registration), charges, taxes, duties or withholdings of any nature, together with each and every penalty, fine, and tax and interest increase levied, charged or imposed by any governmental authority or any other Person in such capacity, in accordance with the provisions applicable to the Parties.

["*Corporate Guarantee*" means the guarantee to be granted by the Affiliate of each member of the Contractor as set forth in Clause 24.2.]⁹

"*crude oil*" means hydrocarbons that under ambient conditions of temperature and atmospheric pressure remain in liquid form, except Condensates.

"*Crude Oil Reservoir*" means a Reservoir in which the official Reservoir production test, based on the initial Well measurement, indicates a total GOR (a) of less than six thousand (6,000) SCF per barrel, or (b) equal to or greater than six thousand (6,000) SCF per barrel but which molar component of heptanes and other hydrocarbons of higher molecular weight is more than five percent (5%).

"*Cumulative Development Work Obligation*" means, on any given year, the amount of Work Units that the Contractor must carry out from the Effective Date up until and including such year.

"*Cumulative Work Units*" means the total Work Units carried out by the Contractor until a given date.

⁹ If the Contractor is only one company, then replace the bracketed text for the following: "*Corporate Guarantee*" means the guarantee to be granted by a Shareholder of the Contractor as set forth in Clause 24.2.

"*Daily Delivery Capacity*" means the maximum daily delivery capability of a Work Area, determined by deliverability tests conducted in accordance with Clause 13.2.

"*day*" means any calendar day, including Saturdays, Sundays, and holidays.

"*Defect*" means any abnormal condition, including any hidden defect, preventing the Works, materials or equipment in question from operating in a safe and reliable manner, in accordance with the use for which they were manufactured and in compliance with the Construction Specifications (other than a condition caused by an act or omission of PEP, or caused by normal use, operation or wear-and-tear).

"*Delivery Deficit*" shall have the meaning specified in Clause 13.5(b).

"*Delivery Point(s)*" means the point(s), as described in Annex F, where PEP sells and transfers to PGPB gas and/or Condensates produced in the Work Area.

"*Development*" means the Works described in Clause 9.1(a).

"*Development Phase*" means the phase of the Term consisting of the Initial Partial Year, if applicable, plus a minimum duration of three (3) Contract Years and a maximum duration of eight (8) Contract Years, as defined in Clause 6.3(a).

"*Development Work Obligation*" means the amount of Work Units that the Contractor must carry out in a specific year.

"*Development Works*" means the Works described in Clause 9.1(a).

"*Directive Group*" means the group of seven (7) members, appointed in accordance with Clause 22.1, to act as an advisory body on the terms described in such clause.

"*Discount*" means the reduction percentage on the Reference Prices offered by the Contractor in its Financial Bid to obtain its Original Unit Prices, according to the procedure established in the *Bases de Licitación*.

"*Dollars*" or "*USD\$*" means Dollars, the legal currency in the United States of America.

"*Drill*" means all services with respect to drilling or deepening of a Well, including obtaining surface access to and for the site of the Well, the preparation of the site of the Well, the construction of such roadways as are necessary to gain access to the site of the Well, the installation of all surface and intermediate casing of the Well, and the logging, coring and testing of the Well.

"*Drillable Locations*" means a location in a Sector which is available for the Drilling of a Well that results in an Economic Well, based on the estimates of the anticipated production of such Well and its probability of success.

"*Dry Well*" means a New Well which (i) the Contractor declares dry and abandoned upon completion of Drilling, or (ii) does not produce gas, after having been stimulated when reasonably justified, or which produces gas in a lower quantity than that required for a Productive Well.

"*Economic Well*" means a completed Well, and Wells which have been stimulated but only if such Stimulation is reasonably justified, with an average daily Production during the first Month of commercial Production which is equal to or greater than the estimated minimum daily economic Production ("EMDEP"), before the Drilling of the Well, determined as follows:

$$EMDEP = \left(\frac{\text{Cubic Feet per USD\$} \times \sum \text{Unit Price}}{\text{Prob}} \right) \times \left(\frac{\text{Base Price}}{\text{Gas Price} - 0.5 \times (\text{Base Price} - \text{Gas Price})} \right)$$

where:

- (a) EMDEP – means the estimated minimum daily economic Production.
- (b) Cubic Feet per USD\$ - means 0.55 SCF of gas per USD\$1 of Unit Price.
- (c) \sum Unit Price – means the sum of the Unit Prices set forth in Annexes E-1 and E-2 for Surface Land (both wellsite and access roads), Drilling & Casing and Completing the Well, plus the Unit Price for Stimulation of the Well if such Stimulation is reasonably justified, but excluding any costs of or Unit Prices for any geophysical study, Gathering Lines or associated Infrastructure.
- (d) Prob – means the probability of success of the Well based on a single fraction estimate prepared by the Contractor based on Good Petroleum Industry Practices. Such estimate shall be between a minimum of 0.05 and a maximum of 0.9.
- (e) Base Price – shall have the meaning specified above in this clause.
- (f) Gas Price – means the International Gas Price for the applicable Month expressed in Dollars per MMBTU and converted to Dollars per MSCF using a conversion factor of One Thousand (1,000) BTU per SCF.

"*Effective Date*" means the date on which the works covered by this Contract shall begin.

"*Environment*" means all land components within the jurisdiction of México and includes:

- (a) Air, land and water;
- (b) All atmospheric layers;
- (c) All organic and inorganic matter and living organisms; and
- (d) The natural systems that interact and include the components mentioned in paragraphs (a) to (c) above.

"*Environmental Consultant*" means the independent environmental consultant hired by the Contractor to perform the Initial Environmental Study, the Sector Removal Environmental Studies or the Final Environmental Study, as the case may be, and to prepare the corresponding report.

"*Environmental Documents*" means the information, data and analyses used in the Initial Environmental Study, the Sector Removal Environmental Studies and/or the Final Environmental Study, the Report on the Initial Environmental Study, the Reports on the Sector Removal Environmental Studies and the Report on the Final Environmental Study, any other review report, any base study, environmental impact evaluation or any other environmental activity of any type whatsoever performed in the Work Area, together with all drafts, working copies, notes, memoranda, meeting minutes, documents, data and information directly prepared for the creation of the same.

"*Environmental Liabilities*" means each and every current, future, absolute or contingent liability related to the Environment in the Work Area, arising from any activity or obligation performed by any Person and associated with the exploration, exploitation, development, production, handling, use, storage or transportation of hydrocarbons or with the design, study, construction, operation, use, confiscation or abandonment of facilities, plants, gas pipelines or equipment used for the exploration, exploitation, development, production, handling, use, storage or transportation of hydrocarbons by any Person, including:

- (a) liabilities with regard to contamination or other damage to the Environment;
- (b) liabilities with regard to real damage or damage threatening the Environment or the archeological resources, caused by the presence, storage, transportation, release, spill, emission, disposal or recycling of energy or any other substance, but excluding natural seeping of hydrocarbons;
- (c) responsibility for any repair, restoration or recovery action of the Environment or of the natural resources in the Work Area; or
- (d) damage to the Environment arising from performance of the Works provided in this Contract.

"*Environmental Protection and Safety Program*" means the environmental protection and safety program proposed by the Contractor in accordance with Clause 25.4.

"*Essential Fixed Assets*" means Wells, Gathering Lines, gas pipelines and other facilities, and any other fixed assets which do not constitute Supplementary Equipment.

"*Estimate*" shall have the meaning specified in Clause 20.8.

"*Executive Directorate of Multiple Services Contracts*" means the office of PEP which is under the direction of the Executive Director.

"*Executive Director*" means the officer designated by PEP in charge of the Executive Directorate of Multiple Services Contracts, or any other officer that, as a result of changes due to internal restructuring within PEP, assumes such responsibility or the responsibility of the direction or office which replaces the Executive Directorate of Multiple Services Contracts.

"*Existing Gas Production*" means the production of non-associated gas existing in the Work Area established in Annex G.

"*Existing Water Production*" means the production of formation water existing in the Work Area established in Annex G.

"*Existing Well*" means the wells located in the Work Area on the Effective Date and listed in Annex A.

"*Expansion Zone*" means that portion of the Work Area that is not part of a Field.

"*Field*" means the surface area that, subject to Clause 10.16, consists of:

- (a) Sectors that are initially included in the Field as shown in Annex A; and/or
- (b) All Productive Sectors; and/or
- (c) All Sectors completely surrounded by the Sectors identified in (a), if applicable, and (b) above.

"*Final Environmental Study*" means the environmental study that the Parties shall conduct within three (3) months prior to the Termination Date, or before, in case of rescission or early termination of the Contract..

"*Final Partial Year*" means the period between January 1st following the sixth Contract Year of the Maximum Recovery Phase and the day before the twentieth anniversary of the Effective Date, when the Effective Date does not coincide with January 1st.¹⁰

"*Final Reception Minutes*" means the minutes to be prepared pursuant to Clause 15.7.

"*Financial Bid*" means the financial bid submitted by the Contractor in accordance with the *Bases de Licitación* and the terms established in the *Ley de Obras Públicas*.

"*Financial Interest*" means the interest that PEP shall pay the Contractor during the Term, as described in Clause 20.3.

¹⁰ If the Effective Date is January 1st, the corresponding adjustments will be made to the Contract to eliminate the references to Initial Partial Year and Final Partial Year, since these concepts shall not apply.

"*First Development Stage*" means the first stage of the Development Phase consisting of the Initial Partial Year, when applicable, and three (3) Contract Years.

"*Floor Price Conditions*" means the following three concurrent conditions: that (i) the International Gas Price on the corresponding date is less than USD\$2.15 per MSCF, (ii) the average International Gas Price for the sixty (60) days prior to the corresponding date is less than USD\$2.15 per MSCF, and (iii) the average International Gas Price for the three hundred and sixty-five (365) days prior to the corresponding date is less than USD\$2.15 per MSCF. The USD\$2.15 amount set forth herein shall be adjusted on an annual basis, pursuant to the variations of the U.S. Consumer Price Index for that year, *vis-à-vis* the U.S. Consumer Price Index for the calendar year 2002, in accordance with Clause 17.7.

"*Fortuitous Event or Force Majeure*" shall have the meaning specified in Clause 27.1.

"*Fracturing*" means the process of fracturing the formation of a Reservoir by applying a liquid under pressure into a Well.

"*Gathering Line*" means any pipeline that connects a Well to any Infrastructure Work.

"*Good Petroleum Industry Practices*" means, with respect to any activity, those practices, methods, techniques and standards, as the same may be modified from time to time as a result of technological advances and/or applicable provisions, that are generally accepted by the petroleum industry in jurisdictions which have formally established regulatory regimes governing the activities of a significant number of active oil operators, in areas with surface and subsurface characteristics similar to those in the Work Area, as long as they do not contradict the Applicable Provisions, and that would be used by a Person:

- (a) seeking in good faith to perform its contractual obligations, and
- (b) using the degree of care, skill and prudence which would be expected from a skilled and experienced Person engaged in such activity.

"*GOR*" means the ratio of the natural gas volume in SCF, divided by the volume of oil (that for purposes of this definition includes crude oil and Condensates) in barrels, determined in accordance with a PVT analysis or a delivery capacity test.

"*Governmental Authority*" means any Mexican government body, whether it is part of the legislative, executive or judicial power, at the federal, state or municipal level, and whether they are centralized, decentralized, concentrated or deconcentrated.

"*Guarantee Period*" means any twelve (12) month period after the Reception Date of any Work.

"*Guarantor*" means each Person that has provided a Corporate Guarantee in accordance with Clause 24.2.

"*Hidden Defects Guarantee*" means the guarantee to be delivered to PEP by the Contractor, before subscribing the Partial Reception Minutes of each of the Works, or the Final Reception Minutes, consisting of, at its election: (i) a bond equal to ten percent (10%) of the Unit Price of such Work, (ii) an irrevocable letter of credit equal to five percent (5%) of the Unit Price of such Work, or (iii) the contribution of liquid funds to trusts specifically incorporated for such purposes, for an amount equal to five percent (5%) of the Unit Price of such Work.

"*High Risk Exploration Well*" means a Productive Well drilled in such a way that any part of the hole is found at least at ten (10) kilometers of distance from (i) the border of México or (ii) any part of the hole of any other preexisting Productive Well, any Existing Well in the Work Area or any other well outside of the Work Area that has the characteristics of a Productive Well.

"*hydrocarbons*" means carbon and hydrogen compounds, including associated elements occurring naturally, either on the surface or underground, in any physical condition.

"*Indemnatee*" means the Party to be indemnified, in accordance with Clauses 31.1 or 31.2.

"*Indemnitor*" means the Party that must indemnify the other Party, in accordance with Clauses 31.1 or 31.2.

"*Independent Expert*" means the Person selected in accordance with Clause 35.2.

"*Infrastructure*" means the Works described in Clause 9.1(b).

"*Infrastructure Works*" means the Works described in Clause 9.1(b).

"*Initial Environmental Study*" means the initial environmental study to be contracted by the Contractor for purposes of determining the environmental conditions in the Work Area on the Effective Date.

"*Initial Letter of Credit*" means the letter of credit that the Contractor must obtain and deliver to PEP prior to the execution of this Contract within fifteen (15) days following the date when the award is notified to it, equal to twenty-five percent (25%) of the amount of the Minimum Work Obligation corresponding to the First Developments Stage.

"*Initial Partial Year*" means the period between the Effective Date and December 31st of the corresponding calendar year, if the Effective Date is not January 1st.

"*Initial Plan*" means the initial plan to be included as part of the Annual Work Program, as provided in Clause 10.12(a)(i).

"*International Gas Price*" means, for any determination date, the gas price in Dollars per MMBTU for the month corresponding to the determination date, obtained by subtracting Eight Cents of Dollar (USD\$0.08) to the price appearing on the *Index* column of the *Market Center Spot-Gas Prices for East Texas* that corresponds to *Houston Ship Channel*, as such index is published in the first McGraw Hill publication for that month known as *Inside FERC's Gas*

Market Report by Platts, or in the Web page "www.platts.com". If neither the *Inside FERC's Gas Market Report* nor the referred Web page are available, then the Parties shall apply as far as possible the provisions of Clause 17.7 to designate an alternative mechanism for determining the International Gas Price. The Eight Cent per Dollar (USD\$0.08) amount set forth herein shall be adjusted on an annual basis, pursuant to the variations of the U.S. Consumer Price Index for that year, *vis-à-vis* the U.S. Consumer Price Index for the calendar year 2002, in accordance with Clause 17.7.

"*Lead Company*" means [Company A], or any replacement Lead Company appointed by the members of the Contractor as their common representative pursuant to Clause 39.¹¹

"*Ley de Obras Públicas*" means the Law of Public Works and Services Related Thereto published in the Official Gazette of the Federation on January 4, 2000, as modified or amended during the Term.

"*LIBOR*" means, for any determination date, the per annum rate of interest applicable to Dollars for a period of six (6) months appearing on the display referred to as the LIBOR 01 Page of Reuters Monitor Money Rates Service (or any monitor substituted therefor), at or close to, 11:00 a.m. at London, United Kingdom, on such date (or if such date is not a business day in London, during the business day immediately before) or, if such LIBOR 01 Page shall not be available, the per annum rate of interest applicable to Dollars for a period of six (6) months appearing on page 3750 of the AP/Dow Jones Telerate Systems Monitor (or any page substituted therefor) at or close to, 11:00 a.m. at London, United Kingdom, on such date (or if such date is not a business day in London, during the business day immediately before). If neither such LIBOR 01 Page nor such page 3750 are available, then the Parties shall designate an alternative mechanism consistent with Eurodollar market practices for determining such rate.

"*Maintenance*" means the Works described in Clause 9.1(c).

"*Maintenance Procedure*" means the maintenance procedures determined in accordance with Clause 12.2.

"*Maintenance Works*" means the Works described in Clause 9.1(c).

"*Major Workover*" means: (i) interventions (other than Drilling) in completed Wells in Reservoirs or intervals more or less deep than the Reservoirs or intervals in production before such workover; or (ii) new Stimulation of existing intervals.

"*Master Program*" means the program set forth in Annex H.

"*Maximum Recovery Phase*" means the final phase of the Term of six (6) Contract Years plus the Final Partial Year, and if there is no Initial Partial Year and Final Partial Year, a duration of seven (7) Contract Years, as defined in Clause 6.3(c).

¹¹ If the Contractor is only one company, then eliminate this definition.

"*México*" means the United Mexican States.

"*Minimum Daily Quantity*" on any day means the product of the Daily Delivery Capacity on that day and the Performance Factor on that day, or if Clause 13.6(b) applies, the reduced amount described in Clause 13.6(b)(ii).

"*Minimum Work Obligation*" means the sum of (a) the Development Work Obligation for the First Development Stage, and (b) the Non-Refundable Work Units to be executed in the First Development Stage.

"*MMBTU*" means one million *British Thermal Units* (BTUs).

"*Month*" means a calendar month.

"*Monthly Payment Cap*" means the monthly payment cap on PEP's obligation to pay the Remuneration, calculated in accordance with Annex D.

"*Monthly Progress Report*" means the monthly progress report, [duly signed by the Lead Company],¹² containing a description of the volumes of gas delivered to PEP in the prior Month, the results of any deliverability tests carried out in accordance with Clause 13.2, the Development, Infrastructure and Maintenance Works executed in the prior Month and the status of the Contractor's compliance with other significant obligations under this Contract.

"*MSCF*" means one thousand Standard Cubic Feet (SCF).

"*natural gas*" or "*gas*" means hydrocarbons that under ambient conditions of temperature and atmospheric pressure remain in gaseous form.

"*New Wells*" means the Wells that are drilled or deepened, and completed or fractured during the life of this Contract, in the Work Area:

- (a) for the production of natural gas;
- (b) for injection into an underground formation;
- (c) as an evaluation Well or test Well; or
- (d) which proves to be a Dry Well.

"*non-associated gas*" means natural gas from Reservoirs which are not Crude Oil Reservoirs.

¹² If the Contractor is only one company, then replace the bracketed text for the following: *duly signed by the Contractor*.

"*Non-Associated Gas Reservoir*" means a Reservoir with a total GOR equal to or greater than six thousand (6,000) SCF per barrel, and which molar percentage of heptanes and other hydrocarbons of higher molecular weight is equal to or less than five percent (5%).

"*Non-Refundable Work Units*" means the additional Work Units described in Clause 10.4.

"*Office of the Contract Operations Manager*" means the office of PEP that will serve as the Work Residency for purposes of this Contract, which is directly responsible for the supervision, guard, control and review of the Works as set forth in Articles 83, 84 and other Applicable Provisions of the Regulations of the *Ley de Obras Públicas*. Its responsibilities shall be defined by the functions established in the organizational structure of such office.

"*Original Unit Price*" means the unit prices offered by the Contractor in its Financial Bid, after applying the Discount to the Reference Price, included in the Original Unit Prices Catalogue, used as the basis for the award of this Contract.

"*Original Unit Prices Catalogue*" means the list of Original Unit Prices provided in Clause 17.3 for each work concept unit.

"*Outside Gas*" means the natural gas from Non-Associated Gas Reservoirs developed and maintained by PEP and located outside of the Work Area.

"*Partial Reception Minutes*" means the minutes to be prepared pursuant to Clauses 15.2 and 15.3.

"*Party*" means the Contractor or PEP, as the case may be.

"*PEMEX*" means Petróleos Mexicanos, a decentralized public body of the Federal Government of México.

"*PEP*" means PEMEX Exploración y Producción, as identified in the preamble of the Contract.

"*PEP's Official Holidays*" means any day indicated in Clauses 138 and 139 of the Collective Bargaining Agreement of PEMEX, as amended from time to time, and notified to the Contractor and any other non-working day that PEP notifies to the Contractor during the first week of the corresponding Contract Year.

"*PEP Personnel*" means the personnel hired by PEP.

"*Performance Factor*" shall have the meaning set forth in Clause 13.4.

"*Performance Letters of Credit*" means the Initial Letter of Credit and the Annual Letter of Credit.

"*Permits*" means every permit, license, authorization, consent, exception, registration or approval of every nature to be obtained from or issued by any Governmental Authority for performance or compliance herewith.

"*Person*" means any individual or corporate entity, commercial company, association, company, general and limited partnership, limited responsibility company, as well as any other association without legal status, a trust or any entity or political subdivision of a government.

"*PGPB*" means PEMEX Gas y Petroquímica Básica, a decentralized public body of the Federal Government of México.

"*PIDIREGAS*" means the *Proyectos de Infraestructura Productiva de Largo Plazo*, as regulated by Article 18 of the General Public Debt Law and Article 30 of the Budget Law.

"*Production*" means the production of natural gas and Condensates that meets the specifications set forth in Annex F.

"*Productive Sector*" means a Sector which contains a vertical projection to the surface of the productive interval of a Productive Well. Where a single deviated or horizontal Productive Well results in vertical projections to the surface of productive intervals in more than one Sector, each Sector shall be considered a Productive Sector.

"*Productive Well*" means a New Well which has a monthly daily average initial Production capacity of more than two hundred thousand (200,000) cubic feet per day of natural gas produced from a Non-Associated Gas Reservoir during the first month of its Production measured to the system counter pressure and under critical flow conditions; or a New Well which tests indicate that is capable of producing under typical counter pressure conditions in the Work Area a monthly daily average of two hundred thousand (200,000) cubic feet per day of natural gas from a Non-Associated Gas Reservoir during the first month of its Production. Any gas produced from a Crude Oil Reservoir will not be taken into account for determining the volumes set forth in this definition.

"*Programmed Maintenance*" means a significant Maintenance of Wells and Infrastructure that requires their total or partial shut-down or stoppage, and which has been duly planned in accordance with the Maintenance Procedures.

"*PVT*" means laboratory analysis on pressure, volume and temperature of a Reservoir's fluids.

"*Reactivation Phase*" is the phase of the Term consisting of a minimal term of zero (0) Contract Years and a maximum term of five (5) Contract Years, as defined in Clause 6.3(b).

"*Reception Date*" means the date of execution of the Partial Reception Minutes or the Final Reception Minutes.

"*Reception Point*" means the point(s) where Outside Gas is delivered by PEP and received by the Contractor, in accordance with the agreement between PEP and the Contractor regarding such Outside Gas.

"*Reference Price*" means each price included in the catalogue included as part of the *Bases de Licitación*.

"*Regulations*" or "*Regulations of the Ley de Obras Públicas*" means the Regulations of the Law of Public Works and Services Related Thereto, published in the Official Gazette of the Federation on August 20, 2001, as may be modified or amended during the Term.

"*Remuneration*" means the monthly remuneration that PEP shall pay to the Contractor in accordance with Clause 19.2.

"*Report on the Final Environmental Study*" means the report addressed to the Parties with the results of the Final Environmental Study.

"*Report on the Initial Environmental Study*" means the report that shall be addressed to the Parties with the results of the Initial Environmental Study.

"*Report on the Sector Removal Environmental Study*" means the report that shall be addressed to the Parties with the results of the Sector Removal Environmental Study.

"*Reservoir*" means one or several underground porous and permeable strata that are currently producing or capable of producing hydrocarbons, with a common pressure system throughout its extension, and where hydrocarbons are completely surrounded or appear to be surrounded by impermeable rock. When the strata communicate hydraulically with rock volumes that contain water, then the Reservoir includes the aquifer.

"*Restricted Remuneration*" shall have the meaning specified in Clause 20.5(c).

"*Risk Processes Study*" means the group of techniques that consist of the identification, analysis and systematic evaluation of the probability of occurrence of damage that may result from the Works to be executed by the Contractor, associated to external factors, such as natural and social phenomena, failure of the control systems, mechanical systems, human factors and failure of the administration systems, in order to control or minimize the consequences for the Contractor's Personnel, general public, the Environment, the Production or the facilities, as well as equipments or machineries.

"*Safety Liabilities*" means the group of activities that the Contractor must carry out, in accordance with Good Petroleum Industry Practices and Applicable Provisions, to avoid or minimize the occurrence of damages that may result from the Works to be executed by the Contractor, associated to external factors, such as natural and social phenomena, failure of the control systems, mechanical systems, human factors and failure of the administration systems, in order to control or minimize the consequences for the Contractor's Personnel, general public, the Environment, the Production or the facilities, as well as equipments or machineries.

"*SCF*" means Standard Cubic Feet.

"*Second Development Stage*" means the second stage of the Development Phase, consisting of two (2) Contract Years.

"*Sector*" means an area of one geographic minute by one geographic minute.

"*Sector Removal Date*" means the date of removal of any Sector.

"*Sector Removal Environmental Study*" means the environmental study that shall be carried out by the Parties within six (6) months after the removal of any Sector according to Clause 10.15.

"*SEMARNAT*" means the Ministry of the Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*).

"*SENER*" means the Ministry of Energy (*Secretaría de Energía*).

"*Shareholder*" means a shareholder, partner or participant of [any member of]¹³ the Contractor at any level, except for the shareholders, partners or participants of the ultimate parent company of [any member of]¹⁴ the Contractor in case that the shares or voting securities of such parent company are listed in the secondary market.

"*Shrinkage Factor*" means the factor, expressed as a percentage, that the Contractor estimates based on Good Petroleum Industry Practices to be the quantity of Outside Gas to be used or lost in the compression or conditioning of Outside Gas between the Reception Point for such Outside Gas, and the Transfer Point.

"*SFP*" means the Ministry of Public Affairs (*Secretaría de Función Pública*).

"*State-of-the-Art Technology*" means the application of the current techniques, equipment, materials and procedures, which have been internationally recognized for the performance of works similar to those covered by this Contract.

"*Stimulation*" means an operation designed for increasing the production of an interval, formation or Reservoir, by injecting hydrochloric acid, propane or any other material.

"*Subcontractor*" means any third party hired by the Contractor to perform part of the Works, subject to the provisions of Clause 16, as well as any subcontractor hired directly or indirectly by such third parties.

"*Subsidiary Entities*" means the subsidiary entities of PEMEX.

¹³ If the Contractor is only one company, then eliminate the bracketed text from this definition.

¹⁴ If the Contractor is only one company, then eliminate the bracketed text from this definition.

"*Supplementary Equipment*" means drilling equipment, compressors, pumps and vessels owned by the Contractor or any Person other than PEP, unless such equipment is incorporated permanently into a Development Work or Infrastructure Work.

"*Term*" shall have the meaning specified in Clause 6.2.

"*Termination Date*" means the date in which this Contract ceases to be effective for any reason whatsoever.

"*Third Development Stage*" means the third stage of the Development Phase, consisting of three (3) Contract Years.

"*Third Party Contractor*" has the meaning specified in Annex I.

"*Transfer Point*" means the point or points, as described in Annex F, where PEP receives from the Contractor gas and/or Condensates produced from the Work Area, and Outside Gas, and where PEP's Maintenance responsibilities for such gas and/or Condensates begin.

"*Transition Period*" means the first three (3) months of the Term.

"*Unit Price*" means, in any given moment, the amount of the remuneration or total payment to be made to the Contractor for a unit of finished work concept, executed as set forth in this Contract, equivalent to the Original Unit Price corresponding to a specific unit of finished work concept as provided for herein, and adjusted as of such date in accordance with Clause 17.4.

"*U.S. Consumer Price Index*" means the consumer price index published by the U.S. Bureau of Labor Statistics.

"*U.S. Producer Price Index for Finished Goods*" means the producer price index for finished goods of the United States of America without seasonal adjustment, published by the U.S. Bureau of Labor Statistics.

"*Well*" means a hole in the earth of over one hundred and fifty (150) meters deep and includes both Existing Wells and New Wells, as the case may be.

"*Well Completion*" means the installation in or with respect to a Well, of all such tubing and wellhead equipment and all such other equipment and material necessary for the permanent preparation of the Well, for the extraction of hydrocarbons therefrom up to and including the outlet valve on the wellhead and includes, as necessary, perforating the casing, Stimulating and Fracturing the Well and the conduct of such Production tests with respect to such Well as are reasonably required to establish the Initial Production of the Well.

"*Work Area*" means the area of the block described in Annex A, comprising the surface, including the existing infrastructure related to the purpose of this Contract, as well as the

geological formations to any depth required for the Work to be performed, provided however that any Crude Oil Reservoirs shall be excluded from the Work Area.

"*Work Residency*" shall have the meaning specified in the *Ley de Obras Públicas* and its Regulations.

"*Work Unit*" means a quantity of work that has an initial par value equal to the result of applying the Discount to USD\$10,000.00.

"*Works*" shall have the meaning specified in Clause 9.1.

CLAUSE 2 **INTERPRETATION**

2.1 USE OF SINGULAR AND PLURAL

The terms defined in this Contract may be used both in singular and plural, according to the context, applying in all cases the definition established in Clause 1.

2.2 HEADINGS AND REFERENCES

The purpose of all headings used is to facilitate the reading of this Contract and shall not be taken into consideration for the interpretation of this Contract. Except when otherwise specified or when the context requires otherwise, for all purposes of this Contract:

- (a) The terms defined herein shall have the meaning assigned to them in Clause 1;
- (b) All references in this Contract to Clauses or Annexes refer to the Clauses and Annexes hereof;
- (c) Words implying gender shall refer to both genders;
- (d) Except as otherwise provided, all the references to "days" shall mean calendar days, and "years" shall mean calendar years;
- (e) All references to "includes", "include", "including" or "inclusive" shall mean "including, without limitation"; and
- (f) Decimals are expressed with a period.

***PART II:
PURPOSE***

**CLAUSE 3
PURPOSE OF THE CONTRACT**

The purpose of this Contract is to request the Contractor to carry out in the Work Area located in the [] Basin, the execution and administration of the Works related to the Development, Infrastructure and Maintenance of non-associated gas fields, as described in Clause 9 of this Contract. Such Works will be executed with the purpose of expanding and maintaining the gas delivery capacity of the Work Area and enable the Contractor to deliver the maximum quantity of gas to the extent requested by PEP in accordance with Clause 13, based on PEP's optimal economics and Good Petroleum Industry Practices. The sole remuneration payable to the Contractor to expand and maintain the gas delivery capacity of the Work Area, as well as for delivering the gas requested by PEP, shall be the cash payments described in Clause 19 and Clause 20.

**CLAUSE 4
LEGAL FRAMEWORK AND STATEMENTS**

4.1 LEGAL FRAMEWORK

The Parties recognize that gas exploration, exploitation, elaboration and first hand sales are activities reserved to the Mexican Nation pursuant to the Political Constitution of the United Mexican States and the Regulatory Law of Constitutional Article 27 in the Field of Petroleum. The Contractor shall execute the Works provided in this Contract for the benefit of PEP in accordance with the Applicable Provisions and the terms and conditions provided herein. PEP shall exercise permanent control and supervision of the Works, pursuant to Clause 10.12, and shall take all fundamental and other decisions regarding the Works as required by the Applicable Provisions and this Contract.

The hydrocarbons produced within the Work Area shall be the exclusive property of PEP, the Contractor shall own neither the production nor the reserves within the Work Area and the remuneration due to the Contractor pursuant to this Contract shall be limited to the right to receive in cash the Remuneration and the Financial Interest as provided for in this Contract. Therefore, the Contractor:

- (a) shall not receive any percentage of the hydrocarbons produced nor of any other product of PEMEX and its Subsidiary Entities by virtue of entering into this Contract;
- (b) shall not participate in any manner whatsoever, nor receive benefits arising from the results of the exploitation; and
- (c) shall not be the owner of the Essential Fixed Assets located in the Work Area.

This Contract does not grant nor constitute any right whatsoever to explore, exploit or produce hydrocarbons, and none of the provisions of this Contract intends to create, nor may it be construed as creating, a legal entity or association between the Parties; neither does it nor may it be construed as granting, a concession, risk-sharing contract, production-sharing contract, profit-sharing contract, association contract or contract of preferential right for seismic or geological option, or any other type of contract of a similar nature, as such contracts are known according to common practice in the international petroleum industry.

4.2 STATEMENTS OF PEP

PEP states to the Contractor that each of its declarations contained in the preamble of this Contract is true and correct.

4.3 STATEMENTS OF THE CONTRACTOR

The Contractor states to PEP that:

- (a) Each of the declarations contained in the preamble of this Contract is true and correct; and
- (b) [The members of the Contractor, collectively, and the Lead Company, individually, have and shall maintain during the Term, either alone or through the companies which have granted the Corporate Guarantee referred to in Clause 24.2(c), the experience and capacity needed to fulfill and carry out the Works required under this Contract, including (i) having successfully carried out works similar to the ones which constitute the purpose of this Contract and complying with the applicable technical, economic and legal requirements provided for in the *Bases de Licitación*, and (ii) having the personnel and legal, technical and financial capacity to perform the Works described in Clause 9.1 of this Contract, and to comply with all the obligations assumed under this Contract.]¹⁵

4.4 SURVIVAL OF THE STATEMENTS

Each Party acknowledges that the other Party may rely on the statements made by the former pursuant to this Clause 4, as applicable. Subject to the provisions of the next sentence, the statements in this clause shall be true and correct on the Effective Date. In the specific case of the statement included in Clause 4.3(b), such statement shall continue in full force and effect and shall survive the Effective Date, during the entire Term, for the benefit of PEP.

¹⁵ If the Contractor is only one company, then replace the bracketed text for the following: *It has and shall maintain during the Term, either alone or through the Shareholder which has granted the Corporate Guarantee referred to in Clause 24.2(c), the experience and capacity needed to fulfill and carry out the Works required under this Contract, including (i) having successfully carried out works similar to the ones which constitute the purpose of this Contract and complying with the applicable technical, economic and legal requirements provided for in the Bases de Licitación, and (ii) having the personnel and legal, technical and economic capacity to perform the Works described in Clause 9.1 of this Contract, and to comply with all the obligations assumed under this Contract.*

PART III: AMOUNT AND TERM

CLAUSE 5 AMOUNT OF THE CONTRACT

The amount of the Contract is USD\$ [_____], independent of the amount of Value Added Tax applicable pursuant to the corresponding law, which consists of the sum of the following components:

- (a) USD\$ [_____], allocated to the Remuneration to be paid for the Maintenance Works to be carried out during the Initial Partial Year;
- (b) USD\$ [_____], equal to the value on the Effective Date of the total number of Work Units pursuant to Clause 10.5 of this Contract, allocated to the Remuneration to be paid for the Development Works; and
- (c) USD\$ [_____], which amount shall always be equal to the amount established in paragraph (b) above, as the latter is adjusted in accordance with Clause 10.3, allocated to the Remuneration to be paid for the Infrastructure Works and any applicable Financial Interests pursuant to Clause 20.3, and the Maintenance Works other than the Maintenance Works to be carried out during the Initial Partial Year.

The amount specified in paragraph (b) above shall, on any given date, be the sum of the current value of the total Cumulative Work Units up to that date, plus the value of the remaining Work Units, as adjusted pursuant to Clause 10.3.

The sole purpose of the amount specified in paragraph (c) above is to serve as the basis for the calculation of the total amount of the Contract, and it does not intend to regulate the quantity of Infrastructure and Maintenance Works that the Contractor may execute during each year of the Term.

The Remuneration to be paid to the Contractor for the Works performed shall be determined pursuant to the other applicable provisions of this Contract, but it may not exceed the amounts specified in this clause, except for the adjustment applicable to such amounts according to this Contract.

CLAUSE 6 TERM OF THE CONTRACT

6.1 COMMENCEMENT AND TERMINATION

The Effective Date of this Contract is the [_____] day of [_____] , the date on which the works covered by this Contract shall begin. The term of this Contract shall end on [_____] , [_____] [*20 years following the Effective Date*], except as provided for in Clause 6.3.

6.2 TERM

The total maximum period for execution of the Works (the "Term") is seven thousand three hundred and five (7,305) days counted from the Effective Date, during which the Contractor shall execute the Works in accordance with the terms of this Contract. The Term may vary in accordance with the provisions of Clause 6.3.

6.3 TERM PHASES

Pursuant to Article 46, Fraction IV of the *Ley de Obras Públicas*, and due to the complexity of the Works, the Term shall consist of a maximum of three phases:

- (a) the Development Phase, consisting of the Initial Partial Year, when applicable, plus a minimum duration of three (3) Contract Years and a maximum duration of eight (8) Contract Years;
- (b) the Reactivation Phase, having a minimum duration of zero (0) Contract Years and a maximum duration of five (5) Contract Years; and
- (c) the Maximum Recovery Phase, having a duration of six (6) Contract Years plus the Final Partial Year; and if there is no Initial Partial Year and Final Partial Year, a duration of seven (7) Contract Years.

6.4 DEVELOPMENT PHASE

During the Development Phase, subject to approval of the Annual Work Program, the Contractor shall carry out Development, Infrastructure and Maintenance Works, including seismic surveys, Stimulation, Drilling of New Wells, Well Completion, Fracturing, Well Abandonment and Infrastructure Abandonment in the entire Work Area, including the Fields and the Expansion Zone. This phase consists of a maximum of three stages:

- (a) The First Development Stage, consisting of the Initial Partial Year, when applicable, and three (3) Contract Years. During the First Development Stage the Contractor shall carry out the Works as follows:
 - (i) When the Initial Partial Year is less than three (3) Months, the corresponding portion of the Transition Period will run and, if the Initial Partial Year is more than three (3) months, the Contractor shall, upon expiration of the Transition Period, perform, during the additional Months in that calendar year, Maintenance Works regarding Existing Wells and infrastructure existing in the Work Area on the Effective Date.
 - (ii) During the first Contract Year, the balance of the Transition Period shall run, where applicable, and the Contractor shall execute the Development Work Obligation for this Contract Year described in Clause 10.2.

- (iii) During the second and third Contract Years of this stage, the Contractor shall execute the Development Work Obligation for those Contract Years described in Clause 10.2.
- (b) The Second Development Stage, consisting of two (2) Contract Years, subject to the existence of Drillable Locations in accordance with Clause 10.10, during which the Contractor shall carry out the Development Work Obligation described in Clause 10.2 for each Contract Year of this stage; and
- (c) The Third Development Stage, consisting of three (3) Contract Years, subject to the existence of Drillable Locations in accordance with Clause 10.10, during which the Contractor shall carry out the Development Work Obligation described in Clause 10.2 for each Contract Year of this stage.

6.5 REACTIVATION PHASE

In the Reactivation Phase, subject to approval of the Annual Work Program, the Contractor shall carry out Development, Infrastructure and Maintenance Works, including seismic surveys, Stimulation, Drilling of New Wells, Well Completion, Fracturing, Well Abandonment and Infrastructure Abandonment in the remaining Work Area, which no longer includes any Expansion Zone.

During the Reactivation Phase the Contractor shall carry out the Development Work Obligation described in Clause 10.2 for each Contract Year of this phase, subject to the existence of Drillable Locations according to Clause 10.10.

6.6 MAXIMUM RECOVERY PHASE

In the Maximum Recovery Phase, subject to approval of the Annual Work Program, the Contractor shall carry out Development, Infrastructure and Maintenance Works, including Major Workover of Wells, Well Abandonment and Infrastructure Abandonment; it being understood, however, that the Contractor shall not be obligated to conduct seismic surveys, Drill New Wells or build new Infrastructure. During the Maximum Recovery Phase the Contractor shall carry out the Development Work Obligation described in Clause 10.2 for each year of such phase.

CLAUSE 7 EXTENSION OF THE TERM

The Term provided in Clause 6.2 may be extended in the following cases:

- (a) If an event considered a Fortuitous Event or *Force Majeure* pursuant to Clause 27 occurs, the extension shall be for a period of time equal to the duration of the Fortuitous Event or *Force Majeure*, it being understood that such extension shall be acknowledged in the *convenio* to be executed for such purposes in accordance with Article 119 of the Regulations of the *Ley de Obras Públicas*.

- (b) If PEP orders the Contractor to temporarily suspend the Works pursuant to Clause 30, the Term shall be extended for a period of time equal to the suspension. In this case, the Parties shall meet to establish the adjustments to the Term resulting from the temporary suspension and taking into account the circumstances of the case, and shall document the new Termination Date of the Contract by way of detailed minutes of suspension. The foregoing shall not apply in the cases provided for in Article 88 of the Regulations of the *Ley de Obras Públicas*.
- (c) If the Works cannot be executed or are delayed by reasons attributable to PEP, the extension shall be for a period of time equal to that of the delay, provided that such extension shall only be granted if the Contractor requests it in writing to the Office of the Contract Operations Manager no later than fifteen (15) days after the delay period ends.

CLAUSE 8

MODIFICATIONS TO THE AMOUNT AND TERM OF THE CONTRACT

Under their responsibility and for reasons that are well-founded, explicit and credited to PEP's duly approved investment program, PEP and the Contractor may jointly modify this Contract through agreements (*convenios*) which shall be an integral part of the same, provided that such amendments, considered jointly or individually, do not exceed twenty-five percent (25%) of the amount of this Contract or its Term; it being understood that the modifications to the Contract must comply with the requirements set forth in the *Ley de Obras Públicas* and its Regulations, and shall not be allowed if they imply variations to the purpose of the Contract, or if they are executed to avoid in any way compliance with the *Ley de Obras Públicas* or the Applicable Provisions.

If the required amendments exceed the percentage set forth in the foregoing paragraph, but they do not change the purpose of this Contract, the Parties may execute additional *convenios* contemplating the new conditions of this Contract, complying with the requirements set forth in the second paragraph of Article 59 of the *Ley de Obras Públicas*.

If it is not possible for the Contractor to comply with the Annual Work Program in a given year for causes not attributable to it, it shall notify PEP of such event in writing and record it in the work log, and shall submit before the end of the corresponding year its request for extension and any documents that justify such request. PEP, within thirty (30) days following the delivery of the Contractor's written notice, shall issue its resolution; otherwise, the request shall be deemed accepted by PEP, and the corresponding *convenio* shall be executed within the following thirty (30) days, if applicable. Any discrepancy between the Parties on the impossibility of compliance may be submitted to the Independent Expert for its resolution.

PART IV: WORKS

CLAUSE 9

WORKS TO BE PERFORMED BY THE CONTRACTOR

9.1 DESCRIPTION OF THE WORKS

The Contractor, at its own expense, shall execute and administer the execution of the works described in this clause with respect to the Work Area (the "Works"), for which it shall supply all the equipment, personnel, materials and other resources, including the support from its Affiliates required to comply with this Contract, and render all the services necessary for the execution of the Works. For purposes of this Contract, the Works shall be divided into the categories of Development, Infrastructure, and Maintenance, as follows:

- (a) Development Works include:
 - (i) Geological and geophysical services, including:
 - (A) geophysical data acquisition, processing and interpretation; and
 - (B) elaboration of geological models;
 - (ii) Engineering services, including:
 - (A) reservoir engineering; and
 - (B) production engineering;
 - (iii) Development-related services, including:
 - (A) construction and repairs of access roads;
 - (B) preparation of the Well locations;
 - (C) Drilling of Wells;
 - (D) Well Completion and Stimulation of Wells;
 - (E) Major Workover of Wells; and
 - (F) construction of Gathering Lines.
- (b) Infrastructure Works include:
 - (i) construction and repair of access roads;
 - (ii) preparation of those sites necessary for the Infrastructure; and

- (iii) construction and installation of compressors and measuring devices, gas pipelines and any plant or equipment for gas conditioning and dewpoint control.
- (c) Maintenance Works include:
- (i) Well maintenance to ensure their conditioning for continuing operations, including visits to the Wells to ensure that the physical conditions of the surface facilities of the Well, its valves and connections are and continue at all times to be in good operating condition, and the timely repair of any problem;
 - (ii) maintenance of dehydration, gas conditioning and dewpoint control facilities and compressors so as to ensure their suitability for continuing operations, including visits to each installation to verify that the physical conditions of the equipment, its valves and connections are and continue at all times to be in good operating condition, and the timely repair of any problem;
 - (iii) maintenance of Gathering Lines and related facilities so as to ensure that they are and continue at all times to be in good operating condition, and the timely repair of any problem;
 - (iv) maintenance of systems for monitoring the supervision of operations in the Work Area so as to ensure that they are and continue at all times to be in good condition, and the timely repair of any problem;
 - (v) measurement of gas and Condensates;
 - (vi) maintenance of Supplementary Equipment, when such maintenance has been included as a work concept in Annex E-2; and
 - (vii) environmental maintenance of the Works, including site cleaning, environmental studies and Abandonment of Productive Wells and Infrastructure.

The Development, Infrastructure and Maintenance Works also include obtaining the Permits and access rights necessary for the execution of the Works, as well as conducting the environmental studies and other Environment protection activities in accordance with this Contract. Additionally, the Contractor shall perform, as part of the Works set forth in this clause, any other activities which costs are described in Annex E-2 of this Contract. The interpretation of the Works set forth in this clause shall be consistent with the descriptions included in Annex E-1.

The Development Works shall be performed only within the Work Area, except for the construction of access roads to Wells according to the terms of this Contract and where strictly required to comply with the activities related to the Work Area and the provisions of this Contract; Infrastructure and Maintenance Works may be performed within and outside the Work

Area, in the latter case as strictly required to comply with activities related to the Work Area and the provisions of this Contract.

9.2 COORDINATION BETWEEN PEP AND THE CONTRACTOR

- (a) PEP has the unrestricted and discretionary power to drill and produce wells in the Crude Oil Reservoirs located in the Work Area, either directly or through other contractors, endeavoring at all times to cause the least amount of interference with the Works being performed by the Contractor.
- (b) With respect to Non-Associated Gas Reservoirs located in the Work Area, the Contractor shall be exclusively responsible to PEP for the execution of the Works contracted hereby. PEP has and shall maintain the unrestricted and discretionary power to continue carrying out operating activities in the Work Area. Notwithstanding the above, PEP shall endeavor at all times to cause the least amount of interference with the Works being performed by the Contractor and, with a view to maintaining the integrity of this Contract, PEP shall not replace or duplicate the Works that have been contracted by virtue of this Contract, nor replace or duplicate all or part of the purpose of this Contract. Prior to conducting any activities in the Work Area pursuant to this clause, the Office of the Contract Operations Manager shall notify the Contractor of PEP's activities.
- (c) PEP shall be responsible for any damage or injury caused to the Contractor or to its property arising from the operations of PEP provided for in (a) and (b) above, in accordance with Clause 31.2.
- (d) As part of the Works to be performed by the Contractor according to this Contract, in the case of Non-Associated Gas Reservoirs developed and maintained by PEP or developed and maintained by a contractor of PEP under an contract similar to this Contract, and located outside of the Work Area ("Outside Gas"), PEP may, at its sole discretion, request the Contractor to execute Infrastructure and Maintenance Works for PEP as part of this Contract, as long as execution of such Works by the Contractor constitutes an efficient way to develop such Outside Gas jointly with the gas from within the Work Area. Should PEP make the above request, it shall pay the Contractor the Remuneration for the requested Works, which payment shall not be restricted under Clause 20.5. The Reception Points shall be located within the Work Area, or in the inlet to the facility required for the strict performance of the Works related to Infrastructure and Maintenance provided for in Clause 9.1. For Works to be contracted under this paragraph, it is a condition that the Parties execute a separate agreement with regard to the details in relation with these Works, including the Reception Point(s), quality specifications and redelivery points and conditions for the Outside Gas.

9.3 EXPLORATION IN THE WORK AREA

- (a) PEP may decide whether to drill exploration wells within the Work Area. If PEP decides to drill an exploration well, PEP must first request the Contractor to drill such well. The Contractor shall have thirty (30) days to notify the Office of the Contract Operations Manager of its decision to drill such well within a term which shall not exceed twelve (12) Months from the date of notice. If the Contractor does not indicate its intent to drill such well or fails to timely notify the Office of the Contract Operations Manager of its decision within the corresponding term, PEP may drill the well itself. Otherwise, if the Contractor agrees to drill the well, it shall proceed to do so within the term set forth in its notice, and the well shall be treated as a High Risk Exploration Well for purposes of this Contract.
- (b) If PEP drills an exploration well in the Work Area resulting in a non-associated gas discovery, PEP may, at its sole discretion, elect to: (i) maintain such well, or (ii) request the Contractor to commence Maintenance of that well, which shall be considered an Existing Well for purposes of this Contract. Any development of the non-associated gas discovery resulting from such exploration well shall be considered a Work subject to this Contract and shall be performed by the Contractor.
- (c) PEP's power to continue carrying out exploration activities in the Work Area shall not prevent the Contractor from drilling Wells in any Sector of the Work Area pursuant to the provisions of this Contract.
- (d) PEP shall be responsible for any damage or injury caused to the Contractor or its property arising from the operations of PEP provided for in this clause, in accordance with Clause 31.2.

9.4 TRANSITION PERIOD

- (a) Effective as of the Effective Date, the Contractor shall assume the responsibility for executing the Works. Annex J-1 sets forth the procedures based on which the Contractor will assume such responsibility.
- (b) Annex J-2 sets forth the procedures based on which the Contractor will begin to transfer to PEP the responsibility for the Works, being such transfer effective as of the Termination Date. For further certainty, nothing provided for in Annex J-2 shall limit or affect the obligations of the Contractor in connection with, and the responsibility for, all the Works as provided for in this Contract.

9.5 APPLICABLE NORMS

The Contractor shall execute the Works in strict compliance with:

- (a) Applicable Provisions;

- (b) Codes, Standards and Norms, and Construction Specifications set forth in Annex C;
- (c) the other terms of this Contract, including the Maintenance Procedures established in Clause 12.2; and
- (d) Good Petroleum Industry Practices.

In case of conflict or contradiction among any of the foregoing, the one listed first shall prevail over the others that follow in the above order.

CLAUSE 10
DEVELOPMENT WORK OBLIGATION
AND OTHER RELATED OBLIGATIONS OF THE CONTRACTOR

10.1 GENERAL

The Contractor is obligated to execute the Works indicated in Clause 9.1 pursuant to the provisions of this Contract. This obligation includes the obligation to execute the Development Works, including the Development Work Obligation provided in Clause 10.2, and the obligations with regard to the Infrastructure and Maintenance Works according to Clause 10.11.

10.2 MASTER PROGRAM AND DEVELOPMENT WORK OBLIGATION

The Contractor shall execute the Master Program established in Annex H, subject to the provisions of this Clause 10. The Master Program sets forth the Development Works contemplated in this Contract, which shall be quantified in Work Units pursuant to Clause 10.3. The Work Units for each Contract Year (the "Development Work Obligation") must be carried out by the Contractor as described in Clauses 10.5 and 10.6, and subject to Clauses 10.8 and 10.10.

Each year the Master Program shall be updated pursuant to Clause 10.12.

10.3 WORK UNITS

All the Development Works provided for in Annexes E-1 and E-2 shall be quantified in Work Units.

The number of Work Units applicable to each Development Work is specified in Annex E-2, which results from dividing the Reference Price of each Development Work by Ten Thousand Dollars (USD\$10,000.00). The number of Work Units for each Development Work will not be adjusted during the Term.

On the Effective Date of this Contract, the value of a Work Unit is equal to the quantity that results from applying the Discount to Ten Thousand Dollars (USD\$10,000.00). The value of the Work Unit shall be adjusted in the same manner as the direct cost component of the Original Unit Prices is adjusted pursuant to Clause 17.4.

If the Contractor does not fulfill its Development Work Obligation for a specific year in accordance with Clauses 10.5 and 10.6, and subject to the provisions of Clauses 10.8 and 10.10, the latter shall pay to PEP the conventional penalty set forth in Clause 28.4(a) for the mere delay in performing its obligations.

10.4 NON-REFUNDABLE WORK UNITS

- (a) To ensure the solvency of its Financial Bid, the Contractor commits to perform Non-Refundable Work Units, which consist of additional Work Units to be executed by the Contractor in the conditions and within the terms provided for in this Contract and for which the Contractor shall not receive any remuneration. The number of Non-Refundable Work Units which results from the Financial Bid of the Contractor is [____], calculated based on [_____] Non-Refundable Work Units for each percentage point of Discount, as established in the *Bases de Licitación*.
- (b) With the purpose of expanding and maintaining the gas delivery capacity of the Work Area in accordance with Clause 3, the Non-Refundable Work Units shall only be used for the execution of geophysical works and the Drilling, Completion of Wells and Stimulation of New Wells, and where applicable, the Drilling and plugging of Dry Wells.
- (c) The Contractor hereby expressly agrees that it shall not receive any Remuneration for any activities attributable to such Non-Refundable Work Units. As a result, the Contractor hereby waives any possible right for remuneration therefor. The Contractor shall execute the Non-Refundable Work Units as follows:
 - (i) Fifty percent (50%) of the Non-Refundable Work Units in the second Contract Year of the First Development Stage; and
 - (ii) Fifty percent (50%) of the Non-Refundable Work Units in the third Contract Year of the First Development Stage.

Should the Contractor wish to execute any Non-Refundable Work Units during the first Contract Year of the First Development Stage, it may request the Office of the Contract Operations Manager to authorize such execution. The Office of the Contract Operations Manager may approve or disapprove, at its sole discretion, the number of Non-Refundable Work Units, if any, to be executed by Contractor during the first Contract Year of that stage, and in such case the Contractor must provide the Office of the Contract Operations Manager with a revised Annual Work Program for such Contract Year within fifteen (15) days following notice from the Office of the Contract Operations Manager's decision.

- (d) At any time where the execution of Non-Refundable Work Units in the Work Area during the First Development Stage cannot be technically or economically justified, the Contractor may, at its discretion, convert to a cash payment in favor of PEP all or part of the Non-Refundable Work Units corresponding to that year

at a conversion rate resulting from applying the Discount to Ten Thousand Dollars (USD\$10,000.00) per each unexecuted Non-Refundable Work Unit. This value for Non-Refundable Work Units shall be adjusted in the same manner as the direct cost components of Unit Prices are adjusted in accordance with Clause 17.4. When this is the case, the Contractor shall present an amended Annual Work Program within two (2) weeks after it notifies the Office of the Contract Operations Manager of its intention to convert the Non-Refundable Work Units. Such amended Annual Work Program shall comply with the Development Work Obligation for each year of the First Development Stage, and the Initial Plan may not contain changes other than the elimination of work related to the Non-Refundable Work Units converted by the Contractor. If the Annual Work Program is amended in accordance with the preceding conditions, the Office of the Contract Operations Manager shall approve it within two (2) weeks of its submission. Within thirty (30) days after the Office of the Contract Operations Manager’s approval of the amended Annual Work Program, the Contractor shall pay PEP the cash amount that companies to the Non-Refundable Work Units which conversion was requested by the Contractor. The Contractor expressly agrees, however, that if it converts the unexecuted Non-Refundable Work Units to cash, it shall not have the right to request to PEP during the First Development Stage the acceleration of Work Units in accordance with Clause 10.8.

10.5 DEVELOPMENT WORK OBLIGATION DURING EACH YEAR OF THE TERM

The Development Work Obligation during each year of the Term, accounted in Work Units, shall be as follows:¹⁶

Phase	Year	Developm. Work Obligation ¹⁷	Non- Refundable Work Units	Comments
Development Phase				
<i>First Development Stage</i>				
First Development Stage- Initial Partial Year		0	0	
First Development Stage- Contract Year 1	1	[1,057]	0	
First Development Stage- Contract Year 2	2	[1,480]	[50]	
First Development Stage- Contract Year 3	3	[1,692]	[50]	Work Area reduced ¹⁸
<i>Second Development Stage</i>				
Second Development Stage- Contract	4	[1,057]		

¹⁶ The Development Work Obligation listed in the table is only an example, which assumes that the successful Financial Bid shall result in the obligation to perform 100 Non-Refundable Work Units. The definitive table will be prepared once the successful Financial Bid and the resulting number of Non-Refundable Work Units are known.

¹⁷ The Development Work Obligation in this column is described in Work Units.

¹⁸ At the end of the First Development Stage, PEP shall request the Contractor to select 25% of the Sectors of the Expansion Zone for removal from the Work Area, according to Clause 10.16.

Phase	Year	Developm. Work Obligation ¹⁷	Non- Refundable Work Units	Comments
Year 1				
Second Development Stage- Contract Year 2	5	[1,004]		Work Area reduced ¹⁹
<i>Third Development Stage</i>				
Third Development Stage- Contract Year 1	6	[952]		
Third Development Stage- Contract Year 2	7	[899]		
Third Development Stage- Contract Year 3	8	[846]		Work Area reduced ²⁰
Reactivation Phase				
Reactivation Phase- Contract Year 1	9	[793]		
Reactivation Phase- Contract Year 2	10	[740]		
Reactivation Phase- Contract Year 3	11	[687]		
Reactivation Phase- Contract Year 4	12	[634]		
Reactivation Phase- Contract Year 5	13	[582]		
Maximum Recovery Phase				
Maximum Recovery Phase- Contract Year 1	14	[200]		
Maximum Recovery Phase- Contract Year 2	15	[150]		
Maximum Recovery Phase- Contract Year 3	16	[100]		
Maximum Recovery Phase- Contract Year 4	17	[50]		
Maximum Recovery Phase- Contract Year 5	18	[50]		
Maximum Recovery Phase- Contract Year 6	19	[219,544]		
[Maximum Recovery Phase- Contract Year 7] [Maximum Recovery Phase-Final Partial Year]	20	[0]		
TOTAL		[232,518]	[100]	

10.6 MINIMUM GEOPHYSICAL OBLIGATION

During the First Development Stage, the Contractor shall carry out 2D and 3D Seismic Surveys and/or reprocessing in a total amount equal to at least [] Work Units.

¹⁹ At the end of the Second Development Stage, PEP shall request the Contractor to select 40% of the Sectors of the Expansion Zone for removal from the Work Area, according to Clause 10.16.

²⁰ At the end of the Third Development Stage, all the Sectors in the Expansion Zone shall be removed by PEP from the Work Area, according to Clause 10.16.

10.7 MINIMUM WORK OBLIGATION IN THE FIRST DEVELOPMENT STAGE

The Minimum Work Obligation that the Contractor shall conduct in the First Development Stage, is the sum of:

- (a) the Development Work Obligation described in Clause 10.2 for the First Development Stage; and
- (b) the Non-Refundable Work Units to be executed in the First Development Stage described in Clause 10.4.

10.8 ACCELERATION AND REDUCTION OF DEVELOPMENT WORK OBLIGATION

- (a) Prior to the commencement of the sixth Contract Year of the Maximum Recovery Phase, the Contractor is entitled to conduct more than the minimum number of Work Units required in a given year, provided that it timely requests it in the Annual Work Program in accordance with Clause 10.12, and provided further that there are Work Units available in subsequent years during the Term.
- (b) Where the Contractor executes more Work Units in any Contract Year than stipulated for such year in Clause 10.5, it may carry forward such excess Work Units to reduce the obligation to perform work during a subsequent Contract Year.
- (c) If the number of Work Units that the Contractor is to perform for any Contract Year is reduced in accordance with Clauses 10.10 and 10.12, the corresponding Work Units that are not performed in that Contract Year shall:
 - (i) be applied to reduce any Work Units that have been credited to a subsequent Contract Year pursuant to paragraph (b), and
 - (ii) after application to any carry forward under subparagraph (i), the remainder shall increase the number of Work Units that Contractor is to perform in the sixth Contract Year of the Maximum Recovery Phase subject to paragraph (d).
- (d) In view of the limited scope of the Works to be executed during the Maximum Recovery Phase set forth under Clause 6.6, no later than three (3) Months prior to the beginning of the sixth Contract Year of the Maximum Recovery Phase, the Contractor may request a reduction of the Work Units for such year in those cases where the Contractor is of the opinion that there are not sufficient Wells that justify Major Workovers in the quantities required to fulfill the Development Work Obligation for such year. When reviewing the request set forth in this paragraph, the Office of the Contract Operations Manager shall consider (i) that no Major Workovers will be required in the case of Wells that have already been repaired during the fourth and fifth Contract Year of the Maximum Recovery Phase; and (ii) in any event, that no more than one Major Workover will be

required for each Well. If the Office of the Contract Operations Manager does not agree with the opinion of the Contractor, both Parties shall meet in an effort to resolve the discrepancy. If such discrepancy cannot be resolved by agreement between the Parties within thirty (30) days, either Party may request that the discrepancy be resolved by the Directive Group. Should the Directive Group fail to reach a final decision within a term of thirty (30) days following the date of the corresponding request to the Directive Group, any Party may submit the discrepancy to the Independent Expert for its resolution. If PEP agrees that the opinion of the Contractor is correct, or if the Directive Group or the Independent Expert concludes that the opinion of the Contractor is correct, the number of Work Units for the sixth Contract Year shall be reduced automatically to a number of Work Units equal to that set forth in Clause 10.5 for the fifth Contract Year of the Maximum Recovery Phase.

10.9 RESTRICTIONS TO DEVELOPMENT WORKS

The Contractor shall not be entitled to receive any Remuneration for the following Works:

- (a) Drilling and Well Completion related to any Well per Sector over and above the Well spacing stipulated in this clause, unless PEP has given its prior written authorization for such additional Wells. The number of Wells permitted shall not be more than six (6) Wells per Sector per producing Reservoir, except for the following Reservoirs: [_____]²¹, in which only one (1) Well per Sector will be permitted. Wells in the same Reservoir must be at least four hundred (400) meters apart. Where the Contractor has technically and economically justified a higher number of Wells per Sector or less distance between Wells, based on the good conservation practices and procedures set forth in Annex K, PEP shall, within a term not exceeding thirty (30) days, authorize the Contractor to execute such additional Wells and receive the Remuneration which according to the terms of this Contract corresponds for such additional Wells, or reject Contractor's proposal if it considers that it has not been sufficiently justified. In case of a discrepancy between the Parties regarding the technical and economical justification referred to herein, either Party may request that the discrepancy be resolved by the Independent Expert. Any authorization by PEP shall only apply to the specific Sector or Sectors under consideration. Where a Sector is located along the border of México, the maximum number of Wells in such Sector shall be determined in accordance with Annex K, based on the ratio between the size of the part of the Sector located in México and the total size of the Sector (including the portion in México and in the border country).
- (b) Any Work executed and not contemplated in the Annual Work Program approved by PEP, subject to any amendment approved by PEP, as described in Clauses 10.10 and 10.12.

²¹ This will be the case for known Reservoirs with high permeability.

- (c) Maintenance of a Well that is not capable of producing a monthly daily average of two hundred (200,000) SCF, unless such lower production is authorized in advance by PEP; and
- (d) Any 3-D Seismic Survey which would result in 3-D Seismic Surveys conducted by the Contractor exceeding the initial size of the Work Area, unless approved in advance by PEP.

10.10 NON-AVAILABILITY OF DRILLABLE LOCATIONS

- (a) If the Contractor, at any time during the last Contract Year of the First Development Stage or at a later time during the Development Phase or the Reactivation Phase, is of the opinion that there are no remaining Drillable Locations in the Work Area and that therefore the corresponding phase should be reduced, it shall provide the Office of the Contract Operations Manager with a detailed written report explaining the basis for its opinion not later than three (3) Months before the beginning of the next Contract Year; in case that such report is delivered after such date, the corresponding reduction of the phase, if applicable, shall not be effective the first day of the following Contract Year, but of the immediately subsequent Contract Year.

The report may enclose a proposal to amend the Annual Work Program for the remainder of the corresponding Contract Year, which shall exclude the Drilling of additional Wells. Such report shall specifically indicate if the Contractor shall directly proceed to the Reactivation Phase or to the Maximum Recovery Phase. The Office of the Contract Operations Manager shall review the report and:

- (i) if it agrees with the opinion of the Contractor regarding the non-availability of Drillable Locations, the Office of the Contract Operations Manager shall:
 - (A) approve the modification to the Annual Work Program of the current Contract Year, if applicable and if it was accompanied by the corresponding proposal; and
 - (B) confirm that the Reactivation Phase or Maximum Recovery Phase, as indicated by the Contractor, begins on the first day of the Contract Year following the date of receipt of the Contractor's written report or notice, or the immediately subsequent Contract Year, as applicable.
- (ii) if the Office of the Contract Operations Manager does not agree with the opinion of the Contractor regarding the non-availability of Drillable Locations, both Parties shall meet in an effort to resolve the discrepancy; and if such discrepancy cannot be resolved by agreement between the Parties within thirty (30) days, either Party may request that the discrepancy be considered by the Directive Group. Should the Directive

Group fail to reach a final decision within a term of thirty (30) days following the date of the corresponding request to the Directive Group, any Party may submit the discrepancy to the Independent Expert for its resolution. If the Directive Group concludes that the opinion of the Contractor is correct, or if the Independent Expert concludes that the opinion of the Contractor is correct, then:

- (A) the modification to the Annual Work Program presented by the Contractor shall be considered approved as of the date of the decision of the Directive Group or Independent Expert; and
- (B) the Reactivation Phase or the Maximum Recovery Phase, as indicated by the Contractor, shall begin on the first day of the Contract Year following the date of receipt of the Contractor's written report or notice, or the immediately subsequent Contract Year, as applicable.

The Office of the Contract Operations Manager shall, when evaluating the Contractor's opinion regarding the non-availability of Drillable Locations, take into consideration that it is not in the national interest to drill additional Wells which do not have the economic characteristics which would justify such Drilling.

It is expressly understood, however, that if the Contractor elects to proceed to the Reactivation Phase, it shall also have the right to proceed to the Maximum Recovery Phase in any Contract Year of the Reactivation Phase, without the need for any further justification, as long as it notifies PEP no later than three (3) Months before the beginning of the following Contract Year.

- (b) In addition to the provisions of paragraphs (a) and (c), if the Contractor has proposed locations for Wells that are to be used to demonstrate the absence of Drillable Locations pursuant to Clause 10.12(a)(vi) and the Contractor has consecutively drilled:
 - (i) three (3) Dry Wells, or
 - (ii) six (6) Wells that have a production level below the minimum required for an Economic Well (including one or more Dry Wells),

then the Contractor may provide a written notice to the Office of the Contract Operations Manager that there are no further Drillable Locations, without the need for the detailed report provided for in paragraph (a). The Contractor's notice may be accompanied by a proposal to modify the Annual Work Program for the remainder of the corresponding Contract Year, which shall exclude the Drilling of further Wells, and shall specifically indicate if that the Contractor shall directly proceed to the Reactivation Phase or to the Maximum Recovery Phase. Once the notice is made, such modification to the Annual Work Program shall be deemed approved by the Office of the Contract Operations Manager at that moment and

the corresponding phase indicated by the Contractor in the notice shall begin on the first day of the following Contract Year of the reception of the notice. It is expressly understood, however, that if the Contractor elects to proceed to the Reactivation Phase, it shall also have the right to proceed to the Maximum Recovery Phase in any Contract Year of the Reactivation Phase.

- (c) In addition to the provisions of paragraphs (a) and (b), if the Contractor has consecutively drilled:
 - (i) three (3) Dry Wells, or
 - (ii) six (6) Wells that have a production level below the minimum required for an Economic Well (including one or more Dry Wells),

then the Contractor may provide a written notice to the Office of the Contract Operations Manager that there are no further Drillable Locations without the need for the detailed report provided for in paragraph (a). The Contractor's notice may be accompanied by a proposal to modify the Annual Work Program for the remainder of the corresponding Contract Year, which shall exclude the Drilling of further Wells, and shall specifically indicate if the Contractor shall directly proceed directly to the Reactivation Phase or to the Maximum Recovery Phase. Once the notice is made, and provided there is no evidence that the Drilling locations selected by the Contractor did not meet the selection criteria for obtaining an Economic Well, such modification to the Annual Work Program shall be deemed approved by the Office of the Contract Operations Manager and the latter shall confirm within thirty (30) days that the Reactivation Phase or Maximum Recovery Phase, as indicated by the Contractor, begins on the first day of the Contract Year following the date of receipt of the Contractor's notice; it being understood, however, that it shall be considered that the Drilling complied with the aforementioned selection criteria if the Office of the Contract Operations Manager previously approved the location of the specific Well in question. If the Contractor elects to proceed to the Reactivation Phase, it shall also have the right to proceed to the Maximum Recovery Phase in any Contract Year the Reactivation Phase.

When the Office of the Contract Operations Manager has not approved the selected locations, and there is evidence that these did not comply with the selection criteria for obtaining an Economic Well, the Contractor shall comply with the Annual Work Program without any modification. In case of discrepancies between PEP and the Contractor as to whether the Drilling locations selected by the Contractor met or not the selection criteria for obtaining an Economic Well, either Party may submit the discrepancy to an Independent Expert for its resolution.

- (d) Where the Annual Work Program is modified under this clause to eliminate the Drilling of any further Wells, the Contractor is not required to perform the Work

Units corresponding to such Drilling in that Contract Year, and the Contractor's obligation related to the performance of Work Units shall be adjusted in accordance with Clauses 10.12(c) and 10.12(d).

10.11 INFRASTRUCTURE AND MAINTENANCE OBLIGATIONS OF THE CONTRACTOR

Pursuant to Clause 10.1, in addition to the obligation of performing the Development Works, the Contractor shall carry out any other Work not quantified in Work Units which is necessary for the performance of the Works, including the construction of any Infrastructure Work which is necessary for Well production and the Maintenance Works, and in the case of Clause 9.2(d), the Infrastructure and Maintenance Works required to handle the volumes of gas required by PEP that do not proceed from within the Work Area.

10.12 ANNUAL WORK PROGRAM

The Master Program shall be updated once a year after the end of each Contract Year. Such update shall take place during the first Contract Quarter of each Contract Year, and shall reflect the Works actually carried out by the Contractor during the immediately preceding Contract Year, based on its approved Annual Work Program (or its amendments). Thus, the performance of the Works by the Contractor during a Contract Year in accordance with an Annual Work Program (or its amendments) approved by PEP, in accordance with this clause, shall automatically result in the corresponding adjustment to the Master Program during the following Contract Year.

If the Initial Partial Year exceeds the Transition Period, then within two (2) months after the Effective Date, the Contractor shall present to the Office of the Contract Operations Manager for approval, with a copy to the Executive Director, an Annual Work Program for the remainder of the Initial Partial Year of the Contract, which budget shall not exceed the amount specified in Clause 5(a).

Subsequently, at least three (3) Months prior to the first Contract Year of the Term, the Contractor shall propose to the Office of the Contract Operations Manager for its approval, with a copy to the Executive Director, the Annual Work Program for the first Contract Year of the Term, which budget shall not exceed the amount of USD\$ [_____] ²². If the Initial Partial Year has a duration of less than three (3) Months, then the Contractor shall present the Annual Work Program for the first Contract Year of the Term prior to the end of the month of January of such first Contract Year.

Thereafter, at least six (6) Months prior to each Contract Year, the Contractor shall present to the Office of the Contract Operations Manager a preliminary version of the Annual Work Program for the following year, solely for purposes of preparation of PEP's budget, and not subject to approval by PEP. Additionally, at least three (3) Months prior to each Contract Year, the Contractor shall submit to the Office of the Contract Operations Manager for approval an Annual Work Program for such Contract Year. The budget for the Annual Work Program presented by

²² This amount shall be set forth by PEP based on its budget for the first Contract Year of the Development Phase

the Contractor to the Office of the Contract Operations Manager for its approval pursuant to paragraph (a) of this clause, may not exceed the total amount of the Annual Work Program budget previously presented for purposes of PEP's budget.

(a) Definitive Presentation of the Annual Work Program

The Annual Work Program shall include:

- (i) an initial plan (the "Initial Plan") containing a general description of the Development, Infrastructure and Maintenance Works that the Contractor considers should be executed in that year, including any Infrastructure and transportation capacity variations, and any multi-annual Works to be carried out or any Work required pursuant to Clause 9.2(d). Such proposal shall comply at least with the Development Work Obligation for that year, as specified in Clause 10.2;
- (ii) except in the Initial Partial Year and the first Contract Year of the Development Phase, the budget for the estimated Remuneration for that year, based on the Unit Prices for all Development, Infrastructure and Maintenance Works, including the total Remuneration for multi-annual Works to be carried out and the budget amount allocable to that year, and an estimate of any amount of the Restricted Remuneration carried forward up to the end of the current year, as well as the estimated Financial Interest;
- (iii) the budget components approved in previous years for multi-annual Works to be continued during the corresponding year;
- (iv) a forecast of the anticipated Production during the corresponding year and for the remainder of the Term;
- (v) a preliminary report when the Contractor considers that there are no further Drillable Locations for all or part of the program for a year;
- (vi) the locations of any Wells that are intended to be used to evidence the absence of Drillable Locations in accordance with the provisions of Clause 10.10, either to evidence three (3) Dry Wells or six (6) Wells with a production level below the minimum required for an Economic Well (including one or more Dry Wells);
- (vii) any Abandonment of Productive Wells, Existing Wells or Infrastructure that the Contractor proposes to perform during such year; and
- (viii) the training program and social support program set forth in Clauses 38.2 and 38.3.

(b) Annual Work Program Approval

The Office of the Contract Operations Manager shall review each Annual Work Program submitted according to paragraph (a) of this clause, and within the following thirty (30) days approve, reject or propose amendments to the Annual Work Program. The Office of the Contract Operations Manager shall not unreasonably withhold or delay approval of an Annual Work Program when the following criteria are met:

- (i) the proposed Work Units, plus the Cumulative Work Units performed by the Contractor and the Work Units pending execution during the current Contract Year, is equal to or exceeds the Cumulative Development Work Obligation on the Contract Year subject to the Annual Work Program, and in the case of the First Development Stage, it further complies with the provisions of Clause 10.4 related to the Non-Refundable Work Units;
- (ii) the portion of multi-annual Works proposed for that year is less than or equal to the unused portion of the total budget approved by PEP in previous years for such multi-annual Works;
- (iii) the Initial Plan complies with the Development Work Obligation;
- (iv) the plans for Infrastructure reflect the anticipated Production or possible variations in gas volumes as a result of the implementation of future Works;
- (v) the budget for the Annual Work Program presented by the Contractor to the Office of the Contract Operations Manager for approval does not exceed the total amount of the budget for the Annual Work Program presented for purposes of PEP's budget;
- (vi) the plans for Infrastructure and Maintenance reasonably reflect the requisites of Annex I; and
- (vii) the Abandonment of Productive Wells, Existing Wells or Infrastructure, proposed by the Contractor is convenient due to the expiration of the useful life of such assets, from a technical perspective; and the proposed program includes all Wells and Infrastructure that must be Abandoned based on Good Petroleum Industry Practices and the Environmental Protection and Safety Program.

If the Office of the Contract Operations Manager rejects the Annual Work Program or proposes amendments to the Annual Work Program proposed by the Contractor, the Office of the Contract Operations Manager shall advise the Contractor in writing within the term indicated in this paragraph (b), so that both the Contract Operations Manager and the Contractor can carry out the necessary adjustments to such program within the next fifteen (15) days. If the Parties do not reach an agreement regarding the amendments or adaptations required, and/or in case that the Office of the Contract

Operations Manager and the Contractor do not agree regarding compliance with subparagraphs (i) to (vii) above, the discrepancies shall be consulted to the Directive Group and eventually resolved by the Independent Expert in accordance with Clause 35.2. Should the Directive Group fail to reach a final decision within a term of thirty (30) days after acknowledging the discrepancy, any Party may submit the discrepancy to the Independent Expert for its resolution, without prejudice of the rights of PEP under Clause 29 and Clause 30.

As an exception to the review process set forth in the previous paragraph, in the event that PEP does not agree with the Abandonment of an asset which useful life from a technical perspective has not expired, and which has been proposed by the Contractor in the Annual Work Program in accordance with Clause 12.3, based on the Contractor's opinion of its non-economic character, the opinion of PEP shall not be subject to review. Therefore, in those cases, PEP shall take immediate possession of the corresponding asset and the responsibility of maintaining it, under the terms of Clause 9.2(b) and shall release the Contractor of such Maintenance obligation; all this, without prejudice to the Contractor's obligations under Clauses 25.2 and 25.3, which shall remain in full force. Any delivery capacity of gas of any Well assumed by PEP in accordance with the previous sentence shall be considered Outside Gas for purposes of this Contract.

When the Contractor has presented a preliminary report on the absence of further Drillable Locations in accordance with Clause 10.12(a)(vi), the Contractor may, at its discretion, submit a detailed report in accordance with Clause 10.10(a).

For purposes of the Annual Letter of Credit, the approval by the Office of the Contract Operations Manager related to the Annual Work Program shall be deemed to be the approved amount for such year.

(c) Annual Work Program Amendment or Reduction of the Development Work Obligation Under Special Conditions

In case of low gas prices, or where conditions under Section 2.d of Annex D apply, the following special procedures regarding the Annual Work Programs shall be applicable:

- (i) If based on the average International Gas Price for the three hundred and sixty five (365) days prior to the determination date, at any time after the First Development Stage, the Contractor is of the opinion that the gas sales price then in effect is so low that it results in a smaller number of Drillable Locations in the Work Area than that which would result by applying the Base Price to the determination of the Drillable Locations, the Contractor may provide the Office of the Contract Operations Manager with a detailed report explaining the basis for its opinion, in which case it shall also present an amendment to the Annual Work Program proposed for the following Contract Quarters during the then current Contract Year, and, if applicable, the Annual Work Program for the following Contract Year,

which shall be limited to the Drilling of any Drillable Locations existing under such price conditions.

The Office of the Contract Operations Manager shall review the report taking into account the opinion on gas prices of the Executive Director and if it agrees with the opinion of the Contractor regarding the non-availability of Drillable Locations at such gas sales price, the Office of the Contract Operations Manager shall approve the Contractor's proposal to reduce the number of Drillable Locations in the Contractor's proposed Annual Work Program, which approval shall only apply to the remaining Contract Quarters for the then current Contract Year or the following Contract Year, as the case may be, and shall be reviewed again for the following or the subsequent Contract Year, as the case may be.

The existence of the Floor Price Conditions shall conclusively confirm that there are no more Drillable Locations with respect to the following Contract Year or the remaining Contract Quarters of the then current Contract Year.

If the Office of the Contract Operations Manager does not agree with the opinion of the Contractor regarding the non-availability of Drillable Locations, both Parties shall meet in an effort to resolve the discrepancy; and if such discrepancy cannot be resolved by agreement between the Parties within thirty (30) days, either Party may request that the discrepancy be considered by the Independent Expert for its resolution. If the Independent Expert concludes that the opinion of the Contractor is correct, then the amendment to the Annual Work Program presented by the Contractor shall be considered approved as of the date of the decision of the Independent Expert.

- (ii) Where the Annual Work Program is amended to reduce or eliminate the Drilling of Drillable Locations, the Contractor is not required to perform the Work Units corresponding to such Drilling in that Contract Year, and the Contractor's obligation related to the performance of Work Units shall be adjusted in accordance with Clause 10.8.

It is expressly understood that the application of this clause shall not constitute a suspension of the performance of the Works under this Contract and the *Ley de Obras Públicas* and its Regulations.

- (iii) Where the provisions of Section 3.d of Annex D apply, the Contractor shall not have the obligation to perform any Development Work Obligation for the Contract Year in which the conditions apply, and the Contractor may therefore present an Annual Work Program for such Contract Year with less Work Units or no Work Units at all. Consequently, the approval for the Annual Work Program for such year

cannot be denied on the basis of Clause 10.12(b)(i) above and the obligation of the Contractor related with the execution of Work Units shall be adjusted in accordance with Clause 10.8.

(d) Annual Work Program Review

Subject to the provisions of subsection (e) below, each quarter of every year the Contractor shall review the Annual Work Program with the Office of the Contract Operations Manager and may propose amendments to the Initial Plan when geological results or the Drilling of Wells indicate that such amendments shall avoid the Drilling of Dry Wells or Wells that are not Economic Wells, or where such amendments could lead to a higher level of gas Production for PEP. The Office of the Contract Operations Manager shall within the next thirty (30) days approve, reject or propose modifications to the amendments of the Annual Work Program. The Office of the Contract Operations Manager shall not unreasonably withhold or delay approval for such amendments provided that (i) the revised Annual Work Program complies with the provisions of paragraph (b) of this clause, and (ii) the revisions, from a quantitative point of view, do not exceed the budget approved pursuant to such paragraph, adhering to the procedure indicated in this clause in the event of disagreement between the Parties. If the revisions exceed, from a quantitative point of view, the approved budget, approval of such revisions may be granted by the Office of the Contract Operations Manager depending on the availability of additional budget of PEP. In the case of an increase in the approved budget in accordance with this paragraph (d), the Annual Letter of Credit referred to in Clause 24.2(b) of this Contract shall be increased in the corresponding proportion.

The Office of the Contract Operations Manager shall approve a reduction of the Work Units within any of the quarterly amendments of the Annual Work Program, if the Contractor has previously executed work in excess of the Development Work Obligation for that year, and the reduction of the Work Units does not result in a total number of Cumulative Work Units that is below the Cumulative Development Work Obligation.

(e) Annual Work Program Modifications or Reductions to the Development Work Obligation for Dry Wells

During the execution of the Works, the Contractor may modify the work of the Initial Plan described in Clause 10.12(a)(i), provided the Contractor maintains the number of Work Units for such components and does not exceed the total budget amount approved for the corresponding Contract Year pursuant to Clauses 10.12(a)(ii) and 10.12(b).

Additionally, taking into account that the number of Work Units that correspond to the Drilling of a Dry Well is less than those that correspond to the Drilling of a Productive Well in accordance with Annex E-2, where the Contractor has included as part of its Annual Work Program the Drilling of certain number of Productive Wells and, after performing such Drilling, all or part of such New Wells drilled are Dry Wells, the Contractor shall not have the obligation to perform during the current Contract Year, for each Dry Well drilled, the Work Units that result from the difference between the number

of Work Units allocated to the proposed Drilling of a Productive Well, and the number of Work Units that corresponds to the Drilling of a Dry Well. In such case, the Contractor may present an amended Annual Work Program for the remainder of the Contract Year which reflects the difference in Work Units according to the preceding sentence, and the obligation of the Contractor in relation with the execution of Work Units shall be adjusted in accordance with Clause 10.8.

When the Contractor proposes a modification in accordance with and subject to the provisions of the previous paragraph, the amendments to the Annual Work Program shall be approved by the Office of the Contract Operations Manager.

(f) Annual Work Program Forecast

Each quarter, with the presentation of the quarterly reviews of the Annual Work Program, the Contractor shall present a five (5) year forecast of the production, incorporation of reserves and resources as a result of the Works proposed in the Annual Work Program and its modifications. This forecast shall permit PEP to take the measures that may be necessary when the activities of PEP, the Contractor and other contractors in the [] Basin could cause capacity or administrative problems.

10.13 FIELDS WHICH EXTEND BEYOND THE WORK AREA

The Contractor shall not drill a Well within three hundred (300) meters of the external limit of the Work Area or within fifty (50) meters of the external limit of each Sector, without prior written approval by PEP. The location of a Well shall be determined based on the vertical projection to the surface of the productive interval of the Well.

For the case of those Fields that extend beyond the Work Area, the Contractor shall adhere to the Well spacing provisions and shall maintain the Wells within the Work Area in good draining condition according to Good Petroleum Industry Practices, provided however that where Good Petroleum Industry Practices require joint coordination of works with an adjacent contractor or with PEP, the relevant parties shall enter into the necessary agreements to achieve maximum recovery of total reserves.

10.14 JOINT FACILITIES

The Contractor, jointly with Third Party Contractors of PEP, may propose to PEP the construction and operation of joint infrastructure or access roads, or the joint execution of geophysical studies, when they deem it economically or technically convenient for the Parties. In the case of infrastructure maintained by PEP which is used for the transport or processing of natural gas from the Work Area and from work areas of Third Party Contractors of PEP, the Contractor and such other Third Party Contractors of PEP may propose to PEP that they assume the maintenance and possible enhancement or modification of such infrastructure. In the cases established in this clause, the Contractor shall comply with the provisions of Annex I.

10.15 EXPANSION ZONE

On the Effective Date, the Work Area consists of [] Field(s) and of the Expansion Zone. In the execution of the Works during the Term, the Contractor may expand the Fields and/or create new Fields, and as a consequence, the Expansion Zone shall be reduced in accordance with the following provisions:

- (a) Once a Sector is declared a Productive Sector, it shall cease to be part of the Expansion Zone, and shall form part of the Field to which such Productive Sector belongs or would seem to belong on the basis of geological tests, as determined by the Contractor. It is understood that it is not required that a Productive Sector be contiguous with any other Productive Sectors in a Field in order to be considered an expansion of that Field. Where it appears that the Productive Sector does not belong to any Field, the Contractor may propose to PEP the identification of a new Field.
- (b) If as a result of having drilled in the Expansion Zone, the Productive Sectors in the Work Area completely surround one or more Sectors that do not have Productive Wells, such surrounded Sectors shall be considered as part of the Field in question for the purpose of this Contract.

10.16 REDUCTION OF THE WORK AREA

- (a) If the Expansion Zone comprises more than twenty (20) Sectors on the Effective Date, the Work Area shall be reduced as follows:
 - (i) Upon termination of the First Development Stage, twenty-five percent (25%) of the amount that results of reducing twenty (20) Sectors to all the Sectors in the Expansion Zone, shall be removed from the Work Area;
 - (ii) Upon termination of the Second Development Stage, forty percent (40%) of the amount that results of reducing twenty (20) Sectors to all the Sectors in the then remaining Expansion Zone, shall be removed from the Work Area; and
 - (iii) Upon termination of the Third Development Stage, all Sectors of the then remaining Expansion Zone shall be removed from the Work Area.

The Contractor shall not conduct any Works on Sectors removed from the Work Area, except as otherwise provided in this Contract.

- (b) If the Expansion Zone comprises twenty (20) Sectors or less on the Effective Date, all Sectors from the Expansion Zone shall be removed from the Work Area at the end of the Development Phase.
- (c) For the purposes of this clause, a Sector shall be temporarily considered to be a Productive Sector if at the end of the First Development Stage, the Second

Development Stage or the Third Development Stage, as the case may be, a Well is being drilled on such Sector, and such Well is either the first Well on such Sector or such Sector has no Productive Wells. If the Well is a Productive Well, then the Sector shall not be removed. If the Well is not a Productive Well, then:

- (i) the Sector shall remain a part of the Expansion Zone and subject to removal at the next time that reduction of the Expansion Zone occurs; or
 - (ii) if the Development Phase has ended, such Sector shall be removed from the Work Area at that time.
- (d) The criteria for removal of Sectors from the Expansion Zone at the end of the First Development Stage and the Second Development Stage are:
- (i) Each reduction at the end of the First Development Stage and the Second Development Stage shall consist of one, two or three areas.
 - (ii) An area that is to be removed shall comprise Sectors that are joined on at least one side.
 - (iii) The size of a removed area may not be less than five Sectors.
 - (iv) The ratio of the length to the width (or width to the length) of each removed area may not exceed a proportional factor of 3:1.
- (e) If there is a conflict in the application of the above criteria, the Contractor shall comply with the criteria in the order listed above, and therefore in case that one of them is applied, the following conflicting criteria shall not apply. If one or more of the criteria is inconsistent with the shape of the original or reduced Work Area, such criteria shall not apply.
- (f) Within two (2) Months before the end of the First Development Stage and the Second Development Stage, the Contractor shall, by written notice to the Office of the Contract Operations Manager, identify the Sectors that the Contractor proposes for removal in accordance with this Clause 10.16. The Office of the Contract Operations Manager shall approve the Contractor's proposal if it complies with the criteria described in paragraph (d). If the Contractor does not select the Sectors to be removed within the specified period, or the Contractor's proposal does not comply with paragraph (d), then the Office of the Contract Operations Manager shall, in its sole discretion, determine which are the Sectors to be removed, and notify the Contractor in writing. If the Office of the Contract Operations Manager determines the Sectors to be removed at the end of the First Development Stage and the Second Development Stage, it shall do so in accordance with the criteria and order of priority described in paragraph (d).
- (g) If the Reactivation Phase or Maximum Recovery Phase begins prior to the end of the eighth Contract Year of the Development Phase pursuant to Clause 10.10,

then all Sectors remaining in the Expansion Zone at that time shall be removed from the Work Area at the beginning of the Reactivation Phase or the Maximum Recovery Phase.

- (h) The Work Area shall be reduced by complete Sectors. Where the percentage of removal of Sectors required pursuant to this clause results in a fraction, the same shall be rounded down to the nearest whole number.
- (i) The Contractor may, by notice to PEP, voluntarily reduce the Expansion Zone by removing Sectors at any time after the First Development Phase and prior to end of the Development Phase. Any voluntary reduction shall be done in accordance with the criteria described in paragraph (d) above. Sectors removed pursuant to this paragraph (i) may be applied to the Contractor's reduction obligations pursuant to paragraph (a) above.
- (j) Not later than six (6) Months after the removal of any Sectors pursuant to this clause, the Contractor shall have properly Abandoned any Productive Wells and Existing Wells on the Sectors so removed, removed any environmental or safety hazards on the removed Sectors that may have resulted from the Contractor's activities pursuant to this Contract, and restored the removed Sectors in accordance with the Applicable Provisions. An environmental study shall be conducted after removal of Sectors pursuant to this clause, in accordance with Clause 25.9.
- (k) The reduction of a Field may take place after the First Development Stage, if any Sector of such Field complies with the following conditions: (i) it is a Sector in which a Productive Well or Existing Well never existed during the Term, or (ii) it is a Sector where all Productive Wells and Existing Wells have been Abandoned, or which Maintenance has been assumed by PEP. In these cases, the Contractor may notify to PEP the existence of Sectors that comply with the aforementioned conditions, in which case the reduction shall take place on the date in which PEP learned of the existence of such Sectors by receiving the Contractor's notice.
- (l) If by virtue of paragraphs (i) and (k), the Work Area has been completely reduced, the purpose of the Contract shall be deemed exhausted and therefore the Contract shall be automatically terminated on the date of removal of the last Sector, and for all purposes of this Contract such date shall be deemed to be the Termination Date. The foregoing without prejudice to the Contractor's obligations under Clause 25. It is understood, however, that the termination of the Contract in accordance with this paragraph shall not be deemed an early termination by PEP.
- (m) The removal of Sectors from the Work Area does not alter the Contractor's obligations under this Contract with respect to the Minimum Work Obligation.

- (n) The confidentiality provisions of Clause 26.3(b) do not apply to technical information related to Sectors which are removed pursuant to this Clause 10.16.

CLAUSE 11
OBLIGATIONS OF THE CONTRACTOR
RELATING TO DEVELOPMENT AND INFRASTRUCTURE

11.1 GENERAL OBLIGATION RELATING TO DEVELOPMENT AND INFRASTRUCTURE

During the Term, the Contractor shall execute, at its own expense, the Development and Infrastructure Works in the Work Area in accordance with the provisions of this Contract.

11.2 PERMITS

Except in the case of the Permits established in the first paragraph of Clause 14.4, the Contractor shall timely obtain, renew or extend, at its own expense, and in the name of PEP, and maintain in full force and effect, all Permits which are required to be obtained under the Applicable Provisions, norms, general rules and notices for carrying out the Works, including the Permits indicated in an illustrative but not exhaustive manner in the following table:

PERMIT	AUTHORIZED BY
Surface occupation contract for wells, rural ways, pipelines and infrastructure works	Property owner/ Public Federal Real Estate Registry/ National Agrarian Registry
Work performance	Property owner
Right of way for the surveying and mapping of wells, rural ways, pipelines and infrastructure works	Property owner
Concessions for use and exploitation of federal waters, effluent discharge and treatment and registration with the Public Registry of Water Rights	State Commissions of the National Water Commission
Road access	Communication and Transportation Ministry/ Local Roads Councils
Authorization for use and transportation of explosives	National Defense Ministry
Registry for generation and disposal of non-dangerous waste	State Governmental Authorities
Registry for generation and disposal of dangerous waste	SEMARNAT/State Delegations
Discharge of sewage to sewers or other municipal recipient bodies	State or municipal Governmental Authorities
Six-monthly report on dangerous waste sent for treatment, incineration or confinement	SEMARNAT/ State Delegations
Dangerous waste delivery, transportation, reception and disposition statement	SEMARNAT/ State Delegations

11.3 ACCESS

The Contractor shall take all necessary steps to obtain access to the sites of the Works, at its own expense and in the name of PEP, to the extent that is necessary for the Contractor to adequately execute the Works according to this Contract, including access to private property or obtaining rights of way. It is expressly understood that PEP shall not have any obligation to reimburse the Contractor for whichever costs incurred in obtaining the access or the rights thereof. In case of acquisition of real estate, the Contractor shall effect it in accordance with a valuation issued by the *Comisión de Avalúos de Bienes Nacionales* or a *Sociedad Nacional de Crédito*, at its option. On the other hand, in case of obtaining access rights, leases or other rights from third parties, the Contractor may consider the standards set forth by the *Comisión de Avalúos de Bienes Nacionales*. When, despite the Contractor's efforts, the latter cannot obtain, in a timely manner, the agreements or arrangements necessary on the part of the pertinent third parties for access to the Works sites, PEP shall cooperate with the Contractor, insofar as it is possible, to obtain such rights. In case that PEP directly obtains the access rights or ownership rights of the corresponding real estate (whether by temporary or permanent occupation or expropriation), the Contractor shall have the obligation to advance or reimburse to PEP, at PEP's option, the amount of the corresponding indemnity. In addition, PEP shall make available to the Contractor, in accordance with Article 52 of the *Ley de Obras Públicas*, any real estate where the Works shall be executed, and that is within the legal scope of PEP, or that may only be legally delivered to PEP. Likewise, PEP shall use its best efforts so that the Contractor may exercise PEP's rights to use land, rights of way, servitudes and other rights of any nature whatsoever relative to the Work Area. The Contractor may exercise such rights only with regard to the execution of the Works, subject to limitations inherent to such rights and to those that may be imposed by PEP, and may not exercise them for any other purpose, nor transfer or dispose of them in any way. In no case shall the exercise of these rights by the Contractor imply an assignment of title by PEP, nor deprive PEP of its right to exercise them.

Any Claim arising from Contractor's exercise of the access rights which are the result of the Works executed by the Contractor shall be the exclusive responsibility of the Contractor.

11.4 OBLIGATIONS WITH RESPECT TO THE WORK AREA

- (a) As a result of the fact that the Contractor has inspected the Work Area and its surroundings, has obtained all available information in connection with the same, has evaluated all the conditions, matters and circumstances affecting the total cost of the Works, including the condition of PEP's Existing Assets at the Work Area, the availability of transportation and utilities infrastructure, the hydrological, climatic, soil and subsoil conditions and characteristics, and the Applicable Provisions, the Contractor acknowledges that, subject to the provisions of Annex J-1, PEP shall have no liability whatsoever with respect to the suitability of the Work Area for the execution of the Works.

- (b) During the execution of the Works, the Contractor:
 - (i) shall have absolute responsibility for the safety of all Persons under its control who are in the Work Area, for keeping the Works in an orderly state so as to avoid danger to such Persons, and shall take such precautions as are appropriate under the Applicable Provisions and Good Petroleum Industry Practices to prevent injury or loss to Persons or property at or near the Work Area;
 - (ii) shall provide and maintain all safety equipment, lights, shelters, fencing and warning signs, as required by any Governmental Authority or by the Applicable Provisions for the protection of the Works or for the safety and convenience of the Contractor's Personnel and for the safety and convenience of the public in general; and
 - (iii) without prejudice to the provisions of Clause 25, shall take all reasonable steps to protect the Environment within and near the Work Area from damage and shall avoid damage or nuisance to Persons or properties resulting from the possible contamination, noise or other causes arising from the execution of the Works.
- (c) The Contractor shall execute the Works in such a manner as to not interfere with the works being developed by PEP at that time in the Work Area.

11.5 DISCOVERY OF CRUDE OIL RESERVOIRS

- (a) The Contractor shall send to the Office of the Contract Operations Manager, within forty-five (45) days following the conclusion of Well tests yielding results which indicate the existence of a discovery of hydrocarbons, a notice of such fact. Should the GOR of the Reservoir or Reservoirs discovered be near the GOR limits of a Crude Oil Reservoir, the aforementioned notice shall include the results of the tests carried out, the description of the geological and Reservoir aspects of such discovery and laboratory analyses on PVT of the Reservoir's fluids. The Contractor shall state in the notice whether the Reservoir or Reservoirs discovered should be deemed Non-Associated Gas Reservoirs or Crude Oil Reservoirs.
- (b) The Office of the Contract Operations Manager shall have thirty (30) days to confirm in writing the characterization by the Contractor of the Reservoir of such discovery, after which, should the Office of the Contract Operations Manager fail to reply within such term, it shall be deemed that the Office of the Contract Operations Manager agrees with the characterization made by the Contractor. If the Office of the Contract Operations Manager objects to such characterization and the Contractor refuses to accept the objection, the Contractor may submit the discrepancy to the Independent Expert for its resolution.

- (c) Irrespective of the final characterization of the discovery, and provided that such characterization is still pending in accordance with paragraph (b) of this clause, the Contractor may proceed, at its expense, with the Well Completion. Once the final characterization is made (i) the Contractor may only carry out the Maintenance and Development Works in relation to Non-Associated Gas Reservoirs; and (ii) the Crude Oil Reservoirs shall be excluded from the Work Area.
- (d) If the Contractor drills a Well in a Crude Oil Reservoir, it shall immediately notify it to PEP so that the latter may immediately assume the responsibility for maintenance of that Well. The Contractor shall receive the payment of the remuneration corresponding to such Development Work in accordance with the terms provided for in this Contract.
- (e) If the Contractor drills a Well in (i) one or more Non-Associated Gas Reservoir; and (ii) one or more Crude Oil Reservoir, the Contractor shall have the right to continue, in such Well, with the performance of the Works related to Non-Associated Gas Reservoirs contemplated in this Contract, and shall be paid the appropriate remuneration in accordance with Clause 19.

11.6 UNFORESEEN WORK AREA CONDITIONS

- (a) If while executing the Works in the Work Area, the Contractor discovers any hazardous or toxic material or waste not arising as a result of the execution of the Works, the Contractor shall immediately notify the Office of the Contract Operations Manager of the discovery. The relationship between PEP and the Contractor regarding responsibility for dangerous materials or toxic waste existing in the Work Area prior to the Effective Date shall be governed by Clause 25.
- (b) If while executing the Works in the Work Area the Contractor makes a discovery of any archaeological remains of whatever nature which are governed by the Applicable Provisions, the Contractor shall immediately notify the Office of the Contract Operations Manager.
- (c) If while executing the Works in the Work Area the Contractor makes an important discovery of minerals of any type which are governed by the Applicable Provisions, the Contractor shall immediately notify the Office of the Contract Operations Manager.
- (d) If while executing the Works in the Work Area the Contractor makes any discovery of fresh water deposits which are governed by the Applicable Provisions, the Contractor shall immediately notify the Office of the Contract Operations Manager.

11.7 REPORTS

- (a) The Contractor shall deliver to the Office of the Contract Operations Manager and to the Executive Director, for their information, a monthly progress report, duly signed by the Contractor, which shall contain a description of the volumes of gas delivered to PEP in the prior Month, the results of any deliverability test carried out in accordance with Clause 13.2, the Development, Infrastructure and Maintenance Works executed in the prior Month and the status of the Contractor's compliance with other significant obligations under this Contract such as training, safety and health responsibilities and other relevant issues related to the Work Area (the "Monthly Progress Report").
- (b) The Monthly Progress Report shall also include any interpretative reports prepared by the Contractor during such Month related with the development of the Work Area. These reports shall include interpretations of seismic data, well registration, geological models and reservoir models. The Contractor will not be required to inform about any proprietary method or any other intellectual property right used in the development of these reports.
- (c) The nature and the detail of the Monthly Progress Report shall adjust to the instructions provided by the Office of the Contract Operations Manager to the Contractor from time to time. The Monthly Progress Report must be delivered to the Contract Operations Manager with a copy to the Executive Director no later than fifteen (15) days following the end of each Month.
- (d) In addition to the report set forth above, the Contractor must present to PEP within the first thirty (30) days of each calendar year a report that contains the calculation of proved, probable and possible non-associated gas reserves existing in the Work Area as of December 31st of the immediately preceding calendar year, which must be prepared on behalf and at the expense of the Contractor, by an independent company with internationally recognized capacity and prestige in the field, subcontracted by the Contractor with PEP's prior approval (the "Annual Reserves Report"). In order to update the content of the Annual Reserves Report, during the month of August of each calendar year during the Term, the Contractor shall prepare on its own account and present to PEP a report with the update of the calculation of proved, probable and possible non-associated gas reserves existing in the Work Area, as of August 1st of such calendar year. When preparing the reports provided for in this paragraph, the Contractor shall follow the guidelines for reserve calculation attached to this Contract as Annex L.
- (e) Notwithstanding the provisions of this clause, and in addition to the duty to notify set forth in Clause 11.8 below, the Contractor shall inform the Office of the Contract Operations Manager immediately, in case of any accidents in the facilities, that a material waste of hydrocarbons is registered, that the extraction of hydrocarbons is affected, or that the ecology is affected or the Environment is polluted, as provided in Annex Q-1.

- (f) The Contractor shall provide PEP all information pertaining to the Works required to be provided by PEP to Governmental Authorities in such formats as may be requested from time to time by the Office of the Contract Operations Manager.
- (g) The Contractor shall also provide PEP copies of all Environmental Documents, in accordance with the Applicable Provisions and Clause 25 of this Contract.

11.8 FIRES, EXPLOSIONS, LEAKS OR LOSS OF CONTROL

In case of fires, explosions, surface leaks or loss of control at any Well in the Work Area, when such Well is the responsibility of the Contractor pursuant to this Contract, the Contractor shall be responsible for the control operations of the Well in question and shall provide the equipment, material and services covered by this Contract and required for Well control and, if applicable, for the Drilling of one or more relief wells. In those cases, PEP shall assist and provide full cooperation to the Contractor to respond to the emergency, but the Contractor is solely responsible for the consequences of such incidents.

In case of a fire, explosion, leak or loss of control of any Well in the Work Area that is the responsibility of the Contractor, the Contractor shall immediately notify the Office of the Contract Operations Manager of such event in order to allow PEP to present all notices to the corresponding Governmental Authorities and perform all acts required by the Applicable Provisions.

In case of any incident, similar to those previously described, in the surroundings of the Work Area or in the case of a Well operated by PEP and not maintained by the Contractor, the Contractor shall assist and provide full cooperation to PEP to respond to the emergency, but PEP is solely responsible for its costs, the reasonable costs incurred by the Contractor and other consequences of such incidents.

11.9 DELIVERY OF PLANS

Not later than thirty (30) days after the Reception Date of an Infrastructure Work, the Contractor shall deliver to the Office of the Contract Operations Manager the "as-built" plans and the specifications for the Infrastructure, which are the property of PEP in accordance with Clauses 15.1 and 26.1. Thereafter, the Contractor shall deliver "as-built" plans and specifications related to any modification of the Infrastructure within thirty (30) days after they become available. In both cases, PEP shall have the right to inspect the Infrastructure to verify the conformity of the "as-built" plans with the Infrastructure.

CLAUSE 12
OBLIGATIONS OF THE CONTRACTOR
RELATED TO MAINTENANCE

12.1 GENERAL OBLIGATION RELATED TO MAINTENANCE

During the Term of this Contract, the Contractor shall perform Maintenance Works in the Work Area, including the Maintenance of the Wells and other facilities related to Development, as well as the Maintenance of Infrastructure, in accordance with this Contract.

12.2 MAINTENANCE PROCEDURES

- (a) Not later than thirty (30) days prior to the termination date of the Transition Period, the Contractor shall provide the Office of the Contract Operations Manager with a draft of the Maintenance procedures of the Contractor, which shall incorporate the Maintenance guidelines established in the *Bases de Licitación* and which shall be otherwise consistent in all aspects with the obligations of the Contractor under this Contract.
- (b) Within ten (10) days from the date of reception of the draft of Maintenance procedures, the Office of the Contract Operations Manager shall evaluate the appropriateness of the Maintenance procedures to the Work Area and will provide the Contractor with comments and suggestions to such draft procedures, if any. Based on its experience and technical knowledge, the Contractor shall evaluate such comments or suggestions with the understanding that:
 - (i) if the Contractor decides not to incorporate any or all of such comments or suggestions, it shall justify its decision to the reasonable satisfaction of the Office of the Contract Operations Manager, and in case of discrepancy between the Contractor and the Office of the Contract Operations Manager, either Party may submit the discrepancy to the Independent Expert; and
 - (ii) the incorporation of any or all of such comments and suggestions shall not relieve the Contractor of any of its Maintenance responsibilities in accordance with this Contract.
- (c) After receipt of the comments and suggestions of the Office of the Contract Operations Manager referred to in paragraph (b) above, if any, but in no case later than the termination date of the Transition Period, the Contractor shall deliver to the Office of the Contract Operations Manager the final version of the Maintenance procedures (the "Maintenance Procedures"), which shall be effective as of such date.
- (d) The Contractor shall notify the Office of the Contract Operations Manager in advance of any important amendments or modifications to the Maintenance

Procedures, in which event the provisions of paragraph (b) and (c) of this clause shall apply as appropriate.

12.3 ABANDONMENT OF PRODUCTIVE WELLS, EXISTING WELLS AND INFRASTRUCTURE

The Contractor shall propose the Abandonment of any Productive Well, Existing Well or Infrastructure when the useful life of such assets, from a technical perspective, has expired; the Contractor may propose such Abandonment before the expiration of its useful life from a technical perspective, if the continuation of operations of such assets is considered uneconomical, in the latter case based on the reasoned evaluation of the Contractor. In accordance with Clause 10.12, the Contractor must specify in the Annual Work Program the Productive Wells, Existing Wells and Infrastructure that the Contractor proposes to Abandon in the corresponding year. Notwithstanding any other provision of this Contract, if the Contractor has not carried out the Abandonment of Productive Wells, Existing Wells and Infrastructure in accordance with the Annual Work Program, or such Abandonment has not been performed in accordance with the Applicable Provisions and this Contract, the Office of the Contract Operations Manager shall request the Contractor to assume the responsibility of correcting or performing again such Abandonment. If the Contractor does not proceed to perform such works within thirty (30) days after PEP's request, PEP may carry out the correction works and/or Abandonment that are necessary, in which case the Contractor shall pay PEP the costs incurred by it, without prejudice to any other right that PEP could have pursuant to this Contract.

CLAUSE 13 DELIVERY OF GAS AND CONDENSATES

Consistent with the purpose of this Contract described in Clause 3, this Clause 13 sets forth the process by which the Contractor is to have the maximum quantity of gas available for delivery to PEP. This clause reflects that the successful development and maintenance of the gas delivery capacity of the Work Area by the Contractor, and the delivery of available gas when requested by PEP, shall result in the punctual payment of Contractor's Remuneration for the Works, as provided in Clause 19 and Clause 20.

13.1 PEP COMMERCIALIZATION

PEP has the exclusive right and responsibility to sell to PGPB all gas and Condensates produced within the Work Area. The commercialization point(s) where PEP sells and transfers gas and Condensates to PGPB shall be referred to as the Delivery Point(s). The point(s) where PEP receives from the Contractor the gas and Condensates produced from the Work Area shall be referred to as the Transfer Point(s), which shall be determined by PEP during the Term.

13.2 DAILY DELIVERY CAPACITY

The maximum daily delivery capacity (the "Daily Delivery Capacity") for the Work Area shall be determined by deliverability tests conducted in accordance with this clause.

- (a) Either Party may request that deliverability tests be conducted. Except as may be otherwise agreed by PEP and the Contractor, (i) there shall be at least one

deliverability test in each Contract Year, and (ii) not more than one deliverability test shall be conducted in any Contract Quarter. A request by a Party for a deliverability test will be given in writing to the other Party. If a Party requests a deliverability test, the Parties shall agree on a date within ten (10) days of the date of the request to conduct the deliverability test, and the test shall be completed within thirty (30) days of the request. Failing agreement, the test shall commence on the first day which is thirty (30) days following receipt of the request. A deliverability test shall not occur during any planned outage of facilities in the Work Area of which the Contractor had previously advised PEP at least forty-eight (48) hours in advance. The Contractor may not cancel a deliverability test based on the preceding sentence more than once in any Contract Quarter.

- (b) A deliverability test shall be at least forty-eight (48) consecutive hours in duration. During this test period the Contractor shall cause the Wells contained in the Work Area to be produced at their full efficient capacity against the working pressure existing at the Transfer Point(s). The Daily Delivery Capacity of the Work Area will be calculated based on the aggregate volume of gas produced and delivered to the Transfer Point(s) for the Work Area during the test period, divided by the number of hours contained in the test period and multiplied by twenty-four (24). If during the test period there was a Fortuitous Event or *Force Majeure*, the duration of the Fortuitous Event or *Force Majeure* shall be excluded from the test period, and any volumes of gas delivered during such period of Fortuitous Event or *Force Majeure* shall be excluded in determining the Daily Delivery Capacity.
- (c) If, during a deliverability test, the Contractor receives Outside Gas pursuant to Clause 9.2(c), then for purposes of the determination of the Daily Delivery Capacity for the Work Area, the quantity of Outside Gas received at the Reception Point during the test period shall be deducted from the quantity of gas delivered at the Transfer Point(s) during the test period. If the Contractor compresses or conditions such Outside Gas prior to its redelivery at the Transfer Point(s), the deduction for the quantity of gas received at a Reception Point during the deliverability test will be adjusted by the Shrinkage Factor.
- (d) If the capacity or specifications of the reception facilities at the Transfer Point(s) are not sufficient to accept all of the gas available from the Wells in the Work Area, then the Daily Delivery Capacity shall be determined based on the provisions of this paragraph. The Daily Delivery Capacity for the Work Area shall equal the sum of the delivery capacities of each of the Wells in the Work Area that are connected to a Transfer Point, and where the capacity or specifications of the reception facilities at the Transfer Point(s) are insufficient to accept all of the gas available from Wells which are so connected, PEP and the Contractor shall perform a series of deliverability tests of the type described in paragraph (b) so that the deliverability of each of the Wells may be determined.

- (e) The Contractor shall also measure production of Condensates during a deliverability test in the manner described in this paragraph. If Condensates produced from the Work Area are delivered to PEP in a pipeline, the Contractor shall measure the quantity of Condensates delivered to PEP during the deliverability test. If Condensates produced from the Work Area are stored in tanks prior to delivery to PEP, the Contractor shall measure the quantity of Condensates delivered into the tanks during the deliverability test. If Condensates produced from the Work Area are delivered to PEP in any way that does not permit feasible measurement of production during a deliverability test, the Contractor shall estimate Condensates production during the deliverability test based on chemical and engineering analysis of the composition of the gas and the processing practices in the Work Area.
- (f) Solely for the purpose of determining the Remuneration for Maintenance Works applicable in accordance with Annexes E-1 and E-2, the Contractor shall also measure the Existing Water Production during a deliverability test, based on Good Petroleum Industry Practices.
- (g) The Daily Delivery Capacity on the Effective Date shall be equal to the Existing Gas Production for the first Month of this Contract, expressed on a daily basis. This Daily Delivery Capacity for the Work Area shall continue to apply until such time as revised by a subsequent deliverability test under this Contract.
- (h) The new Daily Delivery Capacity for a Work Area established by a deliverability test shall be effective on the first day of the Month following the Month in which the deliverability test was completed

13.3 NOMINATION FOR GAS

PEP may nominate for the delivery of gas by the Contractor on any day a quantity of gas up to the Daily Delivery Capacity. PEP shall give the Contractor at least forty-eight (48) hours advance notice of its nomination.

13.4 PERFORMANCE FACTOR

- (a) The Contractor's obligation to deliver gas in response to PEP's nomination shall depend on the Performance Factor. The Contractor shall determine the Performance Factor based on its expectation of the capability of the Work Area to produce the Daily Delivery Capacity in each Contract Quarter. This factor is expressed as a percentage of the Daily Delivery Capacity, and is used in calculating the Minimum Daily Quantity under this clause (the "Performance Factor"). The Performance Factor may not be less than ninety percent (90%) in cases where the Work Area has at least twenty (20) Productive Wells and/or Existing Wells, and eighty percent (80%) in cases where the Work Area has less than twenty (20) Productive Wells and/or Existing Wells. In the event that the Contractor considers that, for technical reasons, a lower percentage is justified,

the Contractor may send a notice to the Office of the Contract Operations Manager for its approval, which shall not be unreasonably withheld. If approved, such lower percentage shall apply for the time that the technical reasons that justify it exist. If a discrepancy exists between the Parties with regard to this matter, any of the Parties may submit the discrepancy to the Independent Expert. The Contractor shall specify the Performance Factor no later than December 15 of the preceding Contract Year, and may revise the Performance Factor applicable to any Contract Quarter by notice delivered at least ten (10) days prior to the beginning of the Contract Quarter. If the Contractor does not specify a Performance Factor for a Contract Quarter, then the Performance Factor from the previous Contract Quarter shall apply. The Performance Factor on the Effective Date shall be the applicable minimum percentage in accordance with the number of Existing Wells.

- (b) The "Minimum Daily Quantity" on any day means the product of the Daily Delivery Capacity on that day and the Performance Factor on that day, or if Clause 13.6(b) applies, the reduced amount described in Clause 13.6(b)(ii).

13.5 OBLIGATION TO DELIVER AND RECEIVE GAS

- (a) The Contractor shall deliver and PEP shall receive, at the Transfer Point(s) each day, the quantities of gas that PEP has nominated in accordance with Clause 13.3.
- (b) If the Contractor fails to deliver the Minimum Daily Quantity on any day in response to PEP's nomination, except for causes attributable to PEP, then the difference between the Minimum Daily Quantity and the quantity actually delivered by the Contractor will be the "Delivery Deficiency". The Delivery Deficiency in each Month shall result in the application of the adjustment set forth in Clause 20.7(b).
- (c) If a Fortuitous Event or *Force Majeure* occurs during any day which limited the ability of the Contractor to deliver gas to PEP, then to the extent the Fortuitous Event or *Force Majeure* reduced the quantity of gas delivered to PEP, such quantity of gas shall be considered to have been delivered to PEP for the sole purpose of determining the Delivery Deficiency for that day.
- (d) If, during any day there is a planned outage of facilities in the Work Area which Contractor had previously advised PEP at least forty-eight (48) hours in advance, and which limited the ability of the Contractor to deliver gas to PEP, then to the extent the planned outage of facilities reduced the quantity of gas delivered to PEP, such quantity of gas shall be considered to have been delivered to PEP for the sole purpose of determining the Delivery Deficiency for that day.
- (e) Except for the provisions of paragraphs (c) and (d), if the Contractor fails to comply totally or partially with the delivery of the gas quantity nominated by PEP in accordance with this Contract, the Contractor shall be subject to the impact of

the Delivery Deficit on the payment for Maintenance Works as set forth in Clause 20.7(b). The failure to comply provided for herein shall not result in other consequences for the Parties. However, if the Contractor ceases to deliver for a period of one hundred and twenty (120) consecutive days (not including herein the periods for Programmed Maintenance) a daily average of at least eighty five percent (85%) of the Minimum Daily Quantity, PEP shall have the right to proceed to the rescission of the Contract in accordance with Clause 28.1.

- (f) Since the Remuneration is based on the established capacity in the Work Area, PEP shall have no further liability to the Contractor (other than the payment obligations under Clause 20.2) if PEP does not receive the quantity of gas nominated by PEP on any day.

13.6 RECEPTION FACILITIES

- (a) It is PEP's responsibility to construct and operate, or cause to be constructed and operated, the reception facilities at the Transfer Point(s) according to Good Petroleum Industry Practices.
- (b) If the capacity or specification of the reception facilities at the Transfer Point(s) on any day are not sufficient to accept the Minimum Daily Quantity, then:
 - (i) the quantity of gas that PEP may nominate under Clause 13.3 on that day shall not exceed the capacity of the reception facilities at the Transfer Point(s); and
 - (ii) the delivery obligation of the Contractor on that day established based on the Minimum Daily Quantity shall be reduced to equal the capacity of the reception facilities at the Transfer Point(s) on that day.

13.7 DELIVERY OF GAS AND CONDENSATES

- (a) The Contractor shall deliver at the Transfer Point(s) all gas and Condensates produced from Wells maintained by the Contractor in the Work Area.
- (b) The Contractor shall ensure that the gas and Condensates delivered at the Transfer Point(s) meets the specifications relating to the delivery of such gas and Condensates, as described in Annex F.
- (c) Annex F describes the terms, conditions and specifications that will be available at the conditioning, hydrocarbon dew point control and gas pipeline facilities to receive such gas and Condensates at the Transfer Point(s).
- (d) All deliveries of gas shall be made in uniform hourly quantities to the extent practicable. PEP shall give the Contractor at least forty eight (48) hours notice for changes in the nomination. PEP and the Contractor shall give each other as much notice as possible in the circumstances of expected temporary changes in

the rates of delivery or receipt of gas, pressures or other operations conditions, together with the expected duration and the reason for such expected temporary changes.

- (e) Upon at least forty-eight (48) hours prior notice to the other Party, PEP may interrupt, curtail or reduce nominations or the Contractor may interrupt, curtail or reduce delivery of gas for such periods of time as it may require for effecting any repairs, maintenance, replacement or upgrading or other work related to its facilities.
- (f) Notwithstanding the above, in the event of unforeseen circumstances outside the control of the Parties, PEP may interrupt, curtail or reduce nominations or the Contractor may interrupt, curtail or reduce delivery of gas for such periods of time as it may require without giving the other Party the notice provided for in the above, provided that interrupting party shall give notice of such interruption, curtailment or reduction as soon as possible.
- (g) If propane and butane is extracted from the gas flow in the Work Area, PEP shall indicate to the Contractor the point within the [] Basin where it will receive the propane and butane.

13.8 SPECIFICATIONS

- (a) All volumes of gas and Condensates to be delivered shall strictly comply with the specifications established in Annex F. The Contractor shall carry out the quality testing set out in Annex F for gas and Condensates to ensure compliance with specifications.
- (b) If gas and Condensates do not comply with the quality specifications or requirements set forth in Annex F, the following provisions shall apply:
 - (i) The Contractor shall notify PEP immediately upon becoming aware, but in no event within a term of more than twenty-four (24) hours, of the non-compliance of the gas and Condensates produced in the Work Area with the quality specifications described in Annex F.
 - (ii) Within twenty-four (24) hours following reception of the notice from the Contractor set forth in sub-paragraph (i), PEP may decide whether to:
 - (A) reject the production of gas and Condensates until the Contractor takes all necessary steps required to ensure that the gas or Condensates comply with the quality specifications and requirements provided for in Annex F; or
 - (B) accept all or part of the gas or Condensates that fail to comply with the specifications, in which case it will be understood that PEP has waived any objections to the quality of the gas and Condensates

accepted at the Transfer Points. In this case, the Contractor shall have no responsibility or obligation for any Claim that may result from gas or Condensates that fail to comply with the specifications and that were accepted by PEP.

- (iii) Except as provided for in subparagraph (iv), if PEP does not accept the gas or Condensates due to the failure to comply with the quality specifications or requirements, then the amounts of gas or Condensates that were not accepted by PEP in response to its nomination will be deemed, while the gas or Condensates do not comply with the specifications, as a failure by Contractor in delivering gas or Condensates to PEP and will be specifically included in the calculation of the Delivery Deficiency for such Month.
 - (iv) If failure to comply with the required gas or Condensates specifications or requirements is caused in whole or in part by a case of Fortuitous Event or *Force Majeure*, then the provisions of subparagraph (iii) shall not apply if the amount of gas or Condensates that do not comply with such specifications or requisites is the result of such Fortuitous Event or *Force Majeure*.
 - (v) Should a discrepancy arise between the Contractor and PEP regarding any aspect of this clause, the Parties shall try to resolve such discrepancy by mutual agreement. If the Contractor and PEP fails to reach an agreement within a period not exceeding fifteen (15) days from the date when the discrepancy arose, then any of the Parties may submit the discrepancy to the Independent Expert in accordance with Clause 35.2 of this Contract.
- (c) If PEP requires a pressure different from that specified in Annex F, it shall notify it to the Contractor, who within a reasonable term shall have the responsibility to perform the corresponding study and provide or adapt the necessary equipment to meet such new pressure condition, which study and equipment shall be paid in accordance with the Original Unit Prices established in Annexes E-1 and E-2.

13.9 METERING AND MEASUREMENT

- (a) The Contractor shall be responsible for the installation and Maintenance of all meters to be used to measure gas and Condensates at the Transfer Point(s). All meters shall comply with the characteristics, specifications and locations indicated in Annex F or agreed to thereafter by the Parties.
- (b) Annex F also sets forth the testing, calibration and adjustments procedures applicable to the meters used to measure gas and Condensates.
- (c) The Contractor shall keep all measurement records and information, whether in electronic or printed form, and all the results from quality inspections for a period of five (5) years, counted from the date when they were carried out. The Contractor shall provide the Office of the Contract Operations Manager with

copies of such records within five (5) days after receipt of a written request by the Office of the Contract Operations Manager.

13.10 OUTSIDE GAS

Where PEP requires the Contractor to receive Outside Gas in accordance with Clause 9.2(d), the following provisions shall apply:

- (a) For the sole purpose of determining the quantity of gas delivered by the Contractor from the Work Area, the quantity of Outside Gas received and accepted by the Contractor at the Reception Points each day shall be deducted from the total quantity of gas delivered at the Transfer Point(s) during that day; and
- (b) If the Contractor compresses or conditions such Outside Gas prior to its redelivery at the Transfer Point(s), the Contractor shall apply the Shrinkage Factor to determine the volumetric deduction for the quantity of Outside Gas used or lost in such compression or conditioning, and such deduction shall be deducted from the amount of Outside Gas received by the Contractor during that day. Such deduction will be determined by multiplying the amount of delivered Outside Gas by the Shrinkage Factor.

CLAUSE 14 PEP'S OBLIGATIONS REGARDING THE WORKS

In addition to PEP's general obligation to exercise permanent control and supervision of the Works pursuant to Clauses 4.1 and 10.12, PEP shall have the following specific obligations:

14.1 RECEPTION MINUTES AND REGISTRY OF WORKS

PEP shall, for each of the Works, coordinate the preparation of the Partial Reception Minutes or Final Reception Minutes of the Works pursuant to Clauses 15.2, 15.3 and 15.7, once the conditions therein provided have been complied with and shall proceed to the registry of the Works pursuant to Clause 20.14.

14.2 TECHNICAL INFORMATION

Subject to Clause 26, PEP shall provide the Contractor with the technical information available on the Effective Date or that it has available after such date, with respect to the Work Area which may be useful for the proper execution of the Works.

14.3 ACCESS TO THE WORK AREA

According to Clause 11.3, PEP shall at all times allow the Contractor access to the Work Area, including the Infrastructure, provided such access is under the control of PEP.

14.4 PERMITS

Notwithstanding the obligation of the Contractor under Clause 11.2, and without prejudice to Clauses 25.2 and 25.3, PEP shall request from SENER and SEMARNAT all the Permits, renewals or extensions, that correspond to PEP, related to or necessary for the execution of the Works, which have not already been obtained. The Contractor shall cooperate with PEP by timely providing the information PEP may require to apply, renew or extend any such Permits; it is expressly understood that the Contractor shall reimburse PEP the amount of any sanctions imposed on PEP due to the failure by the Contractor of timely delivering the information. In addition, and notwithstanding Clause 11.2, PEP shall request any additional Permits from other Governmental Authorities in cases where they may only be issued or extended to PEP, including (a) the registration as generator of dangerous waste, and (b) the Operating License and Operating Certificate for purposes of emissions to the atmosphere, to be requested from SEMARNAT by way of its corresponding State Delegation, as applicable.

Additionally, PEP shall cooperate with the Contractor so that the Contractor may obtain and/or maintain in full force and effect the necessary Permits which the Contractor must obtain according to Clause 11.2, and shall take the steps that may be timely requested by the Contractor to cause the issuance of such Permits, including (a) submitting the application for the pertinent Permits, its renewals or extensions, in its own name, and (b) delivering all those documents which are required from PEP by the Contractor for this purpose.

Subject to the provisions of the Contract, PEP shall use its best efforts to allow the Contractor to use, during the Term, all existing Permits in the name of PEP that relate to the Work Area.

14.5 DISCLOSURE OF EXPLORATION DATA

PEP shall make available to the Contractor the data and information obtained from its exploration activities carried out in the Work Area in accordance with Clause 9.3, provided that the disclosure of such data and information is not prohibited in accordance with the Applicable Provisions or by a previous contractual obligation of PEP. Any such disclosure will be subject to the confidentiality obligations contained in Clause 26.3(a).

CLAUSE 15 **WORK RECEPTION**

15.1 PROPERTY OF THE WORKS

Without prejudice to Clause 24.3, and without prejudice to the rights of PEP with respect to the Works reception procedure, all Works shall be owned by PEP. Notwithstanding the above, the Contractor may maintain the ownership of Supplementary Equipment.

15.2 PARTIAL WORK RECEPTION

Upon termination of the works associated with a Work in accordance with Annex C, including for greater certainty any Dry Wells, the Contractor shall notify the conclusion of the works to the Office of the Contract Operations Manager and shall deliver to it a final Work report. The Office

of the Contract Operations Manager shall proceed to verify the Work within ten (10) days following the date on which it receives such report. In order to verify the Work, PEP will take the reception criteria specified in Annex M as the basis for such reception. Once the Office of the Contract Operations Manager has verified that the requirements of this Contract were complied with, the Office of the Contract Operations Manager shall receive and register the Work, by means of the Partial Reception Minutes of the Work to be drafted by the Office of the Contract Operations Manager within a term not exceeding fifteen (15) days, counted from the moment in which the Work in question has been verified. If the Office of the Contract Operations Manager considers that the conditions for such partial Work reception are not complied with, it shall inform the Contractor in writing within the term established for the verification of the Work, which term can be extended for the term agreed to by the Parties for the repair of the deficiencies. PEP may, at any time, exercise the right set forth in Article 88 of the Regulations of the *Ley de Obras Públicas*, provided, however, that the suspension of the works may only be ordered for the affected Work. Partial reception of a Work without objections from the Office of the Contract Operations Manager means that the Contractor complied with the Construction Specifications provided in Annex C, without prejudice to any responsibility that the Contractor may have from specific provisions of the Contract, including without limitation the provisions of Clause 24.3. Before the Reception Date, the Office of the Contract Operations Manager may demand that the Contractor be responsible for work that is missing or not performed in accordance with the Applicable Provisions and this Contract.

If the Office of the Contract Operations Manager claims non-compliance with the conditions for partial reception of the Work and the Contractor is not in agreement with the objection, the Directive Group shall immediately hold a meeting to resolve the discrepancy, upon written request by either Party to the other Party. Should the Directive Group fail to reach a final decision within a term of thirty (30) days, any Party may submit the discrepancy to the Independent Expert for its resolution.

Without prejudice to the reception process set forth in this clause, before the reception of a New Well, a determination shall be made as to whether such Well is a Dry Well or a Productive Well. In order to determine this, when the Contractor considers that a new Well is a Productive Well, it shall carry out a Well test to demonstrate that such Well complies with the requirements of a Productive Well. Such test shall be certified by the independent company subcontracted by the Contractor in accordance with Clause 11.7(d). If the Contractor considers that the New Well is a Dry Well, such test shall not be required unless specifically requested by PEP. Once the aforementioned determination is made, the Contractor shall deliver the corresponding final report for the Work. In case of disagreement among the Parties, the discrepancy shall be resolved by the Independent Expert.

15.3 PARTIAL RECEPTION OF MAINTENANCE WORKS

The Contractor shall deliver to the Office of the Contract Operations Manager as part of the Monthly Progress Report, a report describing the Maintenance Work, whether with respect to Essential Fixed Assets or Supplementary Equipment when such Maintenance has been included as a concept of work in Annex E-2, performed and concluded during the immediately preceding Month. Within ten (10) days after the date on which the Office of the Contract Operations

Manager receives such Monthly Progress Report, the Office of the Contract Operations Manager shall verify the execution of the Works. In order to verify the Work, PEP will take the reception criteria specified in Annex M as the basis for such reception. Once the Office of the Contract Operations Manager has verified that the requirements of this Contract have been fulfilled, the Office of the Contract Operations Manager shall receive the Works, through the Partial Reception Minutes of Works, which Minutes shall be prepared by the Office of the Contract Operations Manager within a term not to exceed fifteen (15) days from the moment in which such Works have been verified. If the Office of the Contract Operations Manager considers that the conditions for such partial reception of the Works are not complied with, it shall notify the Contractor in writing within the term established for the verification of the Works, which term can be extended for the term agreed to by the Parties for the repair of the deficiencies. PEP may, at any time, exercise the right set forth in Article 88 of the Regulations of the *Ley de Obras Públicas*, provided, however, that the suspension of the works may only be ordered for the affected Work. Partial reception of a Work without objections from the Office of the Contract Operations Manager means that the Contractor complied with the Construction Specifications provided in Annex C, without prejudice to any responsibility that the Contractor may have from specific provisions of the Contract, including without limitation the provisions of Clause 24.3. The Contractor shall be obligated to commence Maintenance activities for any Work that is capable of being conducted during a calendar year, and shall be entitled to the corresponding Remuneration, irrespective of whether such Work shall only be registered later pursuant to Clause 20.14. Other provisions of Clause 15.2 shall apply to the partial reception of Maintenance Work as applicable.

15.4 WELL LOSS OR DAMAGE

If any of the Wells is lost or damaged while the Contractor is performing the Drilling and/or Completion Work, the Contractor shall pay the ensuing expenses for the damage or loss of such Well, provided however that any damage to any formation or Reservoirs, and any loss of gas, shall not be the responsibility of the Contractor. PEP shall have no obligation to reimburse the Contractor for any loss whatsoever resulting from such damage or loss of such Well. If any of the Wells, due to a mechanical accident, is not in the condition to be continued to reach the corresponding depth or if there is no possibility of fracturing and testing it, the Contractor shall proceed to plug and Abandon the damaged Well. If the Contractor decides that the damaged Well may be repaired and the Well Completion Work carried out or continued, the Contractor shall have the obligation to (i) carry out the works which are covered by this Contract to recover the Well in question without delay; and (ii) proceed with the execution of the outstanding work to PEP's satisfaction. In the above cases, PEP shall pay the amount of Unit Prices for the completed Well in accordance with the provisions of this Contract.

15.5 CONTRACTOR'S RESPONSIBILITY FOR RECEIVED WORKS

Once the Works have been received by PEP:

- (a) the Contractor shall be deemed to have fully complied with the Construction Specifications; and

- (b) any claims for quality and hidden defects shall be governed exclusively in accordance with the provisions of Clause 24.3.

Notwithstanding the above, the reception of any Work shall not release the Contractor from the obligation to comply with other obligations hereunder nor diminish its responsibility under this Contract.

15.6 SITE CLEAN-UP

After verifying the reception of any Work according to Clauses 15.2 and 15.3, the Contractor shall immediately proceed to clean the site and remove all its temporary equipment, surplus material and waste from the pertinent area and leave the site in adequate working condition and carry out restoration works in accordance with the Applicable Provisions.

15.7 FINAL RECEPTION MINUTES AND RELEASE OF THE WORKS

On the Termination Date, PEP shall receive the Works other than those already received by that date, by means of Final Work Reception Minutes. In order to verify the Works, PEP will take the reception criteria specified in Annex M as the basis for such reception. The Final Work Reception Minutes shall be prepared by the Office of the Contract Operations Manager subject to Articles 64 of the *Ley de Obras Públicas* and 137 of the Regulations of the *Ley de Obras Públicas*. For this purpose, within sixty (60) days prior to the Termination Date, or as soon as possible in case of early termination or rescission of the Contract, the Contractor shall deliver to the Office of the Contract Operations Manager a detailed report including the Works to be delivered to PEP, so that within twenty (20) days following the date on which the Office of the Contract Operations Manager receives such report, or as soon as possible in case of early termination or rescission of the Contract, the latter verifies the Works and proceeds, if appropriate, with the reception of the Works on the Termination Date. In such case, Final Work Reception Minutes shall be prepared evidencing this fact. In the event that the Office of the Contract Operations Manager considers that the Contractor has not complied with the conditions for reception, the Parties shall follow the proceeding established for this purpose in Clause 15.2.. Before the Reception Date, the Office of the Contract Operations Manager may demand that the Contractor be responsible for work which is missing or poorly performed, according to the Applicable Provisions and this Contract, without prejudice to the provisions included in Clause 24 of this Contract. In addition, the Contractor shall have the obligation to assign to PEP, if possible, and in case that it is not possible, to deliver copies to PEP of any warranty that applies to the equipment and assets incorporated in the Works, as long as the corresponding warranty period is still effective. If, after the term of this Contract, PEP wishes to file a Claim based on these warranties, the Contractor will have the obligation to cooperate with PEP for such purposes.

Pursuant to Article 64 of the *Ley de Obras Públicas* and Articles 139, 141, 142 and 143 of the Regulations of the *Ley de Obras Públicas*, after the Final Work Reception Minutes have been drafted, within a term not exceeding thirty (30) days counted from the date of such minutes, the Parties shall prepare a release (*finiquito*) stating the amounts owing to or from PEP and the Contractor, describing the concept they pertain to and the resulting balance.

In case of disagreement between the Office of the Contract Operations Manager and the Contractor in regard to the release, or if the Contractor does not appear for the drafting thereof within the pertinent term, the Office of the Contract Operations Manager shall proceed to prepare the corresponding release. After drafting the release, the Office of the Contract Operations Manager shall notify its result to the Contractor in writing within a term not longer than ten (10) days counted from the date on which the release was prepared.

Once the Contractor is notified as to the result of the release, the Contractor shall have fifteen (15) days to present in writing its arguments. If this term elapses without the Contractor presenting any written arguments, the release shall be considered accepted by the Contractor. Otherwise, any of the Parties may submit such discrepancy for resolution in accordance with Clause 35.3.

After establishing the total balance, PEP shall make available the corresponding payment to the Contractor by offering to pay such amount, or, as applicable, shall request from the Contractor reimbursement of the resulting balance; the Office of the Contract Operations Manager shall, simultaneously, proceed to prepare the administrative minutes extinguishing the rights and obligations assumed by PEP and the Contractor with regard to the corresponding Work, without prejudice to any rights and obligations of the Parties that may survive this Contract or pursuant to any Applicable Provisions.

CLAUSE 16 **SUBCONTRACTING OF WORKS**

Pursuant to Articles 33, Fraction XVI and 47, fourth paragraph, of the *Ley de Obras Públicas* and the provisions of the *Bases de Licitación* and this clause, the Contractor shall not have the right to subcontract the administration and management of the Works. Except for these activities, all other Works may be subcontracted. For purposes of this clause it is understood that administration of the Works does not include the performance of administration services such as accounting, human resources, systems operation and support services, and other computer technology-related services.

Notwithstanding any subcontracting by the Contractor, the Contractor shall remain directly and exclusively responsible for the execution of the Works, as if such subcontracting had not taken place, and therefore shall be the only entity responsible for the obligations undertaken with the Persons that it subcontracts for the execution of the Works.

PART V: REMUNERATION AND PAYMENT METHOD

CLAUSE 17 **UNIT PRICES**

17.1 UNIT PRICES

Payment for Works carried out by the Contractor shall be made based on Unit Prices in accordance with Article 45, Fraction I of the *Ley de Obras Públicas*. The Original Unit Prices were proposed by the Contractor in its Financial Bid.

17.2 COMPONENTS OF THE ORIGINAL UNIT PRICES

The Original Unit Price in each Unit Price category included in Annexes E-1 and E-2 comprises the following components:

- (a) the direct cost of each work item;
- (b) the indirect cost of each work item, which is a specific percentage of the direct cost of the work item, as set forth in Annex E-2;
- (c) the financing cost related to the work item, which is a specific percentage of the direct and indirect costs of the work item, as set forth in Annex E-2;
- (d) the profit margin, which is a specific percentage of the direct, indirect and financing costs of the work item, as set forth in Annex E-2; and
- (e) additional charges, which are the charges specified in Annex E-2.

17.3 ORIGINAL UNIT PRICES CATALOGUE

The Original Unit Prices applicable to the Works to be executed by the Contractor under this Contract are those provided in the Original Unit Prices Catalogue enclosed herein as Annex E-2.

17.4 UNIT PRICE ADJUSTMENT

Only the direct costs that comprise the Original Unit Prices provided for in Annex E-2 shall be adjusted annually in accordance with the U.S. Producer Price Index for Finished Goods pursuant to Clause 17.7. As a consequence of the adjustment, the amount of the indirect and financing costs, and the profit margin, shall be automatically adjusted by applying the percentages indicated in Annex E-2.

The additional charges established in Clause 17.2(e) shall be adjusted when the Applicable Provisions that originated them establish an increase or decrease of such additional charges.

17.5 UNFORESEEN ECONOMIC CIRCUMSTANCES

The Parties agree that if economic circumstances occur which are not foreseen and are not attributable to either Party, the corresponding adjustments are exclusively those provided in Clause 17.4. Therefore, no adjustment other than the adjustment established in the precedent clause shall take place.

17.6 UNFORESEEN CONCEPTS

In exceptional cases that result from technological advances, or for other reasons duly justified, as long as it is clearly the case of concepts that were neither foreseen nor included in the Original Unit Prices Catalogue (whether directly or indirectly in the descriptions included for each Work in Annex E-1):

- (a) In accordance with Article 59 of the *Ley de Obras Públicas* and Article 77 of the Regulations of the *Ley de Obras Públicas*, Annexes E-1 and E-2 may be amended by the Parties to include unforeseen concepts related to Development, Infrastructure or Maintenance Works, with their unit prices, as long as the Executive Director considers that it is a case of concepts not included in the Original Unit Prices Catalogue. Unit prices for unforeseen concepts may only be included by agreement between PEP and the Contractor before the execution of the Works for such concepts.
- (b) Unit prices for new concepts shall be adjusted pursuant to Clause 17.4.
- (c) The corresponding agreement reflecting the new concepts of Works shall meet the requirements provided for in Article 80 of the Regulations of the *Ley de Obras Públicas*.

17.7 ADJUSTMENT OF INDEXES AND SUBSTITUTE INDEXES

In order to adjust in accordance with the U.S. Producer Price Index for Finished Goods and the U.S. Consumer Price Index in the cases established in the Contract, the Month when this Contract is executed shall be used as the base period, and the adjustment shall be applied based on the variation of such index for that same Month of each following year relative to the value of the index for that same Month in the immediately preceding year, as published by the U.S. Bureau of Labor Statistics. The annual adjustment will take place in the Month following the Month in which the statistical information becomes available.

If the U.S. Producer Price Index for Finished Goods or the U.S. Consumer Price Index, as such terms are used in this Contract, or any index substituted therefor in accordance with this clause, ceases to be published at any time during the Term, the Parties shall agree on a substitute index. If the Parties are unable to agree on a substitute index within thirty (30) days of the cessation of publication of the subject index, either Party may refer the discrepancy to the Independent Expert in accordance with Clause 35.2. In such a case, each Party shall propose a substitute index, and the Independent Expert shall select among such indexes the substitute index that most closely resembles the non-published index. The substitute index agreed to by the Parties or selected by the Independent Expert shall apply effective of the last publication date of the index it is replacing.

CLAUSE 18 **UNIT PRICES OFFERED BY THE CONTRACTOR**

The Original Unit Prices and its costs components offered by the Contractor in its Financial Bid are set forth in Annex E-2 of this Contract, which do not include the applicable amounts of Value Added Tax as required by the Applicable Provisions. The Financial Bid of the Contractor resulted in the lowest unit prices and in the Contract being awarded to the Contractor in accordance with the provisions of Article 38 of the *Ley de Obras Públicas*.

CLAUSE 19 **REMUNERATION**

19.1 GENERAL

The Contractor shall perform the Works at its own cost and expense, and shall not be entitled to receive advance payments for work performed in accordance with this Contract. The Contractor shall only be entitled to receive the Remuneration in cash for the Works, exactly as specified in Clause 19.2 and subject to Clause 20.5.

19.2 REMUNERATION

Each Month, PEP shall pay the corresponding remuneration to the Contractor, based on the Unit Prices, for the execution of the Development, Infrastructure and Maintenance Works (the "Remuneration"), which shall be determined by the sum of:

- (a) the remuneration for Maintenance Works attributable to Existing Wells and infrastructure and any other facilities existing on the Effective Date, carried out in the previous Month, the Infrastructure and Maintenance Works performed in accordance with Clauses 9.2(d), 9.3(c) and 13.10 and any Drilling of a High Risk Exploration Well;
- (b) The remuneration for Maintenance Works attributable to Development Works and new Infrastructure Works, carried out in the previous Month; and
- (c) The remuneration for Development Works, with the exception of any Drilling of a High Risk Exploration Well, and Infrastructure Works, in accordance with Clause 20.2.

Furthermore, payments made by PEP to the Contractor under this Contract shall additionally include the corresponding amount of Value Added Tax as required by the Applicable Provisions.

The Contractor recognizes that the payments to which it is entitled pursuant to this Clause 19 shall constitute its only remuneration for the execution of the Works for PEP according to the terms of this Contract and, as such, includes all costs, expenses and disbursements related to the Development, Infrastructure and Maintenance Works in the Work Area, including all capital, financing, exchange rate variations, administrative, operating and Maintenance costs, Contributions and Improvements and other contingencies of the Contractor arising from the execution of and compliance with this Contract. Consequently, the Contractor shall not be entitled to claim any adjustment, remuneration or indemnity related in any manner to the execution, compliance, rescission or termination of this Contract, except for that which is expressly provided in the same.

CLAUSE 20 **PAYMENT METHOD**

20.1 MONTHLY PAYMENTS

The monthly Remuneration payments shall be based on monthly progress of the Works pursuant to Article 54 of the *Ley de Obras Públicas*, adhering to the procedure established in Clause 20.8.

20.2 REMUNERATION PAYMENT METHOD FOR DEVELOPMENT AND INFRASTRUCTURE WORKS

Subject to the registration of the Works in accordance with the Applicable Provisions on *PIDIREGAS* projects and those detailed in Annex N, the remuneration for Development Works and Infrastructure Works shall be calculated in such a manner that the corresponding Estimates for each Work received shall be presented to PEP during a period of forty-eight (48) Months starting on the first day of the Contract Quarter immediately following the Reception Date of the respective Work, provided such Work was received at least fifteen (15) days prior to the start of the corresponding Contract Quarter. All in accordance with Article 54 of the *Ley de Obras Públicas* for long-term productive infrastructure projects, and based on the following schedule for the calculation of the amounts owed, regardless that payment will be made on the terms established under Clause 20.8:

- (a) During the first twelve (12) Months starting in the first day of the Contract Quarter immediately following the Reception Date of the corresponding Works, forty percent (40%) of the Unit Prices for each Development or Infrastructure Work, distributed in equal parts each Month;
- (b) During the twelve (12) Months following the Month in which the last payment in paragraph (a) should have been made, thirty percent (30%) of the Unit Prices for each Development or Infrastructure Work, distributed in equal parts each Month;
- (c) During the twelve (12) Months following the Month in which the last payment in paragraph (b) should have been made, twenty percent (20%) of the Unit Prices for each Development or Infrastructure Work, distributed in equal parts each Month; and
- (d) During the twelve (12) Months following the Month in which the last payment in paragraph (c) should have been made, ten percent (10%) of the Unit Prices for each Development or Infrastructure Work, distributed in equal parts each Month.

If the remainder of the Term counted from the Reception Date of the respective Work is less than forty-eight (48) Months from the beginning of the first day of the Contract Quarter immediately following the Reception Date, the amount to be paid for each Development or Infrastructure Work under Clause 19.2(c) shall be made on a pro-rata basis, in accordance with the percentages provided for in the payment schedule above, during the remainder of the Term, dividing the remainder of the Term by four, and applying thereafter the abovementioned percentages.

If the Works are received within less than fifteen (15) days prior to the start of the corresponding Contract Quarter, then the forty-eight (48)-Month period referred to above will start counting on the first day of the subsequent Contract Quarter.

If PEP fails to register the Works, for causes attributable to PEP, before the beginning of the corresponding Contract Quarter after timely receipt of the required information from the Contractor, PEP shall register the Works during such Contract Quarter, but in order to maintain the original payment schedule, PEP shall pay, at the time of making the first payment corresponding to the Work, the amounts that the Contractor would have received prior to that date if the Works had been timely registered, without payment interest of any kind.

In the event of early termination of the Contract, or in the case of termination by virtue of Clause 10.16(k), as well as in the case of rescission of the Contract for causes attributable to PEP, all payments for Works already received by PEP, as well as any other payment contemplated under this Contract, shall continue to be made during the current calendar year and the immediately following calendar year in accordance with the schedules contemplated in this clause. However, any outstanding balance in favor of the Contractor at the end of the calendar year following early termination or rescission for causes attributable to PEP, shall be paid to the Contractor in one lump sum payment no later than January 15 of the subsequent calendar year. Any and all payments made under this paragraph shall not be limited by the Monthly Payment Cap provided for in Clause 20.4. In case of rescission for causes attributable to the Contractor, payments will continue based on the schedule established in this clause and applicable before the rescission. The terms and conditions provided for in this paragraph shall survive the early termination or rescission of this Contract.

20.3 PAYMENT OF INTEREST FOR FINANCING

- (a) PEP shall pay interest ("Financial Interest") to the Contractor during the Term, at a floating rate of LIBOR plus 150 basis points, applicable to the total outstanding capital balance resulting from:
 - (i) the payment schedule provided in Clause 20.2, provided that no interest shall be due between the Reception Date of a Work and January 1 of the Contract Year following the Reception Date of such Work, and
 - (ii) any carry-forward of the portion of the Remuneration provided in Clause 19.2(c) by virtue of Clause 20.5, provided that the interest on the amount carried forward in a Contract Year shall only begin to accrue on January 1 of the following Contract Year;

all of the above based on Article 18 of the General Public Debt Law and Article 30 of the Federal Budget, Accounting and Public Expenses Law.

- (b) For calculation of the outstanding balance provided in this clause it is considered that for the application of Clause 20.5, the payment to the Contractor of the Restricted Remuneration shall be paid in the following priority and order:

- (i) the Financial Interest provided herein;
- (ii) the remuneration provided in Clause 19.2(b); and
- (iii) the remuneration provided in Clause 19.2(c).

20.4 CALCULATION OF MONTHLY PAYMENT CAP

PEP's obligation to pay the monthly Remuneration shall be subject to a monthly payment cap ("Monthly Payment Cap") which shall be calculated in accordance with Annex D.

20.5 REMUNERATION SUBJECT TO MONTHLY PAYMENT CAP

- (a) The remuneration for the following concepts shall not be limited in accordance with the provisions of this clause: (i) Maintenance Works attributable to Existing Wells and infrastructure and any other facilities existing on the Effective Date carried out in such Month and set forth in Clause 19.2(a), (ii) Infrastructure and Maintenance Works performed in accordance with Clauses 9.2(d), 9.3(c) and 13.10, (iii) Drilling of High Risk Exploration Wells, (iv) early termination of the Contract, termination by virtue of Clause 10.16(k), or in case of rescission of the Contract for causes attributable to PEP, in accordance with Clause 20.2 and (v) payments made to the Contractor under Clause 29.1.
- (b) The remuneration set forth in Clauses 19.2(b) and 19.2(c) shall be restricted because the performance of the Works pursuant to this Contract generates obligations arising from the financing of new long-term productive infrastructure, and therefore, according to Article 18 of the General Public Debt Law, the payment by PEP is required to be made out of the flow of resources generated from the Work Area. Accordingly, to ensure that PEP has sufficient funds from the Work Area to allow it to meet its payment obligations arising from the contracting of new Development Works and Infrastructure Works, the payments related to Clauses 19.2(b) and 19.2(c), as well as the Financial Interest thereon determined in accordance with Clause 20.3, shall be restricted as provided in this Clause 20.5.
- (c) If in a Month the sum of the:
 - (i) Financial Interest pursuant to Clause 20.3;
 - (ii) remuneration under Clause 19.2(b); and
 - (iii) remuneration under Clause 19.2(c),

(collectively, the "Restricted Remuneration") exceeds the sum of the Monthly Payment Cap in such Month, then PEP shall not pay such excess, but the Contractor shall be entitled to have the excess carried forward for payment in future Months by PEP, in which case payment shall continue to be subject to the

Monthly Payment Cap in such Months. The excess carried forward shall be paid from any surplus of the Monthly Payment Cap over Restricted Remuneration in future Months until the amount carried forward is reduced to zero. Any excess carried forward which has not been paid on the last day of the Term shall be extinguished and not be payable to the Contractor, and PEP shall be released from this obligation or any other payment obligation at that moment. Interest shall only apply to the carried forward amount in the cases set forth in Clause 20.3(a)(ii).

- (d) As an exception to the provision of paragraph (c) above, if in the corresponding Month a cumulative surplus exists of the difference between the Monthly Payment Caps and the Restricted Remunerations for such Contract Year, and the Restricted Remuneration exceeds the Monthly Payment Cap for such Month, then the unpaid amount of such excess shall be paid out of the cumulative surplus of the difference between the Monthly Payment Caps over the Restricted Remunerations, if any, in any previous Months during that Contract Year. Any such payment shall reduce such cumulative surplus for the Contract Year. Any cumulative surplus of the difference between the Monthly Payment Caps and the Restricted Remunerations shall be reduced to zero at the end of each Contract Year.

20.6 EXCEPTION TO THE MONTHLY PAYMENT CAP

Upon compliance with the Minimum Work Obligation during the First Development Stage, and notwithstanding Clause 20.5, where the amount of the remuneration provided in Clause 19.2(b) in a Month is greater than the amount of the Monthly Payment Cap for that Month, PEP shall be obligated to pay the Contractor such excess in that Month, subject to the following provisions. In this case, PEP may, at any time:

- (a) pay the remuneration contemplated in Clause 19.2(b); or
- (b) early terminate this Contract under Article 60 of *Ley de Obras Públicas*, and proceed according to Clause 29.1.

The Contractor may at any time elect, at its own risk and by written notice to PEP, to defer the collection of all or part of the remuneration provided in Clause 19.2(b) in order to ensure that such remuneration does not exceed the Monthly Payment Cap. When the payment of such remuneration is deferred, the Contractor shall be entitled to carry forward the unpaid portion for payment in a subsequent Month. If the Contractor defers the recovery of this remuneration, PEP shall not early terminate this Contract under paragraph (b) above, unless other circumstances of general interest occur.

20.7 ADJUSTMENT TO THE REMUNERATION

- (a) Adjustment for Non-Compliance with the Gas Quality Specifications. In the event the Contractor does not carry out the acts required to condition the gas within the ranks of quality specified in Annex F, the Contractor shall pay PEP the amounts set forth in such Annex F.

- (b) Adjustment for Delivery Deficit. In the event the Contractor does not maintain the gas delivery capacity in the Transfer Points in a Month, as evidenced by the existence of a Delivery Deficit for such Month, the Contractor shall pay PEP (through the reduction of payment for Maintenance Works for such Month) an amount calculated as follows:

$$Q = \left(\frac{DEm}{MDQm} \right) \times MPM$$

where:

"Q" means the payable quantity in the Month in which a Delivery Deficit has taken place;

"DEm" means the sum of the Delivery Deficits for each day of such Month;

"MDQm" means the product of the Minimum Daily Quantity for such Month and the number of days of such Month; and

"MPM" means the sum of the Maintenance payments for such Month, determined in accordance with this Contract, before applying this clause.

If the Minimum Daily Quantity changes in a Month "MDQm" shall be calculated as the weighted average of the Minimum Daily Quantities in such Month.

20.8 PROCEDURE AND METHOD OF PAYMENT

Payments shall be made according to the following procedure:

- (a) Within the first six (6) days of each Month, the Contractor may submit to the Office of the Contract Operations Manager a payment request (the "Estimate") covering the corresponding amounts owed to it, for the Unit Prices applicable to the Works executed by the Contractor, accompanying the payment request with an invoice for the corresponding Works and another invoice for the applicable Financial Interests, and the documentation evidencing the payment origin, including when applicable, the information included in Article 102 of the Regulations of the *Ley de Obras Públicas*. The invoices shall comply with the requirements for certificates included in the applicable tax provisions, including a breakdown of the applicable withholdings. Each Estimate shall establish an individual calculation of the amount due with regard to (i) the corresponding Development and Infrastructure Works, as well as the Financial Interest in accordance with Clauses 20.2 and 20.3, and (ii) the Maintenance Works executed during the previous Month taking into account the Unit Prices for each Work as well as a copy of the corresponding Work reception minutes, where applicable. [PEP and the Contractor agree that the invoicing of the works under this Contract

will be made by [Company A] in its condition as Lead Company, which shall also receive the payments resulting from the Contract.]²³

- (b) The Office of the Contract Operations Manager shall have a term of no more than fifteen (15) days following receipt of the Estimate to review and authorize it. PEP shall pay the Contractor the amounts established in the Estimate within a term no greater than twenty (20) days counted from the date on which the Estimate was authorized by the Office of the Contract Operations Manager. If the Office of the Contract Operations Manager does not approve or disapprove, totally or partially, an Estimate within the term of fifteen (15) days set forth herein, the corresponding Estimate shall be deemed approved in full by PEP.
- (c) If the Office of the Contract Operations Manager does not approve, totally or partially, an Estimate, PEP shall notify the Contractor in writing the reasons for having rejected all or part of the Estimate, and shall proceed to pay the part that has not been rejected according to the previous paragraph (b).
- (d) The Contractor shall have five (5) days to make the corresponding clarifications and where applicable make any resulting changes to the Estimate, and if the Parties do not reach an agreement within the ten (10) following days after the end of the previous period, the Contractor may notify the Office of the Contract Operations Manager the discrepancy in order to try to solve it.
- (e) If the Office of the Contract Operations Manager and the Contractor do not reach an agreement within fifteen (15) days as of the expiration of the last period indicated in the previous paragraph, the discrepancy shall be resolved by the Directive Group, which shall meet as soon as possible, but no later than fifteen (15) Business Days following the discrepancy, in order to resolve it, upon written request made by one Party to the other. Should the Directive Group fail to reach a final decision within a term of thirty (30) days counted from the date of the first meeting of the Directive Group on this matter, any Party may submit the discrepancy to arbitration.
- (f) PEP shall make all payments provided in this Contract by way of bank deposit in [Dollars], in the bank account registered with PEP on the date of execution of this Contract²⁴. If a payment under this Contract is due on a non-Business Day, such payment shall be made on the following Business Day.
- (g) All the invoices to be issued as a result of the execution of the Works shall comply with the Applicable Provisions, including any fiscal requirements.

²³ If the Contractor is only one company, then eliminate the bracketed text.

²⁴ In order for PEP to pay the Contractor in Dollars, the bank account has to be located outside of Mexico. If not, payment will be made in Pesos.

20.9 ECONOMIC SOLVENCY OF PEP'S INVESTMENT PROJECT

As a result of the Infrastructure and Development Works being limited by the authorized investment program of PEP's *PIDIREGAS*, the Contractor shall direct its efforts to perform the Works with the objective that PEP obtains from the Fields in the Work Area during the Term sufficient gas so that the Monthly Payment Cap on a cumulative basis during the Term exceeds the cumulative Remuneration during the Term (excluding the compensation provided for in Clause 19.2(a) of this Contract).

20.10 WITHHOLDING

PEP shall withhold from each payment due to the Contractor according to this Clause 20 any amount required to be paid to the Treasury of the Federation pursuant to the provisions of Article 191 of the Federal Duties Law (*Ley Federal de Derechos*) for payment of the services associated with the inspection and surveillance of public works contracts by SPF, or that should be withheld by virtue of any other Applicable Provision.

20.11 RIGHT TO OFFSET

PEP shall be entitled, and the Contractor hereby accepts, to discount and offset from the amounts of the Remuneration due to the Contractor hereunder, any amount corresponding to existing debts, previous or current, breaches or application of penalties arising from this Contract and due to PEP by the Contractor.

20.12 PAYMENT DELAY

In case of payment delay for unjustified causes and attributable to PEP, PEP shall, at the request of the Contractor, pay financing expenses on the amount due and not paid as of the date on which such payment should have been made and until the date on which such sums are effectively paid to the Contractor, according to the procedure provided in Article 21 of the Fiscal Code of the Federation, similarly to the case of extension for payment of fiscal credits, and without limiting any other rights that the Contractor may have under the Applicable Provisions.

20.13 EXCESS PAYMENTS

In case of excess payments received by the Contractor, the latter shall reimburse the sums paid in excess, plus the corresponding interest calculated according to the procedure established in Article 21 of the Fiscal Code of the Federation, as if it were the case of extension for payment of fiscal credits. The charges shall be calculated on the amounts paid in excess in each case and be computed by day from the payment date and until the date in which such sums are effectively made available to PEP.

20.14 REGISTRATION OF WORKS

For purposes of the Work registration set forth under Clause 20.2, the Contractor shall provide the Office of the Contract Operations Manager, with the complete listing of all Development and Infrastructure Works delivered to PEP and received by PEP pursuant to Clause 15, the

information and documents described in Annex N. This information shall serve for the registration of these Works and the related payment obligations as public debt owed to the Contractor pursuant to Article 18 of the General Public Debt Law.

PART VI: MANAGEMENT OF THE CONTRACT

CLAUSE 21

WORK RESIDENCY AND SUSPENSION

21.1 WORK RESIDENCY

The Office of the Contract Operations Manager shall be in charge of the Work Residency and shall have the power and authority, by itself, to supervise, guard, control and review the Works and monitor the execution of the Works and compliance by the Contractor with its obligations under this Contract, including the approval of the Estimates submitted by the Contractor corresponding to the Works performed according to this Contract, issue the Partial Reception Minutes and Final Reception Minutes and generally act on behalf of PEP for all purposes related to this Contract when expressly set forth in this Contract or in the Applicable Provisions. The Office of the Contract Operations Manager may be assisted by supervisors in accordance with the provisions of the Regulations of the *Ley de Obras Públicas*. The Contractor shall provide full cooperation to the Office of the Contract Operations Manager during any Work inspection and supply any information or assistance requested by the same, as required, to ensure that the Works are executed in an appropriate manner. Nothing in this Clause 21.1 shall be interpreted as relieving the Contractor of any of its obligations or responsibilities under this Contract, it being understood that neither the exercising nor the lack of exercising by the Office of the Contract Operations Manager of its rights pursuant to this Contract shall be interpreted as approval by PEP of any Work before the Partial Reception Minutes or the Final Reception Minutes are signed, or as a waiver of any right or recourse available to PEP.

21.2 WORK LOG AND INDEPENDENT REGISTRIES

- (a) The Office of the Contract Operations Manager shall establish a work log (*bitácora de obra*) which shall essentially consist of copies of all the Monthly Progress Reports, preferably in electronic form, and which shall comply with the requirements set forth in the Regulations of the *Ley de Obras Públicas*.
- (b) Additionally, each Party may have at its sole discretion records of activities for internal control purposes, with a frequency different than the one applicable to the work log.

21.3 SUPERVISION

The Office of the Contract Operations Manager has the right to audit all non-recoverable expenses that the Contractor requests in the event of suspension, early termination for any cause, or rescission of the Contract. In such case, PEP shall begin the corresponding audit within sixty (60) days from the date of the request of the Contractor.

CLAUSE 22
DIRECTIVE GROUP AND CONTRACTOR'S PERSONNEL

22.1 DIRECTIVE GROUP

- (a) The Parties shall constitute a directive group (the "Directive Group") of seven (7) members to:
- (i) review the Works' progress on a quarterly basis and discuss important matters associated with the same;
 - (ii) discuss and resolve all the technical or administrative discrepancies or the concerns associated with the execution of the Works that are under its competence according to this Contract; and
 - (iii) conduct such other matters as are specifically contemplated by this Contract or are specifically requested by both Parties.
- (b) The Contractor shall notify PEP of the names and addresses of its three (3) representatives and one or more alternate representatives who shall be authorized to represent the Contractor in the Directive Group. [At least one of the Contractor's representatives shall be the General Manager or equivalent officer of the Lead Company, or his designee.]²⁵ The Contractor may change any of its appointed representatives at any time, when necessary, by written notice to PEP.
- (c) PEP shall designate the following four (4) representatives as members of the Directive Group: (i) the General Director of PEP, or his designee, who shall act as Chairman of the Directive Group, (ii) the Executive Director, or his designee, (iii) Subdirector of Region [North/South], or his designee; and (iv) the Subdirector of Planning of PEP or equivalent position, or his designee. PEP may change any of its appointed representatives at any time and from time to time by written notice to the Contractor.
- (d) The Directive Group shall meet at least quarterly during the Term. All meetings for the purpose of considering and acting upon any matter pertaining to the activities pursuant to this Contract shall be called by the Chairman on its own motion or at the request of any Party. Meetings called at the request of a Party shall be held within thirty (30) days of the request unless PEP and the Contractor agree that the meeting can be held at another date. At least ten (10) days' advance written notice of each meeting shall be given to the Parties, with an agenda attached, setting out the matters to be discussed at the meeting. Nevertheless, each Party may propose during the meetings additional matters to be discussed. Recommendations or resolutions of matters by the Directive Group will require

²⁵ If the Contractor is only one company, then replace the bracketed text for the following: *At least one of the Contractor's representatives shall be its General Manager or equivalent officer, or his designee.*

the unanimous consent of all the members of such Directive Group. Any recommendations or matters resolved by the Directive Group shall not limit the rights of the Parties to submit such matters to the Independent Expert or to arbitration in accordance with this Contract.

- (e) The Contractor shall keep minutes of the proceedings of each meeting of the Directive Group and a copy thereof shall be forwarded within thirty (30) days after a meeting to PEP. The minutes shall include the names of the representatives present, the Party they represent and any recommendations made or matters resolved by the Directive Group. Minutes shall be deemed to be correct as distributed unless notice of errors or omissions is received by the Contractor within thirty (30) days of the date on which they are received. Copies of corrections shall be forwarded promptly to each Party.

22.2 PROFESSIONAL PERSONNEL

The management, supervisory and operating personnel related to this Contract shall be provided by the Contractor, at its election, and have the experience necessary to guarantee the execution of the Works which are covered by this Contract.

The Contractor shall provide the Office of the Contract Operations Manager, at its request, a summary of the qualifications and the experience of the professional personnel assigned by the Contractor for the execution of the Works.

22.3 CONSTRUCTION SUPERINTENDENT

Before commencement of the Works, the Lead Company²⁶ shall appoint in writing a construction superintendent ("Construction Superintendent") and his respective alternate, who shall reside in [____], and at least one of them shall be, at all times, in the [____] Basin and be responsible for the Contractor's Personnel. Such Construction Superintendent shall be fully authorized to act in the name and on behalf of the Contractor regarding all daily matters pertaining to the execution of the Works and to receive written notices from PEP. Any notice delivered to the Construction Superintendent shall be considered received by the Contractor.

22.4 ADMINISTRATIVE OFFICE

The Contractor shall establish an office for the administration of the Contract in the City of [____], México.

CLAUSE 23 **LABOR OBLIGATIONS**

The Parties hereby expressly and irrevocably declare that they are totally independent parties and, as a result, there is no labor relationship between such Parties due to this Contract. No

²⁶ If the Contractor is only one company, then replace this reference to "*the Lead Company*" for "*the Contractor*".

officer, employee, attorney-in-fact or member of the Contractor's Personnel or its Subcontractors shall be considered an employee of PEP for any reason whatsoever, and no officer, employee, attorney-in-fact or member of PEP Personnel shall be considered an employee of the Contractor for any reason whatsoever. Each Party shall be solely responsible for all labor and social welfare obligations in favor of their respective officers, employees, attorneys-in-fact and other members of their personnel, including the payment of wages, vacation benefits, bonuses, payments to the Mexican Social Welfare Institute, payments to INFONAVIT, contributions to Retirement Plans, as well as any other contribution or payment. The Contractor shall be obligated pursuant to Clause 31.1, to hold PEP, PEMEX and any of its other Subsidiary Entities harmless from any claims and expenses which may arise by virtue of such exclusive obligations of the Contractor and its Subcontractors. PEP shall be obligated pursuant to Clause 31.2, to hold the Contractor and any of its Affiliates harmless from any claims and expenses which may arise by virtue of such exclusive obligations of PEP.

PART VII: OTHER PROVISIONS

CLAUSE 24

INSURANCE, PERFORMANCE GUARANTIES AND OTHER GUARANTIES

24.1 INSURANCE

The Contractor undertakes to obtain at its own name the insurance policies indicated in Annex O of this Contract, in the terms indicated therein, and to deliver to the Office of the Contract Operations Manager a copy, and the original for verification purposes, of the documents that evidence the payment of the premiums, as well as the original documents that certify the coverage and the amount of the insurance policies, in accordance with such Annex O.

24.2 PERFORMANCE GUARANTEES

The Contractor declares that in order to guarantee due compliance with the obligations arising from this Contract, it shall obtain and deliver to the Office of the Contract Operations Manager and maintain in force the following guarantees:

- (a) Original of the initial letter of credit in favor of PEP (the "Initial Letter of Credit"), which shall be unconditional and irrevocable, issued before entering into this Contract, for an amount equal to twenty-five percent (25%) of the amount of the Minimum Work Obligation corresponding to the First Development Stage. Such Initial Letter of Credit shall be issued, or confirmed, as the case may be, by a bank authorized to operate in México. This Initial Letter of Credit shall be maintained in force until replaced by the Annual Letter of Credit provided in the following paragraph of this clause. At Contractor's request, PEP shall reduce this letter of credit once a year after the end of the first Contract Year of the First Development Stage. Such reduction shall be proportional to the compliance with the Non-Refundable Work Units and the Minimum Work Obligation executed until such date, it being understood that the new amount of the letter of credit

cannot be less than ten percent (10%) of the amount of the authorized budget for the Annual Work Program corresponding to such Contract Year.

- (b) Original of the annual letter of credit in favor of PEP (the "Annual Letter of Credit"), in order to replace the Initial Letter of Credit, which shall be unconditional and irrevocable, within fifteen (15) days after the date in which it is notified in writing to the Contractor the approval of the Annual Work Program of each year after the First Development Stage, for an amount equal to ten percent (10%) of the authorized budget for the Annual Work Program corresponding to that year. This Annual Letter of Credit shall enter into effect January 1st of the year following its issuance and shall be issued, or confirmed, as the case may be, by a bank authorized to operate in México. This Annual Letter of Credit shall remain in force until it is extended according to Annex P-1 or replaced by the Annual Letter of Credit corresponding to the following year²⁷, except for the Annual Letter of Credit for the Final Partial Year or for the last Contract Year of the Term, as the case may be, which shall remain in force until termination of the Contract and its substitution by the guarantee set forth in Clause 24.3.
- (c) [Additionally, upon execution of this Contract, [name of the Affiliate of Company A which, together with this company, was included in the technical and economic submission for purposes of satisfying the technical and economic criteria required in the *Bases de Licitación*] delivers to the Office of the Contract Operations Manager an instrument to jointly and severally guarantee, up to a maximum cumulative amount of USD\$ [_____] ²⁸ over the Term, the obligations of Company A resulting from this Contract. Likewise, when executing this Contract, [name of the Affiliate of Company B which, together with this company, was included in the technical and economic submission for purposes of satisfying the technical and economic criteria required in the *Bases de Licitación*] delivers to the Office of the Contract Operations Manager an instrument to jointly and severally guarantee, up to a maximum cumulative amount of USD\$ [_____] ²⁹ over the Term, the obligations of Company B resulting from this Contract. The Parties hereby agree that each of the guarantees referred to in this paragraph (the "Corporate Guarantee"), shall be issued substantially in the form

²⁷ As an alternative to granting a letter of credit every year, the Contractor will be allowed to maintain the same letter of credit during the Term, as long as the amount of such letter is updated every year for purposes of reflecting ten percent (10%) of the amount of the authorized budget for the corresponding Annual Work Program.

²⁸ This amount shall be equal to fifty percent (50%) of five percent (5%) of the total Dollar amount of the Contract according to Clause 5.

²⁹ This amount shall be equal to fifty percent (50%) of five percent (5%) of the total Dollar amount of the Contract according to Clause 5.

attached hereto as Annex P-2 of this Contract, with the corresponding amendments that may be approved by PEP³⁰.³¹

In case of failure by the Contractor to maintain the Annual Letter of Credit within the term established in this clause, PEP may rescind this Contract, subject to the rescission procedure established in this Contract.

The Initial Letter of Credit and the Annual Letter of Credit (the "Performance Letters of Credit") shall adjust to the model text included in Annex P-1, with the corresponding amendments that may be approved by PEP.

In case of modifications to the amounts or Term of this Contract, the Contractor shall submit within fifteen (15) days following the documentation of the amendment, in the terms and conditions indicated by PEP, the endorsements and modifications to the Performance Letters of Credit required by PEP in order to adjust them to the new terms of the Contract. The non-compliance with the timely submission of the endorsements or modifications, whichever the case may be, shall entitle PEP to suspend payment of the invoices corresponding to the modifications that would have caused such endorsements and amendments, without such suspension generating the payment of Financial Interest, since it is a cause attributable to the Contractor. In this case, PEP may also, at any time and without incurring in any responsibility whatsoever, choose to rescind the Contract following the rescission procedure provided herein.

In all cases, PEP reserves the right to demand payment of the amounts not covered that in PEP's discretion may apply, once the Performance Letters of Credit constituted according to this clause are made effective.

The Contractor shall agree in the Performance Letters of Credit that the corresponding bank shall pay the Performance Letters of Credit, without regard to any credit that the Contractor may have against PEP resulting from the Contract or any other contract with PEMEX and its Subsidiary Entities and, as a result, the Contractor shall not have the right to offset or counterclaim with respect to any other claim on its favor that it may have against PEP, PEMEX and its Subsidiary Entities.

³⁰ If the Contractor is more than two companies, the percentages provided for in this clause may vary as long as the total sum equals one hundred percent (100%) of five percent (5%) of the total Dollar amount of the Contract according to Clause 5.

³¹ If the Contractor is only one company, then replace the bracketed text for the following: *Additionally, upon execution of this Contract, [name of the Shareholder or Shareholders of the Contractor which, together with the Contractor, were included in the technical and economic submission for purposes of satisfying the technical and economic criteria required in the Bases de Licitación] deliver(s) to the Office of the Contract Operations Manager an(the) instrument(s) to guarantee (or, if more than one Shareholder provides such instrument, to jointly and severally guarantee), up to a maximum cumulative amount of USD\$ [_____] [5% of the total Dollar amount of the Contract according to Clause 5] over the Term, the obligations of the Contractor resulting from this Contract (the "Corporate Guarantee"). The Parties hereby agree that the guarantee(s) referred to in this paragraph shall be issued substantially in the form attached hereto as Annex P-2 of this Contract, with the corresponding amendments that may be approved by PEP.*

The guarantees provided for in this clause shall be independent from the application of the conventional penalties that PEP may have against the Contractor as set forth in this Contract or in any other legal obligation resulting from the same.

24.3 HIDDEN DEFECTS GUARANTEE

According to Article 66 of the *Ley de Obras Públicas* the Contractor remains bound for a period of twelve (12) months counted from the corresponding Reception Date (the "Guarantee Period"), to respond for the Defects that may arise for hidden defects and for any other responsibility incurred during the execution of the Works, unless such period is extended according to Clause 24.5.

For such purposes, before subscribing the Partial Reception Minutes of each of the Works or the Final Reception Minutes, the Contractor shall deliver to the Office of the Contract Operations Manager, at its election: (i) a bond equal to ten percent (10%) of the Unit Price of such Work, issued by a Mexican institution previously approved by the Office of the Contract Operations Manager and which complies with the requirements indicated in Annex P-3 of the Contract, (ii) an irrevocable letter of credit equal to five percent (5%) of the Unit Price of such Work, issued, or confirmed, as the case may be, by a bank authorized to operate in México; or (iii) the contribution of available funds to trusts specifically incorporated for such purposes, for an amount equal to five percent (5%) of the Unit Price of such Work (in each case, the "Hidden Defects Guarantee"). In any case, the bond or letter of credit shall be in the form of Annexes P-3 and P-4 of the Contract, with the corresponding amendments that may be approved by PEP, and shall remain in force during twelve (12) months after the Reception Date of the corresponding Work, after which they shall be automatically cancelled³². In case of a trust, the Contractor may withdraw its contributions and the corresponding earnings after twelve (12) months from the Reception Date of the Works.

In case that the Contractor does not deliver the Hidden Defects Guarantee in the terms set forth in this clause, the Contractor acknowledges and accepts that fifty percent (50%) of the amount of the Initial Letter of Credit or Annual Letter of Credit, as applicable, will be made effective.

In all cases, pursuant to Article 66 of the *Ley de Obras Públicas*, PEP reserves the right to demand payment of the amounts not covered, that in PEP's discretion may apply, once the Hidden Defects Guarantees constituted under this Clause 24.3 are collected.

24.4 REPETITION OF WORKS DURING THE GUARANTEE PERIOD

The Contractor shall, after receiving notice from the Office of the Contract Operations Manager, for the account of the Contractor, and to the Office of the Contract Operations Manager's satisfaction, and within the shortest period of time possible, overhaul, recondition, remedy,

³² As an alternative to granting a letter of credit for each Work received, the Contractor will be allowed to maintain in force the same letter of credit for several Works during the corresponding Guarantee Periods, as long as the amount of such letter is updated in every case for purposes of reflecting five percent (5%) of the value of the guaranteed Works.

replace or rebuild those parts of the Works which are determined, during the corresponding Guarantee Period, to be defective. If the Contractor does not timely fulfill its obligations under this clause, PEP shall be entitled to perform the Works reasonably required or any part of them, by itself or through execution by a third party, and the Contractor shall reimburse PEP for the reasonable costs of such Works. PEP shall be entitled to offset any amount owed to it under this Clause 24.4 against any payment owed to the Contractor under Clause 19.2, or else collect on the Hidden Defects Guarantee, and PEP shall reserve the right to demand payment of the amounts not covered by the indemnification, that in PEP's discretion may apply, arising from the above mentioned matters, once the offset and/or the Hidden Defects Guarantee, as the case may be, are effective. In the case of a discrepancy over the reasonable character of the Works and of the costs indicated in this clause, either of the Parties may submit such discrepancy to resolution pursuant to Clause 35.3.

24.5 EXTENSION OF THE GUARANTEE PERIOD

In case of Defects or faults which may arise regarding any Work during the corresponding Guarantee Period, such Guarantee Period shall be automatically extended solely for the purpose and only for the period of time necessary to remedy such Defects or faults, it being understood that if these arise regarding any Work during the two (2) last Months of the corresponding Guarantee Period, the extension shall be for sixty (60) additional days counted from the date on which the automatic extension ends. The time necessary to remedy shall run from the time in which the Office of the Contract Operations Manager directs the Contractor in writing to correct the Defect in question until the time in which the Contractor delivers the requested repair to the satisfaction of the Office of the Contract Operations Manager.

CLAUSE 25 ENVIRONMENTAL AND SAFETY PROVISIONS

25.1 ENVIRONMENTAL LIABILITIES OF PEP

- (a) PEP shall be responsible *vis-à-vis* the Contractor according to the Applicable Provisions and Good Petroleum Industry Practices (i) for the Environmental Liabilities in the Work Area prior to the Effective Date, as determined by the Parties based on the Initial Environmental Study, or if they were not included in the Initial Environmental Study, when it can be conclusively proven that they are Environmental Liabilities prior to the Effective Date, even if a Claim related to such Environmental Liabilities is filed against PEP or the Contractor by third parties or Governmental Authorities, or filed by the Contractor against PEP, after the Effective Date, and (ii) for the Environmental Liabilities in the Work Area after the Effective Date, if it is evidenced that such Environmental Liabilities are related with operations carried out by PEP in the Work Area after the Effective Date. Among other Environmental Liabilities, PEP shall be obligated to restore any part of the Work Area to the extent, in the manner and at the times required by the Applicable Provisions and Good Petroleum Industry Practices, and shall be responsible for the Abandonment of all Existing Wells and infrastructure existing on the Effective Date.

- (b) PEP does not make any representation or warranty, express or implied, with regard to the environmental conditions in the Work Area, or the compliance with the Applicable Provisions in the Work Area or to the operations such as currently conducted, and except for that expressly provided in this clause, shall have no liability to the Contractor, any of its Affiliates, or any or their respective advisors, officers, managers, supervisors and other employees, representatives, contractors and Subcontractors with regard to any of such environmental conditions or non-compliance or related to or arising from the same.
- (c) PEP shall indemnify and hold harmless the Contractor from any Claim for Environmental Liabilities stipulated in (a) above.

25.2 ENVIRONMENTAL LIABILITIES OF THE CONTRACTOR

- (a) Notwithstanding the fact that PEP shall continue to be formally liable on this subject matter with the Governmental Authorities (including by virtue of holding the corresponding Permits, registries and authorizations, for which purposes PEP and the Contractor shall cooperate in obtaining, renewing and extending them), the Contractor shall perform, and shall ensure that the Subcontractors perform, all activities in the Work Area according to the Environmental Protection and Safety Program and the Applicable Provisions, including the General Law of Ecological Balance and Environmental Protection (*Ley General de Equilibrio Ecológico y la Protección al Ambiente*), the Law of National Waters, their regulations, decrees, Mexican official norms, state laws and regulations on environmental matters, and shall not release, spill, emit or deposit any substance, waste, particle or contaminating material (including any form of energy) in the Environment of the Work Area, or in any other place in so far as it is prohibited by the Applicable Provisions.
- (b) The Contractor shall be responsible to PEP, to the extent and in the manner and time required by the Applicable Provisions, for all Environmental Liabilities as a consequence of the activities performed under this Contract, arising between the Effective Date and the Termination Date in the Work Area, or that arise after the Termination Date but as a result of activities carried out by the Contractor, its Affiliates or Subcontractors in the Work Area prior to such Termination Date, unless they are the responsibility of PEP in accordance with Clause 25.1. Among other Environmental Liabilities, the Contractor shall have the obligation to restore any part of the Work Area to the extent, and in the manner and time required by the Applicable Provisions and the Good Petroleum Industry Practices, and shall be responsible for the Abandonment of all Productive Wells and Infrastructure existing on the Termination Date.

25.3 INDEMNITY BY THE CONTRACTOR

The Contractor shall indemnify and hold harmless PEP from any Claim against PEP, PEMEX or its other Subsidiary Entities filed or imposed by any Person or Governmental

Authority that results from Environmental Liabilities or breaches of the Applicable Provisions regarding Environmental protection between the Effective Date and the Termination Date related to the Work Area in the terms provided for in the foregoing clause.

If any substance, waste, particle or contaminating material which is the cause of Environmental Liabilities of the Contractor in the Work Area underlies or overlaps or is intermixed, in whole or in part, with any substance, waste, particle or material which is the cause of Environmental Liabilities of PEP in the Work Area, the Contractor shall take on the correction of such Environmental Liabilities, to the extent such substance, waste, particle or material underlay, overlaps or is intermixed with the substance, waste, particle or material giving rise to the Environmental Liabilities of PEP. In such case, PEP shall reimburse to the Contractor its portion of the costs incurred in such correction activities, as long as such costs are duly evidenced by documents certified by institutions accredited before the *Entidad Mexicana de Acreditación, A.C.*

25.4 ENVIRONMENTAL PROTECTION AND SAFETY PROGRAM

- (a) No later than thirty (30) days before the date of termination of the Transition Period, the Contractor must submit to the Office of the Contract Operations Manager, its Environmental Protection and Safety Program for its corresponding review, which program shall incorporate the general guidelines for environmental protection and safety established in Annex Q-1, and shall be in all aspects in accordance with the obligations of the Contractor under this Contract.
- (b) Within a term of thirty (30) days from the reception of the draft Environmental Protection and Safety Program, the Office of the Contract Operations Manager shall evaluate the adequacy of the Environmental Protection and Safety Program to Annex Q-1, and shall provide the Contractor with its comments and suggestions to such draft program, if applicable. Based upon its experience and technical know-how, the Contractor shall evaluate such comments or suggestions, it being understood that:
 - (i) if the Contractor chooses not to incorporate all or part of such comments or suggestions, it shall justify its decision to the reasonable satisfaction of the Office of the Contract Operations Manager, and in case of discrepancies between the Contractor and the Office of the Contract Operations Manager in this regard, either Party may submit the discrepancy to the Independent Expert, who shall evaluate if the Environmental Protection and Safety Program complies with the requirements of Annex Q-1; and
 - (ii) the incorporation of all or part of such comments and suggestions, shall not release the Contractor from its Environmental Liabilities and Safety Liabilities under this Contract.

- (c) Once the comments and suggestions of the Office of the Contract Operations Manager mentioned in paragraph (b) above, if any, have been received, but in no case later than thirty (30) days after its reception, the Contractor shall deliver to the Office of the Contract Operations Manager the final version of the Environmental Protection and Safety Program, which shall be in force and effect from such date.
- (d) If the Contractor deems it convenient, the Contractor may, at any time, modify the final version of the Environmental Protection and Safety Program adopted pursuant to paragraph (c) above, as long as it notifies the Office of the Contract Operations Manager in advance of any important changes and amendments to the Environmental Protection and Safety Program, which program shall continue to comply with Annex Q-1. In such case, the provisions of paragraphs 25.4(b) and 25.4(c) of this clause shall apply, as appropriate. If the Contractor deems it appropriate to propose changes to the Environmental Protection and Safety Program which do not incorporate in its entirety what is set forth in Annex Q-1, the Contractor shall obtain prior approval from the Office of the Contract Operations Manager, who shall in turn request the approval from the *Subdirección de Auditoría de Seguridad Industrial y Protección Ambiental (SASIPA)* of PEP.

25.5 SCOPE OF THE INITIAL ENVIRONMENTAL STUDY

The Parties hereby agree that the Contractor shall contract the execution of an initial environmental study (the "Initial Environmental Study") in order to assess the environmental conditions in the Work Area as of the Effective Date. The Parties shall agree in writing as to the scope and the terms of reference of the Initial Environmental Study at least thirty (30) days before the termination date of the Transition Period and, if an agreement cannot be reached, the determination of the scope and terms of reference of the Initial Environmental Study shall be directly carried out by the Independent Expert. The Independent Expert shall consider which investigations and analyses of the records, information and data about the Work Area is to be made available to the Environmental Consultant pursuant to this Contract or that the Environmental Consultant must obtain by whichever other means and which investigations, studies and analyses of the Work Area the Independent Expert, believes are:

- (a) similar in scope to the environmental studies or audits conducted in other similar conditions in México or in other crude oil and natural gas producing areas of North America;
- (b) necessary and convenient to delineate to the extent possible any Environmental Liability existing in the Work Area prior to the Effective Date; and
- (c) capable of being undertaken and completed within one hundred and twenty (120) days.

25.6 SELECTION AND CONTRACTING OF THE ENVIRONMENTAL CONSULTANT FOR THE INITIAL ENVIRONMENTAL STUDY

The Contractor shall, in accordance with this Contract and within thirty (30) days after the scope of the Initial Environmental Study has been determined, contract an Environmental Consultant to carry out the Initial Environmental Study and prepare a report addressed to the Parties with the results of the Initial Environmental Study (the "Initial Environmental Study Report"). The Contractor shall select the Independent Consultant subject to the approval of the Office of the Contract Operations Manager, and in the event that the Parties do not reach an agreement, the selection shall be carried out directly by the Independent Expert, who shall promptly select the Environmental Consultant.

25.7 INITIAL ENVIRONMENTAL STUDY REPORT

The Contractor has the obligation to ensure that the Initial Environmental Study be completed by the Environmental Consultant and that the Initial Environmental Study Report be delivered to the Office of the Contract Operations Manager and the Contractor in a period not exceeding one hundred and twenty (120) days after the contracting of the Environmental Consultant. PEP and the Contractor agree that the Initial Environmental Study Report and all data and information arising from the Initial Environmental Study shall be the property of PEP in accordance with Clause 26.1.

25.8 AGREEMENT AS TO ENVIRONMENTAL LIABILITIES OF PEP

- (a) Within twenty-one (21) days of the Parties receiving the Initial Environmental Study Report, the Parties shall meet to determine the Environmental Liabilities relating to the Work Area existing prior to the Effective Date. Any agreement reached between the Parties shall be recorded in writing, signed by the representatives of both Parties, and may be used as part of the basis for the indemnities as set out in Clauses 25.1, 25.2 and 25.3. Such agreement shall include a description of the activities to be carried out by each Party in the Work Area to comply with the obligations resulting from the corresponding Environmental Liabilities, in accordance with the findings of the Initial Environmental Study Report. With respect to the Environmental Liabilities of PEP in accordance with this paragraph PEP shall commence the compliance of the obligations resulting from the activities to remedy the corresponding Environmental Liabilities within a term that shall not exceed thirty (30) days following the agreement provided herein, unless in accordance with the Applicable Provisions or the Environmental Protection and Safety Program, the term should be shorter. In the event that PEP has not commenced the compliance of its obligations within the term provided herein, the Contractor may perform at PEP's expense all or part of the activities required to be made by PEP in accordance with this paragraph, in which case the amount of the indemnity that PEP shall pay the Contractor for such works shall be equivalent to the reasonable costs incurred by the Contractor in the compliance of PEP's obligations (it being understood that in the case of works related with the Abandonment of Existing

Wells and infrastructure existing on the Effective Date, the amount of the indemnity payable to the Contractor shall be amount established in Annex Q-2). Once the works established in this paragraph have been executed by the Contractor, such works shall be paid to the Contractor within thirty (30) days after the submission to the Office of the Contract Operations Manager of a note reflecting the indemnity amounts. If no agreement is reached between the Parties with respect with the matters covered by this clause or the indemnity amount within thirty (30) days following the submission of the corresponding note by the Contractor, either Party may submit the discrepancy to the Independent Expert for its resolution.

- (b) In the case of the Environmental Liabilities of PEP (i) that not having been included in the Initial Environmental Report are conclusively proven to be Environmental Liabilities prior the Effective Date and (ii) after the Effective Date, if it is proven that such Environmental Liabilities are related with operations carried out by PEP in the Work Area after the Effective Date, PEP shall commence compliance with the obligations derived from the corresponding Environmental Liabilities within a term that shall not exceed thirty (30) days following the notice of the Contractor to PEP, unless in accordance with the Applicable Provisions or the Environmental Protection and Safety Program, the term should be shorter. In the event that PEP has not commenced the compliance of its obligations within the term provided herein, the Contractor may perform at PEP's expense all or part of the activities required to be made by PEP in accordance with this paragraph, in which case the amount of the indemnity that PEP shall pay the Contractor for such works shall be equivalent to the reasonable costs incurred by the Contractor in such remedy activities (it being understood that in the case of Abandonment works, the amount of the indemnity payable to the Contractor shall be the amount established in Annex Q-2). Once the works established in this paragraph have been executed by the Contractor, such works shall be paid to the Contractor within thirty (30) days after the submission to the Office of the Contract Operations Manager of a note reflecting the indemnity amounts. If no agreement is reached between the Parties with respect to the matters covered by this clause or the indemnity amount within thirty (30) days following the submission of the corresponding note by the Contractor, either Party may submit the discrepancy to the Independent Expert for its resolution.
- (c) Any indemnity by PEP to the Contractor in accordance with this Clause 25.8 shall not constitute part of the original amount of the Contract, established in Clause 5.

25.9 SECTOR REMOVAL ENVIRONMENTAL STUDY AND FINAL ENVIRONMENTAL STUDY

The Parties hereby agree to conduct an environmental study:

- (a) within six (6) months after any removal of Sectors (the "Sector Removal Date") pursuant to Clause 10.16 (the "Sector Removal Environmental Study"); and

- (b) within three (3) months prior to the Termination Date (the "Final Environmental Study").

The Parties shall agree in writing upon the scope and terms of reference of the Sector Removal Environmental Study and Final Environmental Study within a period not exceeding thirty (30) days after the Sector Removal Date or the first day of the three (3) months prior to the Termination Date, as applicable, failing which the determination of the scope and terms of reference of the Sector Removal Environmental Study or Final Environmental Study shall be directly carried out by the Independent Expert who shall, for and on the behalf of the Parties, determine the scope and terms of reference of the Sector Removal Environmental Study or Final Environmental Study. The Independent Expert shall follow the criteria provided in Clause 25.4 for the Initial Environmental Study. Similarly, for each Sector Removal Environmental Study or Final Environmental Study, Clauses 25.6 and 25.7 shall apply as appropriate (except that in such clauses should read "Sector Removal Environmental Study" or "Final Environmental Study", as the case may be, instead of "Initial Environmental Study").

Within twenty-one (21) days following the reception of the Sector Removal Environmental Study or the Final Environmental Study, the Parties shall meet to determine the Environmental Liabilities as of the Sector Removal Date or the Termination Date, respectively. Any agreement between the Parties shall be recorded in writing, signed by representatives of both Parties, and may be used as part of the basis for the indemnities as set out in Clauses 25.1 and 25.2. Such agreement shall include a description of the activities to be carried out by each Party in the Work Area to comply with the obligations derived from the corresponding Environmental Liabilities, in accordance with the findings of the corresponding report. In the case of Abandonment of Productive Wells and Infrastructure that are pending on the Sector Removal Date or Termination Date, as the case may be, the Contractor shall pay to PEP as indemnity the amounts specified in Annex Q-2 within thirty (30) days following the Sector Removal Date or Termination Date, as the case may be, irrespectively of the date on which PEP decides to perform the abandonment. At PEP's option, those amounts may be offset by PEP in accordance with Clause 20.11.

The obligation provided herein shall survive the rescission or termination of this Contract. In case of early termination or rescission of this Contract for any reason, the Parties shall meet immediately in order to agree in writing upon the scope and terms of reference of the Final Environmental Study.

If no agreement is reached between the Parties with respect to the matters covered in this clause within ten (10) days following the first meeting of the Parties for this purpose, either Party may submit the discrepancy to the Independent Expert for its resolution.

25.10 COSTS

The cost of the Initial Environmental Study, the Sector Removal Environmental Studies and the Final Environmental Study and preparation of the Initial Environmental Study Report, the Sector Removal Environmental Studies Reports and the Final Environmental Study Report shall be fully paid in all cases by the Contractor.

25.11 COOPERATION WITH THE ENVIRONMENTAL CONSULTANT

Each of PEP and the Contractor shall, to the extent possible, cooperate with the Environmental Consultant in conducting the Initial Environmental Study, the Sector Removal Environmental Studies and the Final Environmental Study, including to provide the Environmental Consultant with all available information required, as well as allow the Environmental Consultant access to the Work Area for the purposes of conducting the Initial Environmental Study, the Sector Removal Environmental Studies and the Final Environmental Study, as the case may be.

25.12 NO CONFIDENTIALITY

PEP and the Contractor acknowledge and agree that all Environmental Documents and any report or document arising from the same are not subject to the confidentiality obligations of Clause 26.3.

25.13 ENVIRONMENTAL REPORTS

The Contractor shall deliver to the Office of the Contract Operations Manager, with copy to the Executive Director, an annual report on environmental matters to inform PEP about environmental issues related to the project within one hundred and twenty (120) days after the end of the year, prepared in accordance with the Environmental Protection and Safety Program.

25.14 SAFETY LIABILITIES

- (a) The Contractor shall comply with the Safety Liabilities in the Work Area, from the Effective Date until the Termination Date, including repairing any harm to third parties to the extent, in the manner and at the times required by Applicable Provisions.
- (b) PEP does not make any representation or warranty, express or implied, with regard to the safety conditions in the Work Area, or the compliance with the Applicable Provisions in the Work Area, or to the operations as currently conducted, and except for that expressly provided in this clause, PEP shall have no liability to the Contractor, any of the Affiliates of the Contractor, or any of their respective advisors, officers, managers, supervisors and other employees, representatives, contractors and Subcontractors with regard to any of such safety conditions or non-compliance, or related to or arising from the same.
- (c) Notwithstanding the fact that PEP shall continue, in some cases, to be formally liable on this subject matter with the Governmental Authorities (including by virtue of holding the corresponding Permits, registries and authorizations, for which purposes PEP and the Contractor shall cooperate in obtaining, renewing and extending them), the Contractor shall perform, and shall ensure that the Subcontractors perform, all activities in the Work Area according to the Environmental Protection and Safety Program and the Applicable Provisions.

25.15 INDEMNITY BY THE CONTRACTOR FOR SAFETY LIABILITIES

The Contractor shall indemnify and hold harmless PEP from any Claim against PEP, PEMEX or its other Subsidiary Entities filed or imposed by any Person or Governmental Authority, that results from Safety Liabilities or breaches of the Applicable Provisions regarding safety that arise as a consequence of the Contractor's activities performed between the Effective Date and the Termination Date related to the Work Area, in the terms provided for in the foregoing clause.

25.16 RISK PROCESSES STUDY

- (a) The Contractor shall prepare a Risk Processes Study during the Transition Period, which shall be prepared by consultants specialized on safety matters, approved by PEP, and which shall evaluate the processes of storage, transport, processing and delivery of natural gas and Condensates, and associated water, including the compressors, pipelines, water disposal systems, tanks, dehydration units, Condensates stabilization units, pumps, dewpoint control facilities, acid gas desulphuring units and plants for recovery of sulphur.
- (b) The Contractor shall update, between the Effective Date and the Termination Date, the Risk Processes Study, when modifying or adding to the facilities identified in paragraph (a), if the latter involves new or increased risk. This update shall be presented to PEP as part of the Annual Work Program in which such modification or addition to the facilities is proposed.

25.17 RISK PROCESSES STUDY COMPLETION

Once the Risk Processes Study has been completed, or updated, the consultant specialized on safety matters shall prepare a report addressed to the Parties with the results of such study. The term for completing the Risk Processes Study and for delivering the report of such study shall be agreed upon between PEP and the Contractor before commencing the study.

25.18 PROPERTY OF THE RISK PROCESSES STUDY AND NO CONFIDENTIALITY

PEP and the Contractor agree that the Risk Processes Study Report and all information and data originated as a result of the Risk Processes Study shall be the property of PEP in accordance with Clause 26.1, being Clause 25.12 applicable to such information and data.

25.19 LIABILITIES ON SAFETY MATTERS AS A RESULT OF THE RISK PROCESSES STUDY

The Contractor is responsible, in accordance with the results of the Risk Processes Study, to comply with the recommendations, correction of insecure situations, process modifications, equipment, safety systems, required emergency plans, within the terms set forth in the Risk Processes Study.

25.20 COSTS

The cost of the Risk Processes Study and preparation of the Report of such study and its updates, shall be fully paid in all cases by the Contractor.

25.21 COOPERATION WITH THE SPECIALIZED CONSULTANT IN SAFETY MATTERS

Each of PEP and the Contractor shall, to the extent possible, cooperate with the specialized safety consultant, in conducting the Risk Processes Study, including providing the consultant with all available information required, as well as allowing the consultant access to the Work Area for the purposes of conducting the Risk Processes Study or its updates, as the case may be.

25.22 ANNUAL REPORTS ON SAFETY MATTERS

The Contractor shall deliver to the Office of the Contract Operations Manager, with copy to the Executive Director, an annual report on safety matters to inform PEP about any incident that has occurred or safety measures adopted during the corresponding year, within sixty (60) days following the end of such year.

CLAUSE 26 **TITLE TO INFORMATION; COPIES AND TECHNOLOGY;** **CONFIDENTIALITY**

26.1 TITLE TO INFORMATION AND COPIES

The Contractor agrees and acknowledges that all information provided by PEP with regard to this Contract, including the technical (such as geological and geophysical), commercial and other types of information, the "as-built" plans, as well as the information developed by the Contractor and delivered to PEP in accordance with Clause 11.7 (other than the technology exclusively developed by the Contractor, its agents, and subcontractors, described in Clause 26.2), shall be the exclusive property of PEP, but may be used without cost by the Contractor for the execution of the Works during the Term, subject to the obligation of maintaining confidentiality pursuant to Clause 26.3 and to the exceptions provided therein.

For purposes of the preceding paragraph, the Contractor shall be entitled to keep copies of all the information mentioned in this clause to be used only for compliance with its obligations under this Contract. Upon termination of this Contract for whatever cause, the Contractor shall deliver to the Office of the Contract Operations Manager all copies of the information or certify, to the satisfaction of the Office of the Contract Operations Manager, that such copies have been totally destroyed and made unusable.

26.2 OWNERSHIP, USE AND TRANSFER OF TECHNOLOGY

All technology developed by the Contractor exclusively as a result of the execution of the Works according to this Contract, shall be jointly owned by PEP and the Contractor, and may be used without cost by either of them or by their Affiliates and other Subsidiary Entities in their own activities, without the need for the consent of the other Party.

Without prejudice to Clause 38.2, the Contractor agrees to use its best efforts to ensure that the personnel employed or assigned to management or technical positions in its organization receives training in the use of all technology used by the Contractor in the execution of the Works. This training may also be offered to PEP employees, in the terms and conditions to be agreed by the Parties.

In order to safeguard the continuity of PEP's Production, within ninety (90) days prior to the Termination Date, or as soon as practicable following a case of early termination or rescission, the Contractor, at the request of PEP, undertakes to negotiate in good faith a license or right for PEP to utilize the technology required for the continuity of the Production, provided such technology is exclusively owned by the Contractor or its Affiliates and subject to the Parties agreeing to the terms and conditions of such license within one (1) year. Notwithstanding the aforementioned, such license or right shall be granted, at no cost to PEP, for a period equal to the remaining useful life of the Work to which such technology is applicable, when the use of the technology in question is essential for maintaining the continuity of PEP's Production.

26.3 CONFIDENTIALITY OBLIGATION

- (a) During the Term and for five (5) years counted from the Termination Date of same for any cause whatsoever, the Contractor shall (i) maintain the confidentiality of all the agreements associated with the Works and the documents, registers, reports, material, data, statistics and other technical and commercial information or information of any nature, including that referred to in the previous clause, which has been supplied by or in the name of PEP or which has been obtained or developed as a consequence of compliance with the obligations arising from this Contract (the "Confidential Information of PEP"); and (ii) refrain from disclosing or distributing to any third party the Confidential Information of PEP without the prior written consent of the Office of the Contract Operations Manager. The Contractor shall be responsible for any breach of its confidentiality obligations provided for herein, even after the Termination Date. Notwithstanding the above, this Clause 26.3 shall not be applicable to: (1) the information known by the public which has not been published through breach of this Contract; (2) the information which has been obtained by the Contractor or its Affiliates before its disclosure without violating any confidentiality obligation; (3) the information obtained by the Contractor or its Affiliates from third parties entitled to disclose it without violating any confidentiality obligation; and (4) the information which has to be disclosed pursuant to requirements by laws applicable to the Contractor or its Affiliates, or requirements of national or foreign governmental authorities or the rules of a recognized stock exchange upon which the shares of the Contractor or an Affiliate are listed, provided that the Contractor notifies PEP immediately upon the request for disclosure. In the case referred to in subparagraph (4) above, PEP may request that the Contractor objects to the order to disclose, before the competent courts, in which case PEP shall cover any reasonable cost resulting from the objection.

- (b) During the term of this Contract and for five (5) years counted from the Termination Date of same for any reason whatsoever, PEP shall: (i) maintain confidential all the technical and commercial information or information of any nature which has been supplied by the Contractor that was not exclusively obtained or developed as a result of compliance with the obligations derived from this Contract ("Confidential Information of Contractor"); and (ii) refrain from disclosing or distributing to any third party the Confidential Information of the Contractor without the prior written consent of the latter. PEP shall be responsible for any breach of its confidentiality obligations provided for herein, even after termination of this Contract. Notwithstanding the above, this Clause 26.3 shall not be applicable to: (1) the information known by the public which has not been published through breach of this Contract; (2) the information which has been obtained by PEP, PEMEX or its Subsidiary Entities before its disclosure without violating any confidentiality obligation; (3) the information obtained by PEP, PEMEX or its Subsidiary Entities from third parties entitled to disclose it without violating any confidentiality obligation; and (4) the information which has to be disclosed pursuant to requirements by Applicable Provisions, or requirements of Governmental Authorities, provided that PEP notifies the Contractor immediately upon request for disclosure. In the case referred to in subparagraph (4) above, the Contractor may request that PEP objects to the order to disclose, before the competent courts, in which case the Contractor shall cover any reasonable cost resulting from the objection.

26.4 CONFIDENTIAL INFORMATION DISCLOSURE

Notwithstanding Clause 26.3, the Contractor or PEP, as the case may be, may disclose confidential information to their representatives, counselors, officers, employees, subsidiary entities, Affiliates, agents, subcontractors and advisors who (a) have a need to know such confidential information, and (b) have been informed of the restrictions established in this Contract about such confidential information and agree to abide by them as if they were a part thereof and have previously subscribed confidentiality agreements.

Notwithstanding the above, any Shareholder of [the members of the Contractor]³³ may reveal confidential information that may be required to any Person with whom such Shareholder enters into negotiations in good faith for the Transfer of shares or other rights provided in Clause 33.3 or for financing, or to insure the Works provided in the Contract, as well as to their respective advisors, provided that the potential acquirer, the financier, the potential insurer, or their respective advisors previously agree in writing to abide by the confidentiality restrictions set forth in this clause to the Office of the Contract Operations Manager's satisfaction and provide it with copies of the confidentiality agreements signed by the potential acquirer, financier, potential insurer or advisor prior to the date of disclosure of any confidential information to such Persons.

³³ If the Contractor is only one company, then replace the bracketed text for the following: *the Contractor*.

Notwithstanding the provisions of this clause, the Contractor shall continue to be responsible with PEP for the confidentiality of the information, as well as for the use of the same.

All press releases, advertisements and other announcements or publications which the Contractor or any of its Affiliates wish, allow or cause to make and which contain information associated with this Contract or with the Work Area, shall be approved by the Office of the Contract Operations Manager before being distributed or published, except when the same refer to emergency situations and are necessary in the opinion of the Contractor for the protection of the Environment, health or safety, or when it is imposed by any Applicable Provisions or by an order from any Mexican or foreign governmental authority.

CLAUSE 27
FORTUITOUS EVENT OR *FORCE MAJEURE*

27.1 WAIVER OF RESPONSIBILITY FOR FORTUITOUS EVENT OR *FORCE MAJEURE*

Except as otherwise set forth in this Contract, neither Party shall be responsible for any non-compliance or delay in compliance with any of its obligations under this Contract to the extent and for the period in which the delay or impossibility to comply by the relevant Party is due to a Fortuitous Event or *Force Majeure*. The Party claiming the Fortuitous Event or *Force Majeure* shall use its best efforts, to remedy, mitigate or correct the effects of the Fortuitous Event or *Force Majeure*. For purposes of this Contract, "Fortuitous Event or *Force Majeure*" shall mean any event, act or circumstance beyond the control of, and unforeseeable by, the Party obligated to perform the relevant obligation, or which, if foreseeable, could not be avoided by such Party by the exercise of due diligence to avoid such event, act or circumstance which makes absolutely impossible to comply with any or all the obligations resulting from the Contract, whether on a temporary or definitive basis, as long as the Party claiming the Fortuitous Event or *Force Majeure* (i) evidences the existence of such event, act or circumstance and the cause-effect relation between the same and the unfulfilled obligation(s); and (ii) has not caused or materially contributed to cause the same, or expressly accepted its responsibility. Subject to satisfaction of the conditions set forth in the previous sentence, the Fortuitous Event or *Force Majeure* shall include the following acts or events:

- (a) natural phenomena such as storms, hurricanes, flooding, earthquakes;
- (b) fires (when not caused or contributed to cause);
- (c) wars (declared or not), acts of terrorism, blockades, civil unrest, mutinies, insurrections and sabotage;
- (d) quarantines and epidemics;
- (e) transportation disasters, whether they be maritime, rail, air or land;
- (f) strikes, labor disturbances and other labor disputes in México, which are not caused by non-compliance of any labor agreement by the Party in breach or in arrears, or sponsored by the latter;

- (g) acts of a Governmental Authority which have not been voluntarily induced or caused by the Party in breach or in arrears and which do not occur as a consequence of any non-compliance of its obligations, including any change to the Applicable Provisions; and
- (h) the inability of any Party to timely obtain, in spite of its best efforts and having carried out all steps within its control to timely obtain in accordance with the Applicable Provisions, any Permit or license from any Governmental Authority necessary to allow such Party in breach or in arrears under its responsibility pursuant to this Contract, to comply with the obligations provided in this Contract.

Additionally, the Contractor may claim as a Fortuitous Event or *Force Majeure* the impossibility of obtaining access under reasonable conditions to portions of land owned by third parties, in spite of its best efforts and having carried out all steps under its control and in accordance with Applicable Provisions to obtain such access, when such restriction of access substantially affects the execution of the Works or the compliance with the obligations provided in the Contract and provided that after having notified this circumstance in writing to the Office of the Contract Operations Manager, the latter has carried out all acts within its control and in accordance with the Applicable Provisions without being able to obtain the legal instrument necessary for this purpose, within six (6) months counted from such notice.

It is expressly agreed that Fortuitous Event or *Force Majeure* does not include any of the following events: (i) economic hardship; or (ii) delay in the delivery of materials, except when such delay has been in turn caused by a Fortuitous Event or *Force Majeure* event.

27.2 OBLIGATION TO NOTIFY

The Party claiming the Fortuitous Event or *Force Majeure* shall notify the other Party as to (a) the occurrence of the Fortuitous Event or *Force Majeure*, including a detailed description of such event, the estimated duration of the same and the possible delay or non-compliance as a consequence of such event, and (b) the time at which the Fortuitous Event or *Force Majeure* ceases to affect or make impossible for such Party its compliance with this Contract. In both cases, notice shall be delivered as soon as possible, but no later than fifteen (15) Business Days following the date on which the Party claiming the Fortuitous Event or *Force Majeure* became aware of the events described in paragraphs (a) or (b) above. If either Party does not deliver the notice mentioned in this clause within the established term, such Party shall lose its right to invoke the specific Fortuitous Event or *Force Majeure* which was not timely notified, for purposes of being excused from compliance with its obligations under this Contract.

27.3 BURDEN OF PROOF

If either Party does not accept that they are in the presence of a Fortuitous Event or *Force Majeure*, the Party claiming its existence may submit the discrepancy to the Directive Group, which shall meet as soon as possible, but no later than fifteen (15) Business Days following the discrepancy, in order to resolve it, upon written request made by one Party to the other. Should

the Directive Group fail to reach a final decision within a term of thirty (30) days counted from the date of the first meeting of the Directive Group on this matter, any Party may submit the discrepancy to the Independent Expert for its resolution. In any event, the Party claiming the existence of the Fortuitous Event or *Force Majeure* shall have the burden of proof in these procedures. If either Party claims a Fortuitous Event or *Force Majeure* resulting from a strike or any other labor dispute and the other Party asserts that the strike or labor dispute results from non-compliance with an individual or collective labor contract by the Party claiming the Fortuitous Event or *Force Majeure*, the Party making the assertion of non-compliance shall have the burden of proof.

27.4 COMPLIANCE WITH OBLIGATIONS NOT AFFECTED BY FORTUITOUS EVENT OR *FORCE MAJEURE*

- (a) Nothing contained in this clause shall release the Parties from the obligations that, because of their nature, are not affected by the Fortuitous Event or *Force Majeure*, including any payment obligation by PEP arising before the occurrence of the Fortuitous Event or *Force Majeure*. If any event constituting a Fortuitous Event or *Force Majeure* occurs that interrupts or suspends the compliance with any obligations of the Parties under this Contract, the Parties shall use their best efforts to minimize the unfavorable consequences of such Fortuitous Event or *Force Majeure* and, if possible, continue complying with the other contractual obligations and commitments arising from this Contract.
- (b) To the extent that a Fortuitous Event or *Force Majeure* would result in the inability to perform only certain aspects of the Works, then only the obligation to perform those aspects shall be suspended based on this clause. In the case of Fortuitous Event or *Force Majeure* arising from (i) the impossibility for either Party to timely obtain, despite its best efforts, any Permit or license from any Governmental Authority necessary for the affected Party to comply with its obligations under this Contract, and (ii) the impossibility of obtaining access under reasonable conditions to portions of land owned by third parties, when such lack of access affects the execution of the Works or compliance with the obligations provided in the Contract, only the Works affected by lack of license or Permit, or lack of access to portions of land shall be suspended. If the cause of the partial suspension ceases to exist, then the corresponding Work shall be resumed by the Contractor and, in the case of suspension of execution of Development, Infrastructure or Maintenance Works, the Contractor shall perform those Works during a period equivalent to the duration of the suspension and subject to the Termination Date of the Contract.

27.5 TERMINATION BY FORTUITOUS EVENT OR *FORCE MAJEURE*

If any event constituting a Fortuitous Event or *Force Majeure* interrupts or suspends the compliance of any obligation by either Party for a continuous period of at least one hundred and eighty (180) days, other than that provided in the previous Clause 27.4(b), the Contractor may opt for the early termination of this Contract under the terms of Article 62, Fraction IV of the

Ley de Obras Públicas for which effect the Contractor shall submit a written request to PEP, and PEP shall reach a decision within the next fifteen (15) days after having received such request; in case of denial by PEP, the Contractor shall obtain the corresponding decision from an arbitral tribunal duly constituted according to Clause 35.3. In this case of early termination, PEP is only obligated to pay the Contractor: (i) based on the Original Unit Prices, those Works which have been executed, less all the amounts established in Clauses 20.10, 20.11 and 20.13, it being understood that the payments for the Works affected by the Fortuitous Event of *Force Majeure* shall be computed only up to the day in which the Fortuitous Event or *Force Majeure* which caused the early termination hereof began, and such Works shall be paid after the pertinent release has been granted pursuant to the *Ley de Obras Públicas*, and (ii) non-recoverable expenses according to Article 119 of the Regulations of the *Ley de Obras Públicas*. Payments to be made by PEP to the Contractor will be governed by the last paragraph of Clause 20.2.

CLAUSE 28

RESCISSION OF CONTRACT AND CONVENTIONAL PENALTIES

28.1 PEP'S RIGHT TO RESCIND

[If any of the members of the Contractor (i) do not comply with its obligations under this Contract, and specifically in the case where it is found to be under one or more of the cases specified in Clause 28.2, or in general (ii) contravene the provisions, guidelines, *Bases de Licitación*, procedures and requirements set forth in the *Ley de Obras Públicas* and other Applicable Provisions, PEP may administratively rescind this Contract, subject to the Contractor's right to cure as hereinafter set forth.]³⁴ When any of the aforementioned breaches occurs, the Office of the Contract Operations Manager shall notify the Contractor that it should proceed to remedy the breach within the next sixty (60) days after receiving the notice from PEP, with independence of PEP making effective the applicable conventional penalties. If (a) the Contractor does not remedy the breach within the aforementioned sixty (60) days, or (b) the Contractor does not take direct and continuous action to remedy such breach in response to the notice delivered by PEP if such breach cannot be remedied within sixty (60) days, or (c) if the breach cannot be remedied, PEP shall initiate the rescission procedure of the Contract.

This rescission shall operate as a matter of law without the need for a prior judicial order. Pursuant to Article 61 of the *Ley de Obras Públicas*, the Office of the Contract Operations Manager shall notify the Contractor in writing the reasons that PEP has for commencing the rescission procedure, so that the Contractor may state, within fifteen (15) Business Days counted from the date on which the above-mentioned notice is received, what is convenient to its interests, providing the corresponding evidence which supports its defense. After fifteen (15) Business Days have elapsed, PEP shall make a decision on the appropriateness or not of the

³⁴ If the Contractor is only one company, then replace the bracketed text for the following: *If the Contractor (i) does not comply with its obligations under this Contract, and specifically in the case where it is found to be under one or more of the cases specified in Clause 28.2, or in general (ii) contravenes the provisions, guidelines, Bases de Licitación, procedures and requirements set forth in the Ley de Obras Públicas and other Applicable Provisions, PEP may administratively rescind this Contract, subject to the Contractor's right to cure as hereinafter set forth.*

rescission after considering the arguments and evidence submitted by the Contractor, and accordingly notify such decision, duly founded and reasoned, to the Contractor in writing, within a term not greater than fifteen (15) Business Days after the date on which the response of the Contractor was received or upon expiration of the term for the latter to respond.

Upon notification of commencement of a rescission procedure, PEP shall proceed to take immediate possession of the Works performed, drafting, with or without the presence of the Contractor, detailed minutes of the condition in which the Works are found in the presence of a Notary Public. Within ten (10) days counted from the commencement of the rescission procedure, the Contractor shall return to PEP all the documentation delivered by the latter for the execution of the Works.

In any case of rescission, whether attributable to PEP or to the Contractor, the Parties will make the corresponding payments due between them in accordance with Clause 20.2, and the remaining provisions of the Contract. In case of rescission for causes attributable to the Contractor, PEP shall proceed to collect the conventional penalties provided in this Contract and the guarantees constituted in its favor, and shall, in a precautionary manner and as of the commencement of such rescission, refrain from paying the amounts corresponding to the Works executed but not yet paid until the corresponding Works release is granted, which should occur within thirty (30) days after the date of notice of such decision. Such release shall reflect the additional cost that PEP would incur by contracting a third party to carry out the Works that were not timely performed by the Contractor, as well as the recovery of the materials and equipment, which, if applicable, had been delivered to the Contractor and were not incorporated into the Works.

In case of rescission for causes attributable to PEP, in addition to the amounts contemplated in Clause 20.2, PEP shall pay the Works executed in whole or in part until the Termination Date, which have not yet been accepted to that date and that comply with the reception criteria set forth in Annex M of this Contract, as well as the non-recoverable expenses provided for in the Regulations of the *Ley de Obras Públicas*, as long as they are reasonable, are duly evidenced and are directly related to the Contract. In the case of work in progress, the Parties shall assign an agreed value to such work. Along with the request of payment for non-recoverable expenses, the Contractor shall submit an audited report of such expenses, which report shall be prepared by an independent auditing firm of international recognition.

28.2 GROUND FOR RESCISSION

PEP may rescind this Contract, among other cases and without limiting the rights of PEP under the *Ley de Obras Públicas* and its Regulations, in the event of:

- (a) Failure by the Contractor in commencing the execution of the Works on the established date;
- (b) Breach by the Contractor of any of its obligations with regard to submittal and maintenance in force of the guarantees and the insurance provided in this Contract;

- (c) Assignment of the collection rights arising from this Contract without the prior written consent of PEP;
- (d) Subcontracting of the administration and management of the Works;
- (e) [If the bankruptcy or insolvency of the Lead Company, or its Guarantor, is declared, or a trustee in bankruptcy or any other Person with similar functions is appointed with regard to the assets or liabilities of the Lead Company or its Guarantor, or if either of the latter companies makes an assignment to the benefit of their creditors or commences a bankruptcy or insolvency procedure, or reaches an agreement with its creditors, or agrees to continue with the compliance with its obligations under this Contract through a committee of creditors, or commences dissolution or liquidation proceedings, or terminates or suspends its operations in any manner whatsoever, or takes any action or any event occurs which, according to applicable law, has an effect substantially similar to any of the above described events, except in the event that any of the other members of the Contractor provides PEP, or has provided PEP, with financial guarantees, satisfactory to PEP, which provide PEP financial security jointly or severally equivalent to or greater than that provided by the defaulting company; it being understood, however, that the member of the Contractor which provides such financial guarantees must necessarily become the Lead Company;]³⁵
- (f) If the Contractor does not provide to PEP and the entities empowered to intervene, the conditions, information and data necessary an material to the inspection, surveillance and supervision of the Works, or if the information and data delivered are false;
- (g) The illegal conduct of the Contractor's Personnel for acts that damage or impair PEP's patrimony in a significant way;
- (h) [If any of the members of the Contractor, by virtue of being a foreign company, or any of the foreign Shareholders of the members of the Contractor, if such member of the Contractor is a Mexican company, invoke the protection of its government

³⁵ If the Contractor is only one company, then replace the bracketed text for the following: *If the bankruptcy or insolvency of the Contractor, or its Guarantor, is declared, or a trustee in bankruptcy or any other Person with similar functions is appointed with regard to the assets or liabilities of the Contractor or its Guarantor, or if either of the latter companies makes an assignment to the benefit of their creditors or commences a bankruptcy or insolvency procedure, or reaches an agreement with its creditors, or agrees to continue with the compliance with its obligations under this Contract through a committee of creditors, or commences dissolution or liquidation proceedings, or terminates or suspends its operations in any manner whatsoever, or takes any action or any event occurs which, according to applicable law, has an effect substantially similar to any of the above described events.*

with regard to this Contract or exercise any rights to sovereign immunity or immunity of jurisdiction that they may be entitled to;]³⁶

- (i) The breach by [any member of]³⁷ the Contractor of Clause 4.3;
- (j) If the Contractor is in the situation provided for in Clause 34.2(d);
- (k) When the Contractor incurs in environmental crimes in accordance with the *Código Penal Federal*;
- (l) The non-compliance of the Contractor with the Annual Work Program, except for what is provided in the last paragraph of Clause 8;
- (m) If the Contractor ceases to deliver for a period of one hundred and twenty (120) consecutive days (not including in this term the periods for Programmed Maintenance) a daily average of at least eighty-five percent (85%) of the Minimum Daily Quantity, according to Clause 13.5(e); or
- (n) Failure by the Contractor to cure the breach of any other obligation under this Contract.

In the case of paragraphs (a), (b), (c), (d), (e), (f), (g), (i), (j), (k), (l), (m), and (n) above, PEP may only rescind this Contract if within sixty (60) days counted from the date on which the Contractor receives a notice of such breach from the Office of the Contract Operations Manager, the Contractor does not either remedy such breach or take direct and continuous action to remedy such breach when it cannot be remedied within sixty (60) days. In the case of paragraph (h) above, PEP may rescind the Contract immediately.

28.3 WORK STOPPAGE

The Contractor shall, at the beginning of the rescission procedure of this Contract and after having received the corresponding notice, take the necessary measures to stop the Works in an expeditious and orderly manner and make all necessary efforts to reduce the associated expenses, unless PEP indicates otherwise.

28.4 CONVENTIONAL PENALTIES

The Parties agree to the application of the following conventional penalties (severally or jointly, as the case may be), in case of delay by the Contractor in performing the Annual Work Program and delay in the dates established for the compliance with its other contractual obligations related to the performance of the Works, for causes attributable to it:

³⁶ If the Contractor is only one company, then replace the bracketed text for the following: *If the Contractor, by virtue of being a foreign company, or any of the foreign Shareholders of the Contractor, if the Contractor is a Mexican company, invoke the protection of its government with regard to this Contract or exercise any rights to sovereign immunity or immunity of jurisdiction that they may be entitled to.*

³⁷ If the Contractor is only one company, then eliminate the bracketed text.

- (a) Conventional Penalty for Delay of the Development Work Obligation. When the Contractor is in delay with the performance of its Development Work Obligation for a given Contract Year, in accordance with the provisions of Clauses 10.5 and 10.7, PEP shall apply a conventional penalty equal to the value of the number of Work Units not executed by the Contractor in the corresponding year, adjusted as of the date of payment of the conventional penalty, provided, however, that the conventional penalty provided for in this paragraph shall not apply to any unexecuted Work included in an Annual Work Program and which exceed the cumulative Development Work Obligation applicable at that time.
- (b) Conventional Penalty for Rescission. When this Contract is rescinded for non-compliance by the Contractor with its contractual obligations, as long as it is the result of a delay in the performance of the Works, PEP shall apply a conventional penalty equal to (i) ten percent (10%) of the Work Units that correspond to the first five (5) Contract Years of the Maximum Recovery Phase, if the rescission occurs before such phase, or (ii) ten percent (10%) of the Work Units for the Contract Years contained in the first five (5) Contract Years of the Maximum Recovery Phase that have not elapsed, plus ten percent (10%) of the Work Units of the Final Partial Year, if rescission occurs during such phase.

In the case of the conventional penalty established in paragraph (a) of this clause, in accordance with Article 58 of the Regulations of the *Ley de Obras Públicas*, PEP will apply an economic withholding to the Estimate being processed on the date when the delay is determined. If there are no Estimates being processed when the penalty set forth in paragraph **Error! Reference source not found.** of this clause will be applied, such penalty must be paid to PEP within ten (10) days following the date on which the Contractor receives the written payment request from PEP, and may be offset against any credit the Contractor has against PEP pursuant to this Contract, on prior notice to the Contractor.

The conventional penalties provided for in this clause shall only apply in such cases where the Contractor is responsible for the failure to comply with its obligation and there has been no breach or other act or omission by PEP or event of Fortuitous Event or *Force Majeure* that has either caused or contributed to such failure. The penalties shall be applied without prejudice to other penalties applicable under this Contract or pursuant to the Applicable Provisions. Each penalty shall be individually applied, without the application of one of them implying the extinction of PEP's authority to impose any other penalty, if applicable. Collection of any penalty according to this Contract shall not release the Contractor from its respective obligations under this Contract. The Parties expressly state that the conventional penalties for delays provided for in this Contract shall not exceed, in total, when applied, the amount of the guarantees in effect at that time, as provided in Article 46, VIII of the *Ley de Obras Públicas*.

[If the conventional penalties set forth herein have to be applied regarding this Contract, such penalties shall apply to the payments to be made by PEP in favor of [Company A] due to its appointment as Lead Company of the members of the Contractor, without regard of which member is responsible for the delay in the performance of the Work and/or any other breach

according to the portion of the Works that each member of the Contractor has agreed to perform.]³⁸

28.5 CONTRACTOR'S RIGHT TO RESCIND

The Contractor may rescind this Contract in case of breach by PEP of any of its contractual obligations. When any such breach occurs, the Lead Company shall notify the Office of the Contract Operations Manager that PEP should proceed to remedy the breach within sixty (60) days following receipt of the notice from the Contractor. If:

- (a) PEP does not remedy the breach within the aforementioned sixty (60) days;
- (b) PEP does not take direct and continuous action to remedy such breach in response to the notice delivered by the Lead Company if such breach cannot be remedied within sixty (60) days; or
- (c) the breach cannot be remedied,

the Contractor may pursue arbitration and request a declaration of rescission of the Contract, in accordance with the Applicable Provisions.³⁹

CLAUSE 29 **EARLY CONTRACT TERMINATION**

29.1 RIGHT TO EARLY TERMINATION BY PEP

Pursuant to Articles 60 and 62 of the *Ley de Obras Públicas*, PEP shall be entitled to early terminate this Contract when (i) reasons of general interest apply, (ii) justified causes preventing work continuation exist, and when proven that if the agreed obligations continue, serious damage to PEP shall be caused, or (iii) when the time for suspension of the works to which Clause 30 of this Contract refers cannot be determined.

For this purpose, the Office of the Contract Operations Manager shall notify the Contractor in writing about the early termination of the Contract at least thirty (30) days in advance. Upon such early termination, the Contractor shall be entitled to receive from PEP, in addition to the amounts contemplated in Clause 20.2, payment for the Works executed in whole or in part until the Termination Date, which have not yet been accepted to that date, as well as for the non-recoverable expenses provided for in the Regulations of the *Ley de Obras Públicas*, provided that such expenses are reasonable, are duly evidenced and are directly associated with the Contract, it being understood that PEP shall not have any further obligation towards the Contractor. In the case of work in progress, the Parties shall assign an agreed value to such work. For the purpose of establishing the amount to be paid for non-recoverable expenses, the

³⁸ If the Contractor is only one company, then eliminate the bracketed text.

³⁹ If the Contractor is only one company, then replace the reference to “the Lead Company” in this clause for “the Contractor”.

Contractor shall, within thirty (30) days after the effective date of early termination, submit a written request to the Office of the Contract Operations Manager indicating the expenses it is claiming, with the corresponding supporting documentation, so that the expenses may be analyzed by the Office of the Contract Operations Manager. Once the request is analyzed and approved by the Office of the Contract Operations Manager, the Parties shall produce written evidence of the agreed terms of the payment. In this case, the total payment of the amounts of the non-recoverable expenses approved by the Office of the Contract Operations Manager, shall be made within twenty (20) days after the date on which the written agreement of payment was executed. Along with the request for payment of non-recoverable expenses, the Contractor shall submit an audited report of such expenses, which report shall be prepared by an independent auditing firm of international recognition. Payments for non-recoverable expenses to be made by PEP to the Contractor according to this clause shall not be subject to the Monthly Payment Cap or to the payment schedules contractually agreed upon by the Parties in Clause 20.2. In case of disagreement regarding the amount to be paid for non-recoverable expenses, the Parties may submit the discrepancy to the Independent Expert in accordance with Clause 35.2.

29.2 WORK STOPPAGE

In the case of early termination of this Contract by PEP, the Contractor shall, immediately after having received the corresponding termination notice, adopt all reasonable measures to stop the execution of the Works in an expeditious and orderly manner and make all necessary efforts to reduce the pertinent expenses to a minimum, unless PEP indicates otherwise. All material not integrated as part of a Work and therefore not owned by PEP, as well as all documents or other information prepared by the Contractor or provided to the Contractor by PEP with regard to Work execution, shall be delivered by the Contractor to the Office of the Contract Operations Manager. The term for delivery of such material, documents or other information shall be ten (10) days counted from the termination notice. Detailed minutes shall be prepared before a Notary Public of the delivery of such materials, documents and information, detailing everything delivered to PEP by the Contractor, without prejudice to the granting of the release pursuant to Clause 15 of this Contract and the *Ley de Obras Públicas*.

CLAUSE 30 TEMPORARY WORK SUSPENSION

Pursuant to the first paragraph of Article 60 of the *Ley de Obras Públicas*, PEP, through the Office of the Contract Operations Manager, may temporarily suspend, wholly or partially, the execution of the Works, at any time and for any justified reason. The suspension shall be communicated in writing to the Contractor, indicating the causes for the suspension, the date of start of the suspension and the possible date to renew the Works, as well as the actions that the Contractor must consider regarding its personnel, machinery and equipment, issuing detailed minutes as appropriate pursuant to Article 117 of the Regulations of the *Ley de Obras Públicas*.

The suspension may not be extended or be indefinite, and therefore if the temporality of the suspension of the works is not determined or could not be determined, PEP shall proceed with early termination pursuant to Clause 29 of the Contract. For such purposes, in case of any

suspension that exceeds one hundred and eighty (180) days, it shall be considered that its temporality could not be determined.

If during the Term several suspension of the Works occur which terms are short and difficult to quantify, the Parties may agree that such periods be grouped and documented by subscribing a single detailed minute.

When the suspension is determined, PEP shall proceed to pay the Works executed until the suspension date that have not been paid as of such date (for which purposes it shall comply with the schedules of payment provided for in Clause 20.2), as well as the non-recoverable expenses provided for in the Regulations of the *Ley de Obras Públicas*, with the exception of those established in its Article 116, Section II, that are caused during the suspension, as long as they are reasonable, are duly evidenced and are directly related to the Contract. Notwithstanding the above, the provisions of Article 115 of the Regulations of the *Ley de Obras Públicas* shall not apply in case of partial suspensions of Works by PEP. In case of suspension, along with the request for payment of non-recoverable expenses, the Contractor shall submit an audited report of such expenses, which report shall be prepared by an independent auditing firm of international recognition.

CLAUSE 31 **INDEMNITY**

31.1 INDEMNITY BY THE CONTRACTOR

The Contractor shall hold harmless, indemnify and release PEP from any responsibility and damages (and such obligations shall survive the rescission or termination hereof) against each and every Claim arising from or related to any of the following cases as long as they are attributable to the Contractor, its officers or agents:

- (a) Any damage or injury to any Person (including PEP) or property of PEP or a third party arising from the execution of the Works, or the activities of the Contractor;
- (b) Any damage or injury that the officers, employees, agents or licensees of the Contractor or any Subcontractors may suffer;
- (c) Any violation of any patent, license, registered trademark or other protected rights used by the Contractor with regard to or for the execution of the Works;
- (d) Any omission by the Contractor or any Subcontractors to fulfill with any of the Applicable Provisions;
- (e) Any Claim against PEP, PEMEX or its other Subsidiary Entities by any officer, attorney-in-fact, employee or member of the Contractor's Personnel or of any Subcontractor based on the Applicable Provisions in labor or social welfare matters, being obligated to indemnify PEP for any amount that any of such parties has to pay as a consequence of such Claims;

- (f) Any Claim against PEP, PEMEX or its other Subsidiary Entities for Environmental Liabilities of the Contractor, pursuant to Clause 25.2 of this Contract;
- (g) Any Claim for damage to highways, bridges or any other communication roads that may be caused during transportation of material to the Work Area; and
- (h) Any Claim against PEP, PEMEX or its other Subsidiary Entities by virtue of the statements in Clause 4.3 being false or inaccurate.

It is expressly understood, however, that the obligation of the Contractor to hold harmless, indemnify and release PEP from any responsibility and damages under this clause shall not apply to any portion of such Claim that is attributable to PEP, its officers or agents.

31.2 INDEMNITY BY PEP

PEP shall hold harmless, indemnify and release the Contractor from any responsibility and damages against each and every Claim arising from or related to any of the following cases as long as they are attributable to PEP, its officers or agents:

- (a) Any damage or injury to any Person (including the Contractor) or property of any Person, directly or indirectly arising from the operations of PEP, including those contemplated in Clauses 9.2 and 9.3;
- (b) Any damage or injury that the officers, employees, agents or licensees of the Contractor may suffer;
- (c) Any Claim against the Contractor for Environmental Liabilities of PEP pursuant to Clause 25.1 of this Contract;
- (d) Any Claim against the Contractor by any officer, attorney-in-fact, employee or member of PEP Personnel based on the Applicable Provisions in labor or social welfare matters, being obligated to indemnify the Contractor in any amount that it has to pay as a consequence of such Claims; and
- (e) Any Claim against the Contractor or its Affiliates by virtue of the statements in Clause 4.2 being false or inaccurate.

It is expressly understood, however, that the obligation of PEP to hold harmless, indemnify and release the Contractor from any responsibility and damages under this clause shall not apply to any portion of such Claim that is attributable to the Contractor, its officers or agents.

31.3 INDEMNITY PROCEDURES

- (a) As soon as the Party to be indemnified (the "Indemnitee") discovers the existence of a Claim which may require the other Party (the "Indemnitor") to indemnify Indemnitee according to Clauses 31.1 or 31.2, as applicable, Indemnitee shall

notify Indemnitor in writing of such Claim and indicate, to the extent feasible and reasonable, all the details of the Claim, including the specific nature and basis of such Claim and the estimated amount of such Claim (such estimated amount not determining the final amount of the Claim).

- (b) If the Indemnitee does not provide the Indemnitor the notice required in this Clause 31.3 with regard to any Claim, Indemnitor shall be released from its obligations pursuant to Clause 31.1 or 31.2, as applicable, in so far as the Indemnitor is substantially prejudiced by such fault.
- (c) The Indemnitor shall at all times, have the right to participate, for its own account and with the legal counsel it chooses, in the negotiation, settlement or defense of any Claim for which the Indemnitor be responsible pursuant to Clause 31.1 or 31.2, whichever the case, or assume the control of such negotiation, settlement or defense (on behalf of the Indemnitee, if necessary).
- (d) The Indemnitee shall provide the Indemnitor all reasonable assistance required by the latter with regard to the negotiation, settlement or defense of any Claim by which the Indemnitee seeks indemnity pursuant to Clause 31.1 or 31.2, whichever the case, including the supplying of any book, record or other reasonable documentation requested by the Indemnitor to defend from such Claim, and shall make available to the Indemnitor witnesses employed by the Indemnitee who may have relevant evidence in connection with such Claim. If the Indemnitee refuses to assist the Indemnitor in the manner indicated in this clause, the Indemnitor shall be relieved of its obligations pursuant to Clause 31.1 or 31.2, whichever the case, in as far as such rejection materially prejudices the Indemnitor.
- (e) Without prior written consent of the Indemnitee, the Indemnitor may not recognize any responsibility nor undersign any settlement or commitment whatsoever which may generate responsibility or create a financial obligation or other type of obligation over the Indemnitee, and with regard to which the Indemnitee has not been totally released or discharged from additional responsibilities and obligations.
- (f) The Indemnitee may not recognize any responsibility nor undersign any settlement or commitment whatsoever without the prior written consent of the Indemnitor, unless the Indemnitee agrees in writing to waive all indemnity Claims against the Indemnitor with regard to such Claim. However, if after a period of thirty (30) days after the notice of such Claim, the Indemnitor does not initiate the defense of such Claim, the Indemnitee shall be entitled to take on the negotiation, settlement or defense of such Claim, in representation, and in the name and on behalf of the Indemnitor.
- (g) If the Indemnitor decides to take control, oppose or answer any Claim pursuant to this Clause 31, the Indemnitee shall be entitled to participate in the negotiation, transaction or defense of such Claim and retain legal counsel to act on its behalf,

it being understood that the fees and disbursements of such legal counsel shall be covered by the Indemnitee.

- (h) The Indemnitor shall be entitled to remedy, within fifteen (15) days or such other period as the Parties may agree upon, and to the satisfaction of the Indemnitee, any matter giving rise to a Claim, on the understanding that, however, the action to remedy shall not release or diminish any Claim arising before, during or by virtue of such action, in so far as such remedial action be inadequate.
- (i) In every indemnity provision of this Contract:
 - (i) All indemnities by the Contractor to PEP shall include PEP, PEMEX, its other Subsidiary Entities, their respective officers, directors, employees, agents and contractors; and
 - (ii) All indemnities by PEP to the Contractor shall include the Contractor, its officers, directors, employees, agents and contractors.

CLAUSE 32 **LIABILITY FOR DIRECT DAMAGES**

In accordance with Article 2110 of the Federal Civil Code, neither Party shall be liable to the other Party for any damages of any nature whatsoever arising from or in any way related to performance or breach of their obligations hereunder, unless such damages are the immediate and direct consequence of the failure to comply with such obligation.

CLAUSE 33 **ASSIGNMENTS AND CHANGE OF CONTROL**

33.1 PROHIBITION TO ASSIGN

With the exception of the provisions of Clause 33.2, neither Party may assign, encumber or transfer, in whole or in part, their respective rights and obligations arising from this Contract.

33.2 ASSIGNMENT OF CONTRACTOR'S COLLECTION RIGHTS

Pursuant to the *Ley de Obras Públicas*, the Contractor may assign or encumber its collection rights over the Estimates, subject to the prior written approval of PEP.

33.3 CHANGE OF CONTROL AND SUBSTITUTION OF CORPORATE GUARANTEE

[Any Shareholder of a member of the Contractor may effect an Assignment of all or part of its shares or participations in the capital stock of such member of the Contractor to another Person without requiring PEP's approval. Notwithstanding the foregoing, the Corporate Guarantee delivered on behalf of such member of the Contractor in accordance with Clause 24.2 shall continue in full force and effect. If by virtue of the Assignment or multiple Assignments, there is a Change of Control in the member of the Contractor which shares or participations are being

assigned, the Contractor may request the Office of the Contract Operations Manager, and the latter may at its discretion approve, within a period not to exceed forty-five (45) Business Days from the request, the substitution of the original Corporate Guarantee by a new guarantee issued by or on behalf of the new Shareholder of the member of the Contractor; provided, however, that if the assignee of the shares or participation being assigned and/or its respective Guarantor have at least similar technical, financial and operational qualifications to those of the original Guarantor, the Office of the Contract Operations Manager shall, within a period not to exceed thirty (30) Business Days from the request by the Contractor, approve such substitution.]⁴⁰ In order to evaluate the request of the Contractor, the Office of the Contract Operations Manager may require the Contractor to deliver such documents that it deems essential for the evaluation of the technical, financial and operational qualifications, in which case, the terms provided herein shall be counted from the moment of delivery of the required information to PEP. In the event of disagreement between the Contractor and the Office of the Contract Operations Manager as to the similarity of the qualifications, the matter can be referred to by any of the Parties to the Independent Expert in accordance with Clause 35.2.

CLAUSE 34 **FINANCING**

34.1 FINANCING OF CONTRACTOR

PEMEX and its Subsidiary Entities, including PEP, its Affiliates, or any assignee, shall not grant any guarantee to the Contractor or its lenders; in addition, it is understood that, unless otherwise agreed to by PEMEX, they shall not deliver accounting and operational information to the Contractor, nor provide any other type of assistance to allow the Contractor to contract any type of financing to carry out the activities provided for in this Contract.

34.2 FINANCING OF PEP

PEP may, through PEMEX or any financial institution and/or Affiliate appointed for such purpose, and subject to the provisions of the General Public Debt Law, obtain financing from any national or foreign credit institution or financial institution for the purposes it deems pertinent.

⁴⁰ If the Contractor is only one company, including a company which is owned by more than one Shareholder, then replace the bracketed text for the following: *Any Shareholder of the Contractor may effect an Assignment of all or part of its shares or participations in the capital stock of the Contractor to another Person without requiring PEP's approval. Notwithstanding the foregoing, the Corporate Guarantee delivered on behalf of the Contractor (or, where the Contractor has more than one Shareholder who has given a Corporate Guarantee, the Corporate Guarantee delivered on behalf of the Shareholder who has assigned all or part of its shares or participation in the capital stock of the Contractor) in accordance with Clause 24.2 shall continue in full force and effect. The Contractor may request the Office of the Contract Operations Manager, and the latter may at its discretion approve the substitution of the original Corporate Guarantee of the assigning Shareholder by a new guarantee issued by or on behalf of the new Shareholder of the Contractor; provided, however, that if the assignee of the shares or participation being assigned has at least similar technical, financial and operational qualifications to those of the assignor, the Office of the Contract Operations Manager shall, within a period not to exceed thirty (30) Business Days from the request by the Contractor, approve such substitution.*

- (a) Accordingly, the Contractor is obligated to provide the Office of the Contract Operations Manager reports regarding reserves, estimates of anticipated cash flow based on Unit Prices and any other information and documentation required by the financing sources, as well as any other documentation required by the respective credit institution, credit rating agency or financial institution, within the term indicated by the Office of the Contract Operations Manager to the Contractor in writing.
- (b) If the Office of the Contract Operations Manager notifies the Contractor that the documentation is incomplete or requires modifications, the latter shall have a maximum term of sixty (60) days counted from receipt of the documentation, to fulfill such obligation. If PEP and the Contractor cannot agree on the modifications, either Party shall have the right to submit the matter to the Independent Expert. If there is no notification on the Office of the Contract Operations Manager's part, the documentation shall be considered definitively accepted; however the Office of the Contract Operations Manager may request from the Contractor any additional information considered necessary in its opinion;
- (c) The Contractor shall prepare all such information in accordance with Good Petroleum Industry Practices, but shall not be responsible to PEP, or any third party, as of the accuracy of such information.
- (d) If the Contractor fails to deliver the information without any justification within the term indicated by PEP, it shall be considered that the Contractor has not complied with its contractual obligations and, accordingly, PEP may rescind this Contract if the breach is not cured within sixty (60) days set forth in Clause 28.1 following the expiration of the period indicated by PEP, with independence of PEP making effective the applicable conventional penalties.

CLAUSE 35

APPLICABLE LAW, INDEPENDENT EXPERT, ARBITRATION AND NATURE OF THE CONTRACTING

35.1 APPLICABLE LAW

This Contract shall be governed and interpreted according to the laws of México.

35.2 INDEPENDENT EXPERT

The Parties shall use their best efforts to resolve by mutual agreement any discrepancies in technical and operating matters that must be submitted to an independent expert (the "Independent Expert") pursuant to an express provision of this Contract, or by agreement of the Parties. If the Parties do not reach an agreement on their discrepancies, and as long as an express provision of this Contract provides that discrepancies on the matter in question should be referred to the Independent Expert, the Parties agree to accept the decisions of such Independent Expert in the terms provided in this clause.

The Contractor shall provide to the Office of the Contract Operations Manager, and the Office of the Contract Operations Manager shall, at its turn, provide to the Contractor, within five (5) Business Days from the Effective Date, a list of [five (5)] Independent Experts to automatically produce a joint list of up to [ten (10)] Independent Experts from which the Parties shall designate the Independent Experts when required in accordance with this clause. If a Party fails to send the list and a discrepancy that requires the participation of the Independent Expert arises, then the list of Independent Experts presented by the other Party shall be the list of Independent Experts for all the Parties for the solution of the discrepancy. This situation shall prevail until the Party that has not sent its list of [five (5)] Independent Experts corrects such situation.

The Party wishing to submit a discrepancy to the decision of the Independent Expert shall propose to the other Party three (3) candidates from the joint list so that the latter elects from among them an Independent Expert that has the expertise required to solve the discrepancy presented. Each Party shall pay its own costs with regard to this procedure. The fees of the Independent Expert shall be covered by PEP and the Contractor in equal parts. Within thirty (30) days after being notified that a discrepancy has been submitted to review by the Independent Expert, each Party shall provide the latter with any relevant information it might have in relation to the disputed matter. The Independent Expert may convene one or more meetings with the Parties, jointly or separately, in order to establish the specific points being disputed and may require any necessary additional information. The Independent Expert shall issue his decision within a term which may not exceed ninety (90) days as of the date of the first request for submission, unless otherwise agreed by the Parties.

The Parties agree in good faith to make reasonable efforts to comply with the decision of the Independent Expert, but the submission of any matter under this Contract for review by the Independent Expert shall not limit the right of the Parties to subsequently proceed to arbitration as the mechanism for resolution of disputes. Therefore, in case of disagreement with any decision of the Independent Expert under this Contract, either Party may subsequently initiate arbitration as the final mechanism for resolution of the dispute in question, in which case compliance with the decision of the Independent Expert shall be suspended and subordinated to the decision of the arbitral tribunal from such date. It is understood that, except when the Parties agree otherwise, in cases in which this Contract establishes the participation of an Independent Expert, the Parties may not initiate an arbitration procedure pursuant to Clause 35.3 on the matter in question if the Independent Expert has not previously issued his decision, unless the term for issuing such decision set forth above (or any other term agreed upon by the Parties for such purpose) has elapsed without the Independent Expert issuing his decision.

The Parties shall, when required, update the joint list of Independent Experts to ensure that there is a sufficient number of qualified experts with expertise in the types of discrepancies that may arise at all times (including herein the possibility of replacing any expert previously appointed), on the understanding that none of the Parties may designate an Independent Expert who is in any way affiliated or related to such Party. Pursuant to this clause, the procedure that the Independent Expert shall follow to issue his decision shall be governed by the ADR Rules of the International Chamber of Commerce.

35.3 ARBITRATION

Any controversies, disputes, claims or conflicts arising out of, relating to, connected with or in regard to this Contract, its interpretation, execution and/or compliance, including those related to the appointment of the Independent Expert or to the decisions issued by the latter where one of the Parties does not agree with his decision, and including any controversy under Annex I, shall be resolved exclusively through arbitration in the City of Paris, France, in accordance with the Rules of Arbitration of the International Chamber of Commerce or any other rules which may be agreed by the Parties, it being understood that PEP expressly and irrevocably waives its immunity or any possible immunity, including sovereign immunity or immunity of jurisdiction, that could be available to it, as broadly as permitted by the Applicable Provisions. The law applicable to the merits shall be that set forth in Clause 35.1. The arbitral tribunal shall comprise of three (3) members, one appointed by each of the Parties and a third (who shall be President) appointed in accordance with the Rules of Arbitration of the International Chamber of Commerce. The arbitration shall be carried out in the Spanish language. The arbitration award shall be final, obligatory and binding for the Parties. Each Party shall cover its own representation expenses in the arbitration, irrespective of the fact that both Parties shall cover the costs arising from the arbitration in equal parts, except when in this latter case the tribunal decides a different distribution of the costs taking into account its decision. Any judgment requesting compliance with any award issued by the arbitral tribunal may be handled by any competent court, without there being any need to review the merits of such decision, and in the case of PEP it may be handled exclusively by the federal courts of México City, D.F. The fees and costs of having to request judicial intervention for compelling enforcement of the award shall be paid by the Party rejecting the voluntary compliance with same. To the extent allowed by the Applicable Provisions, the Parties waive all their rights to appeal or request revision or objection to the decision mentioned herein by the courts.

35.4 NATURE OF THE CONTRACTING

This Contract and the transactions contemplated herein constitute commercial activities of the Parties. The contracting procedure and the performance of this Contract are governed by the *Ley de Obras Públicas* and other Applicable Provisions. It is expressly understood, however, that a Mexican court may not order a precautionary attachment, or an attachment in aid of a judgment, or execution, over any assets of PEP, PEMEX and/or its other Subsidiary Entities in accordance with Article 4 of the Federal Code of Civil Procedure.

CLAUSE 36 COMMUNICATIONS AND LANGUAGE

36.1 COMMUNICATIONS

All communications, notices and announcements to be given by the Parties pursuant to this Contract, shall be delivered in writing and have effect when received by the addressee, subject to the following rules:

- (a) If addressed to PEP, all communications, notices and announcements shall be delivered in a certified manner to the Office of the Contract Operations Manager in the Work Area, addressed to the Contract Operations Manager, and when expressly required by this Contract, with a copy to the Executive Director, at the addresses specified as follows:

To the Office of the Contract Operations Manager:

[Address,
Attention
Fax and telephone]

To the Executive Director: [Address,

Attention
Fax and telephone]

- (b) [If addressed to the Contractor, all communications, notices and announcements shall be delivered in a certified manner to the Construction Superintendency located in the Work Area, with a copy delivered in a certified manner to the members of the Contractor, at the following addresses:]⁴¹

To [Company A]:⁴² [Address,
Attention
Fax and Telephone]

[To Company B: [Address,
Attention
Fax and Telephone]]⁴³

All communications, notices and announcements regarding the procedure of the matters submitted to the Independent Expert under Clause 35.2, or to arbitration under Clause 35.3, must be personally delivered to the Parties at the domiciles set forth in this clause.

⁴¹ If the Contractor is only one company, then replace the bracketed text for the following: *If addressed to the Contractor, all communications, notices and announcements shall be delivered to the Construction Superintendency located in the Work Area in a certified manner at the following address:*

⁴² If the Contractor is only one company, then replace the reference to “Company A” for “Contractor”.

⁴³ If the Contractor is only one company, then eliminate the bracketed text.

All briefs, reports, communications, notices and announcements shall be exclusively made in Spanish, except the technical documentation such as handbooks, catalogues and results of computing technical programs, which may be delivered in English and, at PEP's request, with a translation into Spanish. Any communication, notice and announcement delivered in violation of this clause shall be considered as not carried out.

36.2 LANGUAGE

The language of this Contract is Spanish.

CLAUSE 37 **FISCAL LEVIES**

Each Party shall pay all Contributions and Improvements that they are obligated to pay during the Term and performance of the Works pursuant to any applicable federal, state or municipal provisions of México or of the country [or countries]⁴⁴ of incorporation of [the members of the Contractor or]⁴⁵ the Contractor; it being understood that PEP shall make the withholdings to which, in any case, it is obligated according to the Applicable Provisions, and in such cases PEP shall not reimburse the Contractor for the amounts withheld. Accordingly, the Contractor shall be responsible for and pay all Contributions and Improvements existing or that may exist in the future, which are imposed on the Contractor or its officers and employees related to or for complying with this Contract, it being understood that PEP shall be responsible for payment of any Value Added Tax applicable to the Estimates provided in Clause 20.8(a).

CLAUSE 38 **NATIONAL CONTENT, TRAINING AND SOCIAL SUPPORT PROGRAMS**

38.1 NATIONAL CONTENT

Subject to the Applicable Provisions, including the international treaties ratified by México, in case of subcontracting of the Works in accordance with Clause 16, the Contractor shall give preference to (i) acquiring goods of Mexican origin and (ii) hiring services provided by Mexican companies, whether private or state-owned, provided such goods and services are competitive with regard to price, quality, delivery time and any other condition relevant for subcontracting.

In this clause, subject to the Applicable Provisions pertaining to rules of origin, "goods of Mexican origin" and "services provided by Mexican companies" shall mean the goods and services manufactured or supplied by offices or industries located in México, that regularly provide such goods and services to the Mexican market.

Without prejudice to that provided in the Applicable Provisions, including Articles 7 and 154 of the Federal Labor Law, in the hiring of the Contractor's Personnel engaged in the execution of the Works, the Contractor shall give preference to professionals, workers and other employees of

⁴⁴ If the Contractor is only one company, then eliminate the bracketed text.

⁴⁵ If the Contractor is only one company, then eliminate the bracketed text.

Mexican nationality when they have the qualifications and experience required for the Works provided in this Contract.

38.2 TRAINING PROGRAMS

The Contractor shall execute the following training programs:

- (a) An annual program in force during the whole Development Phase and the Reactivation Phase, for the training of the Contractor's Personnel of Mexican nationality in State-of-the-Art Technology with the purpose of maximizing the possibility that Mexican personnel have sufficient qualifications and experience to perform the Works. [If the members of the Contractor are Affiliates of an international company, these programs shall include, for example, offering of work opportunities, for a determined time, to Mexican personnel at their Affiliates abroad to expand the experience of such personnel.]⁴⁶ This annual training program shall be proposed in the Annual Work Program. The value of this annual training program shall be at least one-quarter of one percent (0.25%) of the submitted budget in the Annual Work Program.
- (b) An annual program in force during all the Development Phase and the Reactivation Phase, for training persons of Mexican nationality, who are not Contractor's Personnel, in State-of-the-Art Technology, with a minimum value of USD\$500 per Sector included in the Work Area on the first day of the corresponding year. This program shall be proposed in the Annual Work Program and it shall comply with the guidelines and procedures proposed by the Executive Director, which may require the deposit of the corresponding amounts in a joint bank account with contractors from other work areas from the creation of a joint training program.

38.3 SOCIAL SUPPORT PROGRAMS

The Contractor shall comply with an annual social support program during each year of the Term, with a minimum value of Five Hundred Dollars (USD\$500) per Sector included in the Work Area on the first day of the corresponding year. This program shall be proposed in the Annual Work Program and it shall comply with the guidelines and procedures proposed by the Executive Director, which may require the deposit of the corresponding amounts in a joint bank account with contractors from other work areas from the creation of a joint program. The funds shall be allocated to social support programs in the Municipality where the Sector is located, or where the largest part of the Sector is located where a Sector covers one or more Municipalities. The funds shall be used for the construction and maintenance of public schools, hospitals, public clinics and roads of the Municipality, or for the sponsoring of public educational and health

⁴⁶ If the Contractor is only one company, then replace the bracketed text for the following: *If the Contractor is an Affiliate of an international company, these programs shall include, for example, offering of work opportunities, for a determined time, to Mexican personnel at its Affiliates or offices abroad to expand the experience of such personnel.*

programs for the Municipality in which the Sector is located or primarily located. The Contractor shall carry out the social support programs directly or may make arrangements with the corresponding Municipality to sponsor programs for these purposes where the Municipalities agree to carry out such activities, but in any event always in compliance with the Applicable Provisions.

CLAUSE 39
LEAD COMPANY; JOINT AND SEVERAL LIABILITY⁴⁷

Notwithstanding the appointment of the Lead Company in Annex B, and any provision to the contrary of this Contract, all the members of the Contractor are jointly and severally liable to PEP for compliance with each and every obligation hereunder. PEP and the Contractor agree that any notice with respect to the performance of the Works shall be made between PEP and the Lead Company. A notice delivered by PEP to the Lead Company constitutes notice from PEP to the Contractor, and a notice delivered by the Lead Company to PEP constitutes notice from the Contractor to PEP.

The Contractor may, from time to time, notify the Executive Director and the Office of the Contract Operations Manager, at least thirty (30) days in advance, of its decision to appoint another member of the Contractor as Lead Company, provided such other member of the Contractor at the time of the Bid met, and continues to meet, the requirements to be a Lead Company as set forth in the *Bases de Licitación*.

CLAUSE 40
AMENDMENTS AND WAIVERS

Any amendment to this Contract shall be made by express agreement of both Parties and in writing. Waiver of any right or provision of the Contract by a Party shall be made with the express and written consent of such Party, provided it is authorized under the Applicable Provisions and this Contract. No provision of this Contract may be interpreted or construed as creating any right for a Person other than the Parties, unless expressly provided for herein.

CLAUSE 41
RELATIONSHIP WITH THE AUTHORITIES

The parties recognize that the competent Governmental Authorities shall have the powers indicated in the Organic Law of the Federal Public Administration, the *Ley de Obras Públicas* the Federal Budget, Accounting and Public Expenses Law, its respective regulations and any other Applicable Provisions; the Contractor undertakes to cooperate with the competent Governmental Authorities, according to such provisions and supplementary to the provisions of the chapters on public sector purchases of the Free Trade Treaties entered into by México.

⁴⁷ If the successful bidder is a single company and not a group of companies, this clause will be deleted.

CLAUSE 42
ANNEXES TO THE CONTRACT

The Parties agree to consider as Annexes to this Contract, those indicated next which, after being duly signed by the Parties, shall become an integral part hereof:

Annex No	Title
A	Description of the Work Area
B	Private Agreement between the Members of the Contractor ⁴⁸
C	Codes, Standards and Norms, and Construction Specifications
D	Monthly Payment Cap
E-1	Components of the Original Unit Prices
E-2	Original Unit Prices Catalogue
F	Specifications, Metering, Measurement and Delivery of Gas and Condensates
G	Production of Existing Wells
H	Master Program
I	Joint Facilities
J-1	Transition to the Contractor
J-2	Transition to PEP
K	Well Spacing and Maximum Recovery of Reserves
L	Guidelines for the Annual Reserves Report
M	Reception Criteria
N	Information for Registration of Works under PIDIREGAS
O	Insurance
P-1	Performance Letter of Credit
P-2	Corporate Guarantee
P-3	Hidden Defects Bond
P-4	Hidden Defects Guarantee
Q-1	Safety, Hygiene and Environmental Protection Requirements
Q-2	Indemnity for Abandonment

CLAUSE 43
ENTIRE AGREEMENT

This Contract, and all and each of its Annexes, completely and exclusively include all the terms and conditions governing the agreement among the Parties with regard to the subject matter of the same. No statement by any officer, attorney-in-fact, employee or agent of the Contractor or PEP made previously to the execution of this Contract shall be admitted for interpretation of the terms of the Contract, except the formal answers given by PEP in writing to the bidders in the series of questions and comments that took place in the Clarification Meetings according to the *Bases de Licitación*; it being understood that if a conflict between any two such answers arises,

⁴⁸ If the Contractor is only one company, then this Annex must be eliminated.

the later in time shall prevail and, in case of conflict between an answer and a provision of this Contract, the provision of this Contract shall prevail.

CLAUSE 44
SEVERABILITY

The invalidity, illegality or lack of enforceability of one or more of the provisions of this Contract that is so declared by an arbitral tribunal, shall not affect the validity, legality and enforceability of the other provisions of this instrument in any manner whatsoever.

After having read this Contract and the Parties being aware of its content and legal scope, two (2) counterparts are executed in the City of _____, _____, on the _____ day of the month of _____, _____.

ANNEXES TO THE GENERIC MODEL
PUBLIC WORKS CONTRACT
BASED ON UNIT PRICES

ANNEX A

DESCRIPTION OF THE WORK AREA

[TO BE COMPLETED AT THE TIME OF THE BID]

ANNEX B¹

PRIVATE AGREEMENT BETWEEN THE MEMBERS OF THE CONTRACTOR

[ATTACH HEREIN A COPY OF THE PRIVATE AGREEMENT BETWEEN THE MEMBERS OF THE CONTRACTOR]

[In accordance with Article 28 of the Regulations of the Ley de Obras Públicas, the private agreement between the members of the Contractor must include, at least, the following provisions:

- 1. Name and domicile of each member of the Contractor, including, as the case may be, the information of their charter documents/by-laws to evidence their legal existence;*
- 2. Name of the representatives of each member of the Contractor, identifying, as the case may be, the public documents that serve to evidence their representation;*
- 3. Definition of the parts of the purpose of the Contract that each member of the Contractor must perform;*
- 4. Designation of the common domicile to hear and receive notices;*
- 5. Appointment of a common representative (Lead Company), that will be sufficiently empowered for all purposes related to the proposal; and*
- 6. Express statement that each of the members of the Contractor shall be jointly and severally liable for any liability that arises from the Contract.]*

¹ If the Contractor is only one company, then eliminate this Annex.

ANNEX C

CODES, STANDARDS AND NORMS AND CONSTRUCTION SPECIFICATIONS

This Annex establishes the Codes, Standards and Norms, and the Construction Specifications that the Contractor must follow in executing the Works. The Codes, Standards and Norms, and the Construction Specifications shall be binding upon the Contractor.

The list of Codes, Standards and Norms, and the Construction Specifications established in this Annex shall not be modified without the written consent of the Parties.

<u>Identification Number or Label</u>	<u>Norm</u>
IEEE STD 518	Guidelines for the Installation of Electrical Equipment to Minimize the Emission of Electrical Noise for External Sources Comptrollers.
NO.05.1.35	Use, Storage and Transportation of Radioactive Materials and Equipment.
NO.09.0.03	Pressure Release Equipment for Calibration and Test.
NO.09.1.06	Equipment of Implementation and Protection of the Tubing Transportation System.
Norma 2.125.01	Design of Roads for Oil Facilities.
NRF-011-PEMEX-2001	Alarm Automatic Systems for Fire Detection and/or Risk in the Atmosphere.
P.2.0203.01	Classification of Dangerous Areas and Selection of Electrical Equipment, 1 st Edition.
PEP-TP.L.02	Guidelines that in the Areas of Environmental Impact and Risk must be complied with by the dependencies that integrate the PEP Organization.
ACI 318-02	American Institute of Concrete
AISC 9a. Ed.	American Institute of Steel Builders.
ANSI/ASME B31.4	Transportation of Liquid Oil.
ANSI B.16.5	Steel Butt-Weld Fittings.
ANSI B73.1	American National Standards Institute, B73.1
ANSI/ASME B31-8	Transmission and Tubing Distribution Systems for Gas.
API-1104	Standards for welding of pipelines within the facilities.
API-520-1	Measurement, Selection and Setting of Pressure Release Systems Refineries.
API-520-STD	Design and Setting of Pressure Release Systems in Refineries.
API-521	Guidelines for the Release of Pressure and Depressurization Systems.
API-526-STD	Flanged Steel Relief Valves for Use in Petroleum Refineries.
API-650.STD	Welded Steel Tanks for the Storage of Oil.
API-MPMS	Natural Gas Measurement.
API-RP 500	Class Location for Electrical Facilities in Oil Facilities.
API-SPEC 5L and 5CT	Pipelines Specifications. Drill pipe, casing pipe, tubing pipe specifications
API-SPEC 6A	Specifications for Well Bore and Valve Tree.

API-SPEC 6D	API Specification for Steel Gate, Plug, Ball, and Check Valves for Pipeline Service.
API-STD 2000	Atmospheric Wind and Pressure Tanks.
API-STD 616	Gas Engines for Oil, Chemical and Gas Industry, 4 th Edition.
API-STD 617	Compressors of Centrifugal Force for Oil, Chemical and Gas Services Industries.
API-STD 618	Reciprocating Compressors for Petroleum, Chemical, and Gas Service Industries.
ASME B 31.3	Pipelines Systems for the Transportation of Chemical or Petroleum Products.
ASTM A20	Standard Specification for General Requirements of Steel Plates and Pressure Recipients.
AWS.D10.10/D10 M	Recommended Practices for the Released of Welding Pressure in Pipelines.
NEMA ICS-6	Complements for System of Industrial Control.
NFPA 10	Standards for Portable Fire Extinguishers.
NFPA 12	Standard System for CO2 Extinguishers.
NFPA 20	Standards for the setting of Fire Centrifuges Bombs.
NFPA-70	National Electric Code.

ANNEX D
MONTHLY PAYMENT CAP

This Annex describes the calculation of the Monthly Payment Cap. Section 1 establishes the Monthly Payment Cap that applies in any Month that is not affected by Minimum Aggregate Gas Quantity. Section 3 describes the application of the Minimum Aggregate Gas Quantity, and the revised Monthly Payment Cap when the Minimum Aggregate Gas Quantity affects the Monthly Payment Cap under Section 1.

1. MONTHLY PAYMENT CAP

The Monthly Payment Cap for a Month shall be calculated as follows:

$$\text{MPC} = (((\text{DDC} - \text{EP}) \times \text{PF} \times \text{IGP} \times \text{CVF}) - \text{Gathering Cost}) \times \text{WAGPF}$$

where:

- "MPC" means the Monthly Payment Cap for a Month in Dollars;
- "DDC" means the Daily Delivery Capacity (expressed in MSCF per day) for the applicable Month multiplied by the number of days in that Month;
- "EP" means the Existing Production for the applicable Month, expressed in MSCF on a monthly basis;
- "PF" means the Performance Factor for the applicable Month;
- "IGP" means the International Gas Price expressed in Dollars per MMBTU and converted to Dollars per MSCF using a conversion factor of One Thousand (1,000) BTU per SCF;
- "CVF" means the Condensates value factor, determined as follows:

$$\text{CVF} = \frac{(\text{CQ} \times \text{CP}) + (\text{DDC} \times \text{IGP})}{(\text{DDC} \times \text{IGP})}$$

where:

- "CVF" means the Condensates value factor;
- "CQ" means quantity of Condensates determined during the most recent deliverability test in accordance with Clause 13.2, expressed in barrels; and
- "CP" means the average "Mont Belvieu Price" for "Natural Gasoline" as published by the Oil Price Information Service in the Month, expressed in Dollars per barrel.

"Gathering Cost" shall be calculated in accordance with Section 2 of this Annex.

"WAGPF" means the weighted average gas price factor in that Month determined as follows:

- (i) 0.88 when IGP is less than or equal to USD\$5.00/MSCF,
- (ii) 0.88 minus 0.00056 for each cent (USD\$0.01) (rounded to the nearest whole cent) that the IGP exceeds USD\$5.00/MSCF when IGP is greater than USD\$5.00/MSCF but equal to or less than, USD\$10.00/MSCF, and
- (iii) 0.6 when the IGP is greater than USD\$10.00/MSCF;

In calculating WAGPF, the USD\$5.00/MSCF and USD\$10.00/MSCF amounts shall be adjusted on an annual basis pursuant to the variations of the U.S. Consumer Price Index for that year *vis-à-vis* the U.S. Consumer Price Index for the calendar year 2002. For purposes of this adjustment, the month when the Contract is executed shall be used as the base period, and the adjustment shall be applied based on the variation of such index for that same month of each following year relative to the value of the index for that same month in the immediately preceding year, as published by the U.S. Bureau of Labor Statistics. The annual adjustment will take place in the Month following the Month during which the statistical information for a calendar year becomes available.

This formula does not attribute any value to the propane or butane that may be extracted by the Contractor in order to comply with the specifications of gas at the Transfer Points.

2. GATHERING COST

- (a) No Transfer Point shall be downstream of a Delivery Point. For each Transfer Point that is also a Delivery Point, the Gathering Cost shall be zero.
- (b) For each Transfer Point that is upstream of a Delivery Point, the Gathering Cost shall be the sum of the maintenance cost component and the infrastructure cost component for the facilities between the Transfer Point and the Delivery Point.
- (c) The maintenance cost component shall be determined on the basis of the maintenance cost per MSCF from the Transfer Point to the Delivery Point, and shall be calculated as described in 2(e) below.
- (d) Where PEP expands or constructs facilities between the Transfer Point and the Delivery Point subsequent to the Effective Date by the installation of new infrastructure, the infrastructure cost component shall be the incremental infrastructure cost per MSCF from the Transfer Point to the Delivery Point, and shall be calculated as described in 2(e) below. The infrastructure cost component is zero where PEP does not expand or

construct facilities between the Transfer Point and the Delivery Point subsequent to the Effective Date.

- (e) The calculation of the maintenance cost component of the Gathering Cost shall be based on the Reference Prices applying the appropriate catalogue categories for the maintenance activities carried out by PEP between the Transfer Point and the Delivery Point on the same basis as if Contractor had performed such activities under this Contract. The quantity of gas shall be determined on the basis of the tested capacity of the facilities between the Transfer Point and the Delivery Point. The maintenance cost per MSCF shall be determined by dividing the maintenance costs by the quantity of gas specified in this paragraph. The maintenance cost component of the Gathering Cost shall be the product of DDC and such maintenance cost per MSCF.
- (f) The calculation of the infrastructure cost component of the Gathering Cost shall be based on the Reference Prices applying the appropriate catalogue categories for the infrastructure constructed by PEP between the Transfer Point and the Delivery Point on the same basis as if Contractor had constructed such infrastructure under this Contract. The 48 month schedule provided in Clause 20.2 applicable from the start of the first Contract Quarter following the commencement of operations of respective infrastructure shall be utilized for the calculation of the infrastructure cost component of the Gathering Cost. The quantity of gas shall be determined on the basis of the tested capacity of the facilities between the Transfer Point and the Delivery Point. The infrastructure cost per MSCF shall be determined by dividing the infrastructure costs by the quantity of gas specified in this paragraph. The infrastructure cost component of the Gathering Cost shall be the product of DDC and such infrastructure cost per MSCF.
- (g) The Gathering Cost per MSCF in any Month shall not in any case exceed [\$0.35], adjusted annually in the same manner as set forth in the definition of WAGPF.
- (h) If there is more than one Transfer Point for a Work Area, the Gathering Cost shall be the sum of the Gathering Costs calculated as provided above for each of the Transfer Points, allocating to each Transfer Point a portion of the DDC proportionately based on the tested deliverability at each Transfer Point.

3. APPLICATION OF MINIMUM AGGREGATE GAS QUANTITY AND REVISED MONTHLY PAYMENT CAP

The following procedure shall be used to determine whether the Minimum Aggregate Gas Quantity affects the Monthly Payment Cap. First, the Annual Quantity for the Work Area is determined as described in Section 3(a). Next, the Minimum Aggregate Gas Quantity described in Section 3(b) is determined. Section 3(c) describes the process for determining whether the Minimum Aggregate Gas Quantity affects the

Monthly Payment Cap established in Section 1. If it does, the revised Monthly Payment Cap is described in Section 3(d).

For the purposes of this Annex, "*Designated Work Areas of the First Bid Round*" means the following Work Areas, which were offered by PEP for bidding pursuant to the *Convocatoria* [____], and which are the subject of contracts similar to this Contract, which have not been terminated: [*specify the Work Areas*].

- a) **Annual Quantity.** PEP and the Contractor shall determine, before September 15 of each Contract Year, the Annual Quantity for a Work Area for the next Contract Year. The Annual Quantity shall be expressed as a daily quantity of gas in MSCF. The Annual Quantity shall be equal to the Daily Delivery Capacity less the Existing Production in effect on the date of determination. The Annual Quantity shall be used solely for the purpose of determining whether the Minimum Aggregate Gas Quantity affects the Daily Gas Quantity calculation in Section 3(c) below, and does not establish any obligation of the Contractor to deliver an annual quantity of gas.
- b) **Minimum Aggregate Gas Quantity.**
 - i) The Minimum Aggregate Gas Quantity applicable to the Designated Work Areas of the First Bid Round shall not be less than the amounts set forth below:
 - A. for the Initial Partial Year, if any, [300] MMSCF/day;
 - B. for the Contract Year occurring in 2004, [400] MMSCF/day;
 - C. for the Contract Year occurring in 2005, [750] MMSCF/day;
 - D. for the Contract Year occurring in 2006, [800] MMSCF/day; and
 - E. for the Contract Year occurring in 2007 and all subsequent Contract Years, [1000] MMSCF/day.
 - ii) If deliveries of gas to PEP from the Designated Work Areas of the First Bid Round in a Contract Year exceed the Minimum Aggregate Gas Quantity for the following Contract Year, the Minimum Aggregate Gas Quantity in the following Contract Year shall not be less than the greater of (a) the quantity of gas delivered from the Designated Work Areas of the First Bid Round in the preceding Contract Year, and (b) the quantity of gas specified in (b)(i) above. If the Minimum Aggregate Gas Quantity is increased pursuant to this Section 3(b)(ii), it may not later be reduced.
 - iii) PEP may at its discretion increase the Minimum Aggregate Gas Quantity applicable to the Designated Work Areas of the First Bid Round. PEP reserves the right to include or not the concept of Minimum Aggregate Gas Quantities in subsequent bid rounds for contracts similar to this Contract.

- c) **Application of Minimum Aggregate Gas Quantity.**
- i) *Annual Assessment.* PEP shall determine and announce the Minimum Aggregate Gas Quantity from all the Designated Work Areas of the First Bid Round for a given Contract Year on or before September 15 of the calendar year immediately preceding the relevant Contract Year. If the Minimum Aggregate Gas Quantity is less than the sum of the Annual Quantity for each Designated Work Area of the First Bid Round for a given Contract Year, then the Monthly Payment Cap set forth in Section 1 shall be calculated as set forth in Section 3(d) for that Contract Year.
 - ii) *Release of Information.* PEP shall provide to the Contractor the information required to perform the analyses contemplated by this Section 3(c)(i). The Contractor consents to the release by PEP to contractors in the other Designated Work Areas of the First Bid Round of the information pertaining to the Work Area required to perform the analyses contemplated by this Section 3(c)(i).

- d) **Revised Monthly Payment Cap.**
- i) When this Section 3(d) applies, the Monthly Payment Cap in Section 1 shall be calculated by replacing the factors "(DDC – EP)" with the factor "DGQ" or Daily Gas Quantity, which is determined for a Month as the greater of: (A) the quantity of gas delivered by the Contractor at the Transfer Point(s) in the Month, and (B) a quantity of gas calculated as follows:

$$MAGQ \times \left(\frac{AQ}{AQ_{BP}} \right) \times M$$

where:

"MAGQ" means the Minimum Aggregate Gas Quantity for that Contract Year;

"AQ" means the Annual Quantity for that Work Area for the Contract Year;

"AQ_{BP}" means the sum of the Annual Quantities for all of the Designated Work Areas of the First Bid Round for that Contract Year; and

"M" means the number of days in the Month.

- ii) The Daily Gas Quantity of the Work Area will not change as a result of new deliverability tests conducted during a Contract Year in the Work Area or any other Designated Work Area of the First Bid Round. However, the deliverability test immediately prior to the Annual Quantity determination in such Contract Year shall be used in

the calculation of the Annual Quantity of the Work Area for the following Contract Year.

- iii) If as a result of the application of Section 3(d)(i), the Daily Gas Quantity for the Work Area decreases by more than twenty per cent (20%) from the Daily Gas Quantity applicable for the previous Contract Year, then:
 - A. the Daily Gas Quantity for the Contract Year shall be eighty per cent (80%) of the Daily Gas Quantity in the previous Contract Year; and
 - B. the Daily Gas Quantity for the Contract Year as adjusted by paragraph (A) shall be the Daily Gas Quantity used for the determination of the Daily Gas Quantity in the following Contract Year.

PEP acknowledges that when this Section 3(d)(iii) applies, the consequence of paragraph (A) is that the aggregate of the Monthly Payment Caps of all the Designated Work Areas of the First Bid Round will be based on a quantity of gas that exceeds the Minimum Aggregate Gas Quantity by the difference between the Daily Gas Quantity determined by paragraph (A) and the Daily Gas Quantity that would otherwise have applied.

If this Section 3(d) did not apply in the previous Contract Year, then the application and reduction limits of this Section 3(d)(iii) shall be calculated and applied based on Contractor's Daily Delivery Capacity at the end of the previous Contract Year less the Existing Production at the end of the previous Contract Year.

ANNEX E-1

COMPONENTS OF THE ORIGINAL UNIT PRICES

[THIS ANNEX IS CURRENTLY BEING REVISED]

ANNEX E-2

ORIGINAL UNIT PRICES CATALOGUE

[THIS ANNEX IS CURRENTLY BEING REVISED]

ANNEX F
SPECIFICATIONS, METERING, MEASUREMENT AND DELIVERY
OF GAS AND CONDENSATES

1. GAS AND CONDENSATES SPECIFICATIONS

PEP and Contractor agree that all gas and Condensates delivered at the Transfer Point(s) shall meet, at a minimum, the following specifications:

a) **Pressure**

Contractor shall provide the volumes of gas and Condensates at the Transfer Point(s) at the pressure that exists in the downstream facilities from time to time. PEP may from time to time, specify the minimum delivery pressure at each Transfer Point.

b) **Quality Specifications**

- i) All gas and Condensates received at a Transfer Point shall be free at the pressure and temperature in the facilities at the Transfer Point(s), from sand, dust, gums, crude oil, contaminants, impurities or other objectionable substances which will render the gas or Condensates unmerchantable, cause injury, cause damage to or interfere with the operation of the facilities.
- ii) In addition, the following quality specifications and requirements shall apply to all gas received at a Transfer Point(s):
 - A) shall not contain more than point zero five nine (0.059) liters of propane or of any other heavier hydrocarbon, per one (1) cubic meter;
 - B) shall not contain more than six point one (6.1) milligrams of sulphidrique acid per one (1) cubic meter;
 - C) shall not contain more than two hundred and fifty eight (258) milligrams of total sulphur per one (1) cubic meter;
 - D) shall not contain more than two percent (2%) per volume of carbon dioxide;
 - E) shall not contain more than two percent (2%) per volume of nitrogen;
 - F) shall not contain a humidity content that exceeds one hundred and twelve (112) milligrams per one (1) cubic meter;
 - G) shall not exceed fifty (50) degrees Celsius in temperature;
 - H) shall have a gross heating power on a dry base of not less than thirty five point forty two (35.42) megajoules per cubic meter;

- I) shall not exceed zero point five percent (0.5%) per volume of oxygen.
 - iii) The following quality specifications and requirements shall apply to all Condensates received at a Transfer Point(s);
 - A) shall not contain more than zero point two five (0.25) per volume of water or sediments;
 - B) shall not have a color greater than eight (8.0) as defined by ASTM D-1500; "ASTM" means the American Society for Testing and Materials.
 - iv) If PEP is able to meet the Delivery Point specifications for gas delivered to PGPB by means of blending other gas with gas produced from the Work Area that does not meet the specifications described above, PEP may at its option waive compliance by the Contractor with the gas specifications described above. Any such waiver may be revoked by PEP upon written notice to the Contractor, which shall be provided in sufficient time to permit the Contractor to install conditioning facilities so as to maintain without interruption the gas production capacity from the Work Area.
- c) **Quality Determination**
- i) The determination of the gas temperature, specific gravity, heating value and composition parameters shall be performed as follows:
 - A) The temperature of flowing gas shall be determined by means of a recording thermometer or other equipment appropriate for the determination of temperature;
 - B) the gas characteristics including without limiting the generality of the foregoing, gross heating value, relative density, nitrogen, hydrogen sulfide, total sulphur and carbon dioxide content of gas determined by gas chromatographs in accordance with ASTM D-1945;
 - C) the water vapour content shall be determined according to ASTM D-1142.
 - ii) The determination of the Condensates specifications shall be determined as follows:
 - A) The color shall be determined according to ASTM D-1500;
 - B) The water and sediment shall be determined according to ASTM D-98.

d) **Variation of Specifications at Transfer Points**

The Contract Operations Management and the Contractor may by mutual agreement, in writing, amend, vary or add to the specifications and requirements set forth in this Annex.

e) **Measurement Conditions**

The unit for measurement for gas delivered at a Transfer Point shall be MMSCF or its equivalent volume in cubic meters. Heat content shall be measured in MMBTU or its equivalent in kilocalories. Standard pressure and temperature for measurements shall be an absolute pressure of one kilogram per square centimeter (1 kg/cm²) at a temperature of 20°C (twenty degrees Celsius).

f) **Gas and Condensates not meeting Quality Specifications**

The provisions of Clause 13.8 of the Contract shall apply to any gas or Condensates which do not meet the quality specifications and requirements set forth in this Annex.

2. METERING AND MEASUREMENT

a) **Measurement and Control Stations**

All gas and Condensates delivered by the Contractor to PEP shall be measured at the measurement and control stations installed by the Contractor at the Transfer Point(s). The Contractor shall be responsible for all measurement at such measurement and control stations and, subject to the provisions of this Annex, using such procedures and calculations as it deems appropriate. The Contractor shall be responsible for the installation and maintenance of all meters and other facilities included in the measurement and control stations in accordance with Good Petroleum Industry Practices.

b) **Measurement Facilities and Operation**

The design of meter runs and accessory equipment shall conform to the "design" standards listed in Chapter 6 and Chapter 14 of the Manual of Petroleum Measurement Standards (MPMS), most recently published by the American Petroleum Institute (API) prior to the Effective Date.

i) Gas measurement

Gas measurement will be performed using an Orifice Meter, capable of determining the gas rate in volumetric units.

Orifice plate fittings shall be a *dual chamber* type where the orifice plate can be changed and inspected without interrupting the flow of gas.

Where circumstance prevents achieving the reference standards contained in MPMS Chapter 6 and Chapter 14, multiple meter runs will be employed.

Electronic flow measurement and real-time electronic reporting ability will be included in the specifications for gas measurement for facilities where volumes equal or exceed 5 MMSCFD.

ii) **Condensates measurement**

Positive Displacement Meters, Turbine Meters and Tank Gauging shall be used for Condensates metering. The following criteria apply to the use of the three (3) metering methods identified above:

A) Where daily liquid volumes are less than 400 barrels per day, Tank Gauging is the minimum acceptable standard. However, dynamic measurement employing a positive displacement meter or turbine meter may be used.

B) Where daily liquid volumes are greater than 400 barrels per day, a positive displacement meter or a turbine meter will be used. However, if the minimum rate of flow is less than thirty percent (30%) of the design flow rate a turbine meter is not acceptable.

c) **Measurement Standards**

PEP and the Contractor agree that the design of all Condensates measurement facilities and all measurement and calculation of gas and Condensates quantities shall be performed in accordance with the most current publication of the MPMS published by the API.

Measurement conditions shall be those specified in Section 1(e) of this Annex.

d) **Fluid Analysis**

The analysis of gas and Condensates shall be conducted on a frequency as agreed to between PEP and the Contractor based on Good Petroleum Industry Practices.

Sampling will conform to the standards defined for sampling as defined in Chapters 8 and 13 of the MPMS.

e) **Calculations**

Determination of gas fluid volumes will conform to the appropriate sub-chapters within MPMS Chapter 14.

Determination of fluid volumes for Condensates will conform to the appropriate sub-chapters within MPMS, Chapter 12.

f) **Measurement Reporting**

Gas and Condensates volumes delivered shall be measured on a daily twenty-four (24) hour period commencing at 5:00 a.m. of each day and shall be recorded in the form and in

the manner specified from time to time by the Contract Operations Management for each Transfer Point.

g) **Meter Testing and Verification**

Gas meters shall undergo testing and calibration, to be performed by any of the independent laboratories listed in Appendix 1 of this Annex, at the time such meters are installed and thereafter, once every six (6) months or more frequently as required by Good Petroleum Industry Practices.

For Condensates meter calibration, reference meters will be the minimum standard criteria for determining whether a meter is no longer in calibration. A meter prover is an acceptable means of meter calibration. Meter calibration will be performed when the discrepancy between the "primary" meter and the "reference" meter differ by more than 5 barrels in one thousand (1,000). Meter calibration will be performed once every 6months or more frequently as determined by good engineering practice.

Calibration practices will conform to "procedures" associated with either the Tank Calibration (MPMS Chapter 2), or Proving Systems (MPMS, Chapter 3).

Where PEP and the Contractor share measurement facilities the recording sections, totalizers, and sampling devices should be sealed, and no seals should be broken or removed unless in the presence of a representative of PEP and the Contractor.

Testing and calibration of meters shall be a Contractor's expense. In the event the meters are registering inaccurately Contractor shall ensure the meter is tested and recalibrated as soon as reasonably possible and shall provide twenty-hour (24) hour notice to PEP before carrying out such test.

In addition to the tests and calibrations described above, either Party shall have the right at any time to request a test and verification of any meter and the same shall be conducted by one of the independent laboratories listed in Appendix 1 of this Annex from time to time. In such case, the independent laboratory shall test and calibrate the meter within three (3) days following the date of receipt of the said request. If the results of the testing and verification indicated a deviation from an accurate reading to be less than two percent (2%), then the Party requesting such additional test shall bear the cost of the test and verification. If the results of the testing and verification indicate a deviation from an accurate reading to be equal or greater than two percent (2%), the Contractor shall repair or recalibrate the meter in question, or if necessary, replace the meter, in which case the cost of the new meter, including its installation as well as the testing and inspection of the same, shall be borne by the Contractor.

h) **Meter Adjustments**

- i) If it is established by test, inspection or otherwise, that a meter did not register accurately within the tolerance set forth in Section 2(g) of this Annex or that a meter has not been in service or registering accurately for a significant period

of time with the result that a significant measurement error may have occurred then the Parties shall make an adjustment for the period during which the inaccuracy or failure of the meter has been found to exist as follows:

- A) the equipment in question shall be adjusted as soon as possible to read accurately;
 - B) based on the circumstances, the Parties shall attempt to agree upon the appropriate adjustment for the period of time that the measurement error occurred;
 - C) if the Parties cannot reach agreement on the appropriate adjustment within ten (10) days from the date that such inaccuracy was discovered the provisions of Section 2(h)(ii) of this Annex shall apply.
- ii) If the period of time for the adjustments is not ascertainable or agreed upon by the Parties the appropriate time for the adjustment shall be one-half (1/2) of the elapsed time since the last test excluding days that no gas flowed through the meter and the amounts transported shall be estimated using the most appropriate of the following methods:
- A) by making the appropriate correction if the deviation from an accurate reading is ascertainable by calibration test or mathematical calculation; or
 - B) estimates based on deliveries under same conditions during a period when the equipment in question was measuring accurately, assessments of the volumes delivered during the first half of the period constituting the elapsed time since the last test, and/or estimates based on production or other upstream measurement.

i) **List of Independent Laboratories**

The mutually accepted independent laboratories for the testing and verification of meters under this Contract shall be those laboratories set forth in Appendix 1 to this Annex. PEP and the Contractor may, by mutual written agreement, add or delete to the independent laboratories to the referenced Appendix.

3. TRANSFER POINTS AND DELIVERY POINTS:

a) **Transfer Points**

Transfer of gas or Condensates produced from the Work Area shall be made at the locations, at the facilities and at the minimum and maximum operating pressures set forth and described in Appendix 2 to this Annex. PEP and the Contractor may, by written agreement, establish new Transfer Points; delete existing Transfer Points or change the minimum or maximum operating pressures. Such Appendix shall be considered to be amended upon execution of such written agreement by PEP and the Contractor.

b) **Delivery Points**

Delivery of gas or Condensates produced from the Work Area between PEP and PGPB, shall be made at the locations, at the facilities and at the minimum and maximum operating pressures set forth and described in Appendix 3 to this Annex. PEP may, by written notification, establish new Delivery Points; delete existing Delivery Points or change the minimum or maximum operating pressures at a Delivery Point. Such Appendix shall be considered to be amended upon delivery of such written notification by PEP to the Contractor. If a change in location of the Delivery Point results in an increase in the gathering costs pursuant to Annex D, the Contractor shall be entitled, at its option, to continue with the last applicable gathering cost for the remainder of the Term.

APPENDIX 1
INDEPENDENT LABORATORIES

APPENDIX 2

LOCATIONS, FACILITIES AND OPERATING PRESSURES FOR TRANSFER POINTS

APPENDIX 3

LOCATIONS, FACILITIES AND OPERATING PRESSURES FOR DELIVERY POINTS

ANNEX G

PRODUCTION OF EXISTING WELLS

[TO BE COMPLETED AT THE TIME OF THE BID]

ANNEX H

MASTER PROGRAM

[TO BE COMPLETED AT THE TIME OF THE BID]

ANNEX I
JOINT FACILITIES

This Annex sets forth the general principles governing the Joint Facilities contemplated by Clause 10.14 of the Contract and the effects that these activities have on the payment to the Contractor.

1. IDENTIFICATION OF JOINT FACILITY OPPORTUNITIES.

- a) PEP and the Contractor will at all times use reasonable efforts to identify opportunities to develop and maintain Joint Facilities, with a view to maximizing the efficient use of capital, reducing maintenance costs and avoiding unnecessary Infrastructure proliferation. For purposes of this Annex “Joint Facilities” means the Infrastructure which is to be utilized by both the Contractor and at least one or more companies or groups of companies (the "Third Party Contractor") supplying services to PEP under one or more separate agreements (each of them, the "Third Party Agreement") similar to the Contract. Such facilities may include, without limitation:

- i) Pipelines and gathering systems;
- ii) Metering equipment and facilities;
- iii) Conditioning facilities;
- iv) Hydrocarbon dew point control facilities; and
- v) Access roads.

In order for a facility to be a Joint Facility it must have been contemplated to be included within the Works forming part of this Contract and the works to be performed by the Third Party Contractor under the Third Party Agreement.

- b) If the Contractor identifies an opportunity in respect of a Joint Facility, the Contractor shall notify PEP and the Third Party Contractor in writing, providing both sufficient detail to enable PEP and the Third Party Contractor to fully evaluate the opportunity and an estimate of associated cost reductions that may be realized.
- c) If PEP identifies an opportunity in respect of a Joint Facility, PEP shall notify the Contractor in writing, providing sufficient detail to enable the Contractor to fully evaluate such opportunity.

2. JOINT FACILITIES PLAN

- a) When an opportunity in respect with a Joint Facility has been identified, the Contractor and the Third Party Contractor shall meet and attempt to agree on a written plan (the "Joint Facilities Plan") respecting the construction and maintenance of an identified Joint Facility. If such meeting leads to an agreement on the terms of a Joint Facilities Plan, the Contractor shall submit such plan to PEP.

- b) A Joint Facilities Plan shall include the following:
 - i) the allocation of responsibility for construction and maintenance of the Joint Facility between the Contractor and the Third Party Contractor, together with the estimated aggregate remuneration that will be required to be paid by PEP to the Contractor and the Third Party Contractor (to the extent such information is available to the Contractor) in connection with such Joint Facility;
 - ii) the proposed arrangements relating to the use of and access to the Joint Facility by the Contractor and the Third Party Contractor; and
 - iii) the allocation of the capacity of the Joint Facilities to the Contractor and the Third Party Contractor; and
 - iv) any other information which PEP may request.

3. ACCEPTANCE OF JOINT FACILITIES PLAN.

PEP may accept or reject the Joint Facilities Plan at its discretion. If PEP accepts the Joint Facilities Plan as presented by the Contractor (or with such amendments as PEP has requested and the Contractor and Third Party Contractor accept):

- a) Responsibility for the access roads and Infrastructure Works in relation with the construction of the Joint Facilities shall be shared in the proportions agreed between the Contractor and the Third Party Contractor in the Joint Facilities Plan; the Contractor's share of the access roads and Infrastructure Work contemplated as part of the Joint Facilities Plan shall be part of the Works required by this Contract; and the Contractor shall receive its *pro rata* payment from PEP based on the Unit Prices set forth in this Contract that are applicable to such access roads and Infrastructure Works.
- b) Responsibility for the Maintenance Works relating to the Joint Facilities shall be determined as agreed between the Contractor and the Third Party Contractor in the Joint Facilities Plan, and:
 - i) the Maintenance Works shall be carried out by the party allocated such responsibility in accordance with the terms of the Contract or the Third Party Agreement, as the case may be, to which that party is a signatory (the "Applicable Contract"), and without limiting the generality of the foregoing, the remuneration payable by PEP for such Maintenance Works shall be the Unit Price set forth in the Applicable Contract; and
 - ii) the party allocated such Maintenance Works responsibility shall be obligated to perform all related duties until the Applicable Contract expires or is otherwise terminated.

- c) The current and subsequent Annual Work Program, submitted by the Contractor shall include the Infrastructure Works and Maintenance Works contemplated in the Joint Facilities Plan, and such Works shall not be subject to approval by PEP as part of the corresponding Annual Work Program.
- d) The Contractor shall at all times ensure that there are appropriate measurement and testing facilities or methodology in existence so as to permit the accurate calculation and testing of production from the Work Area, having regard to the potential commingling of production from the different Work Areas that may occur in the Joint Facilities. For the purposes of the application of Clause 13 the Contract, the allocation of the capacity of the Joint Facilities to the Contractor shall be determined based on the Joint Facilities Plan.
- e) The use of and access to the Joint Facilities shall not adversely affect the Contractor's ability to satisfy its obligations under the Contract.
- f) The treatment of Outside Gas in a Joint Facility shall be consistent with the treatment to be afforded Outside Gas as prescribed elsewhere in the Contract.

4. OTHER FACILITY USAGE

If the Contractor and a Third Party Contractor wish to jointly use a facility maintained by the Contractor without establishing a Joint Facilities Plan, the provisions of Clause 9.2 shall apply.

5. JOINT SEISMIC ACTIVITIES

If the Contractor and a Third Party Contractor wish to undertake a joint seismic program, they may do so with the approval of PEP, applying the provisions of this Annex to the extent applicable.

ANNEX J-1

TRANSITION TO THE CONTRACTOR

This Annex sets forth certain procedures pursuant to which the Contractor shall assume the responsibility for executing the Works.

1. PEP'S EXISTING ASSETS

- a) PEP declares that the works, infrastructure and materials existing in the Work Area at the Effective Date which are indicated and described in the Appendix 1 of this Annex ("PEP's Existing Assets"), are in good operating condition, reasonable wear and tear expected, other than those items (the "Deficient Items") also described in Appendix 1 hereto under the heading "Deficient Items". As of the Effective Date PEP's Existing Assets shall be part of the Works, and the Contractor shall be responsible and liable for all of PEP's Existing Assets, including the Deficient Items, as set forth in the Contract, subject only to Section 1(b) below. The Contractor shall have the discretion, subject to and in accordance with the Contract and Good Petroleum Industry Practices, to repair, replace or abandon the Deficient Items. PEP makes no other representations or warranties with respect to the PEP's Existing Assets except as contained in this Section 1(a).
- b) PEP shall hold harmless, indemnify and release the Contractor from and against all Claims relating to damage or injury to any Person (including the Contractor) or property of any Person which directly results from a PEP's Existing Asset (other than a Deficient Item) not complying with the representation set forth in Section 1(a) above, if, and only if the Claim arises within one (1) year from the Effective Date, provided that this Section 1(b) shall not apply to, and the Contractor shall be responsible for, all such damages, injuries and Claims to the extent accruing after the date that the Contractor knew of the non-compliance of PEP with its declaration established in Section 1(a), the Contractor acknowledging that it has the obligation, subject to and in accordance with the Contract and Good Petroleum Industry Practices, to inspect the Works and repair, replace or abandon same if necessary.
- c) Any discrepancy in respect of whether a PEP Existing Asset complies with the representation in Section 1(a) above, or whether the indemnity in Section 1(b) is applicable, shall be referred to the Directive Group, and failing resolution by the Directive Group within thirty (30) days following the date of the corresponding request to the Directive Group, either Party may request that the discrepancy be resolved by the Independent Expert in accordance with Clause 35.2 of the Contract.

2. TRANSITION PERIOD AND PEP PERSONNEL

Upon written request by the Contractor, during the Transition Period, PEP will cause PEP Personnel or PEP's other contractors personnel, to assist the Contractor, in order to ensure the continuity of existing operations and safety in the Work Area.

3. EXISTING LEASES

During the Transition Period, the Contractor shall be entitled to notify PEP in writing of any leases for Supplementary Equipment listed in Appendix 2 of this Annex, which the Contractor considers essential for operations in the Work Area and which the Contractor wishes PEP to continue. PEP shall continue such leases and shall not remove the Supplementary Equipment from its location until the date (i) of expiry of the corresponding lease, or (ii) when the Contractor replaces the Supplementary Equipment, whichever occurs first. The Contractor shall bear the costs derived from such leases and maintain such Supplementary Equipment referred to in this paragraph, where applicable, but shall not receive any payment for Maintenance of Supplementary Equipment leased by PEP.

4. DATA AND INFORMATION

During the Transition Period, PEP shall provide the Contractor with access to all data, records (including land, Well, and facility files) and information (including seismic information) in its possession pertaining to the Work Area which is relevant to the Works. Such access shall be made available during normal business hours by PEP to the Contractor within a reasonable time after the Contractor has made a request therefor. The Contractor shall be entitled to, at its own expense, make copies of such data, records and information. The Contractor's rights under this Section 4 shall remain subject in all events to Clause 26 of the Contract.

PEP'S EXISTING ASSETS

[THIS APPENDIX WILL CONTAIN A DETAILED LIST OF ALL THOSE WORKS AND INFRASTRUCTURE WHICH:

- 1. ARE PHYSICALLY LOCATED WITHIN, OR PEP INTENDS TO USE IN CONNECTION WITH, THE WORK AREA; AND*
- 2. HAVE AN ORIGINAL UNIT PRICE ALLOCATED TO THEM IN THE ORIGINAL UNIT PRICES CATALOGUE, OR ARE A SPARE PART ASSOCIATED WITH ANY OF THOSE ASSETS TO THE EXTENT THE SPARE PART HAS A VALUE IN EXCESS OF USD\$25,000.00.*

THE DESCRIPTION OF PEP'S EXISTING ASSETS WILL CONTAIN A SUFFICIENTLY DETAILED DESCRIPTION SO AS TO PERMIT THE CONTRACTOR TO IDENTIFY THE SAME. ACCORDINGLY, THE SERIAL NUMBERS WILL BE PROVIDED WHERE POSSIBLE.

THIS APPENDIX WILL ALSO SPECIFY WHICH OF THESE ASSETS ARE DEEMED TO BE "DEFICIENT ITEMS"]

EXISTING LEASES FOR SUPPLEMENTARY EQUIPMENT

[THIS APPENDIX WILL CONTAIN A LIST OF ALL THOSE LEASES FOR SUPPLEMENTARY EQUIPMENT OF PEP THAT ARE IN FORCE AS OF THE EFFECTIVE DATE OF THE CONTRACT AND WHICH RELATE TO THE WORK AREA, INDICATING THE TERMINATION DATE OF THE LEASES.]

ANNEX J-2

TRANSITION TO PEP

This Annex sets forth certain procedures pursuant to which the Contractor shall commence transferring to PEP the responsibility for the Works, such transfer to be effective as of the Termination Date.

1. THE WORKS

No later than:

a) twenty (20) days prior to the Termination Date, if the Contract is terminated pursuant to Clauses 28 or 29 of the Contract; or

b) sixty (60) days prior to the Termination Date in every other instance,

(which dates are hereinafter referred to as the "Delivery Date"),

the Contractor shall provide to PEP a detailed written report (the "Report") which describes all those items forming part of the Works. The description shall contain serial numbers and other identifying marks where possible. The Contractor shall also provide in the Report a description of the condition of each item listed therein. The Contractor shall immediately deliver to PEP any additional information relating to the Works which PEP may reasonably request.

2. CONTRACTOR ASSISTANCE

Upon written request by PEP, the Contractor will cause Contractor Personnel to assist PEP during the period from the Delivery Date to the Termination Date in order to ensure the continuity of existing operations and safety in the Work Area.

3. CONTRACTOR WORK AREA CONTRACTS

a) The Contractor shall, no later than the Delivery Date, provide to PEP a written report summarizing all of those contracts (the "Work Area Contracts") which the Contractor entered into, or assumed in relation to, the Work Area, together with complete copies of the Work Area Contracts.

b) The Contractor shall ensure that each Work Area Contract it enters into or assumes, that relates to the Work Area, contains a provision terminating the Work Area Contract on the Termination Date.

ANNEX K
WELL SPACING AND
MAXIMUM RECOVERY OF RESERVES

The Well density for non-Associated Gas Reservoirs in the [_____] Basin will vary depending on the Reservoir size, transmissibility, thickness and quality. The optimal Drilling spacing would vary from as low as one (1) Well for every two (2) Sectors in a highly permeable non-Associated Gas Reservoir to as many as eighteen (18) Wells per Sector in a low permeability compartmentalized Reservoir.

1. GENERAL CRITERIA

For purposes of the Contract, the density of the Wells for optimum reserve development will be governed by the following criteria:

- a) The Well density will be appropriate to drain the Reservoir efficiently.
- b) The Well should be profitable, i.e., has to produce enough gas to cover for the Drilling and Well Completion costs.
- c) The reserves associated with the Sector should be recovered in a period of less than twenty (20) years.

2. WELL SPACING

For purposes of the Contract, the typical Well spacing for non-associated gas for each Reservoir shall be:

- a) One (1) to six (6) Wells per Sector, with the maximum number of Wells drilled in a Sector being six (6).
- b) The maximum number of horizontal Wells being six (6) per Sector.
- c) The maximum number of deviated Wells being six (6) per Sector.
- d) The minimum distance between Wells (where the wellbore intersects the Reservoir) should be four hundred (400) meters in the case of vertical and deviated Wells and, in the case of horizontal Wells, the distance between productive intervals for each Well should be at least four hundred (400) meters.
- e) The minimum distance from where the well bore intersects the Reservoir to the boundary of the block should be three hundred (300) meters.

3. REQUEST FOR CHANGE OF WELL DENSITY

During the development of a Reservoir, it may be apparent that the well spacing is not adequate for proper drainage. Therefore, more than six (6) Wells per Sector may be required to drain the reserves effectively.

In those cases, the Contractor shall make a special request to PEP in accordance with the provisions of the following paragraph. In order to determine if there is justification for a change in the Well spacing so that it is less than the typical Well spacing referenced above, the following criteria shall be considered: improved recovery, recovery of trapped gas due to compartmentalization and increased capacity and efficiency in order drain the Reservoir in a more reasonable time frame.

In order to support a request to change typical well spacing, the Contractor shall make a request to PEP, prior to the Drilling of the Well(s). The referenced request shall contain the following information:

- a) Maps of the area presenting the status of the Wells;
- b) The proposed Drilling density;
- c) The names of the applicable formations;
- d) Isopach maps on net pay for the applicable formations and the amount of gas reserves;
- e) A forecast on how the proposed spacing will affect the gas recovery; and
- f) Economical and technical analysis justifying the need for increased Well density.

ANNEX L

GUIDELINES FOR THE ANNUAL RESERVES REPORT

In accordance with Clause 11.7(d) of the Contract, the Contractor shall present to PEP a report with the account of the proven, probable and possible non-associated gas reserves calculation existing in the Work Area pursuant to the guidelines for the calculation of reserves indicated in this Annex.

The "Annual Reserves Report" shall include the proven probable and possible gas (including natural gas liquids) reserves and deliverability of same. The report shall be prepared by an independent firm of internationally recognized prestige and capabilities in its area of expertise, selected by mutual agreement between PEP and the Contractor. This report shall be prepared annually with an effective date of January 1 of every year. The purpose of the report would be to identify, on an annual basis, the proved probable and possible gas and natural gas liquids reserves and provide a twenty (20)-year production forecast for these reserves.

The definitions to be used in the reserve determination shall be those recognized by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). These definitions are presented below and can be verified at the www.spe.org website.

1. PROVED RESERVES

Proved reserves are those quantities of gas and natural gas liquids which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.

2. PROBABLE RESERVES

Probable reserves are those unproved reserves which analysis of geological and engineering data suggest are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

3. POSSIBLE RESERVES

Possible reserves are those unproven and improbable reserves which analysis of geological and engineering data suggest are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved, probable and possible reserves.

4. CONTENT OF THE REPORT

The Contractor will provide the following information in the Annual Reserves Report for each productive Reservoir:

- a) An estimate of the total remaining proved, probable and possible gas reserves to be recovered on a Well-by-Well, zone-by-zone basis using volumetric, production decline curve, material balance and numeric simulation when the data permits it.
 - i) The calculated total of remaining reserves by Well and by zone should be classified as either proved, probable and possible, indicating the risk associated to the estimates. Such classification must be presented in the report. The proved category should be divided into proved developed producing reserves, proved developed non-producing reserves, and proved undeveloped reserves, meeting all the requirements of an Annual Reserves Report.
 - ii) Volumetric estimates shall be based on Well data, including daily Well data and production tests, which establish all Reservoir parameters. Structural and isopach maps are to be prepared, which illustrate the shape, extent, and altitude of the gas pools used to calculate volumes. Tables presenting the Reservoir parameters used and the proved, probable and possible gas reserves should be included in the report.
 - iii) Material balance reserve estimates should be prepared and presented using an appropriate model. Pressure data, in conjunction with geological interpretation and production history, are to be analyzed to define the pressure depletion mechanism in the Reservoir. This may require the preparation of isopressure maps at various time increments.
- b) A time structure map with clear 2D shotpoint and 3D inline crossline annotations, to show the extent of the seismic control used to define the structure. At least, a time structure map on the key reservoir horizon(s) should be provided, with clearly marked fault polygons and structural contours. Also, a strike and dip seismic profile, annotated with complete horizon and fault interpretation, should be included across proposed locations.
- c) Production history for all Wells and zones on production. Exponential, hyperbolic, or harmonic curve fitting that was used to describe the remaining gas reserves of the Well and/or zone should be also presented on a production history plot.
- d) A twenty-year gas deliverability forecast on a Well-by-Well and zone-by-zone basis.

- e) A summary table presenting the total proved probable and possible petroleum and gas reserves. In addition a total gas deliverability tabulation and curve should be presented for all the various reserve classifications in total for a twenty-year period.

ANNEX M
RECEPTION CRITERIA

[THIS ANNEX IS CURRENTLY BEING REVISED]

ANNEX N

INFORMATION FOR REGISTRATION OF WORKS UNDER PIDIREGAS

[PEP is currently developing the procedure to register Works performed in accordance with the Contract in order to comply with the norms that regulate PIDIREGAS projects. This Annex shall be updated once the design of such procedure has been completed]

1. GENERAL

In accordance with the provisions of Clause 20 of the Contract, at least fifteen (15) days prior to the end of each Contract Quarter, the Contractor shall deliver to the Contract Operations Management a complete list of all Development and Infrastructure Works delivered to PEP and received by PEP (or pending to be received by PEP prior to such fifteen days) in accordance with Clause 15 of the Contract, and all other information and documents described in Section 2 of this Annex. This information shall be used for the registration of such Works, and the related payment obligations, as public debt in favor of the Contractor, in accordance with the provisions of Article 18 of the *Ley General de Deuda Pública*.

2. INFORMATION TO BE PROVIDED

In order to register the Works as public debt and to maintain the control of the Essential Fixed Assets owned by PEP under the Contract, it is necessary that the Contractor provides, at a minimum, the following information to PEP within the term indicated in Section 1 of this Annex:

- a) Total amount of the executed Works that have been delivered to PEP in the corresponding Contract Quarter or in the last fifteen (15) days of the previous Contract Quarter, at the time of delivery of such information to PEP;
- b) The information requested in accordance with Clause 10.12(f) of the Contract; and
- c) Amortization table of the Works in accordance with Clause 20.2 of the Contract, indicating the years of financing, payments of capital and Financial Interest, and the basis for the calculation of such interest. The table shall contain, for each Month, the amounts of payment of capital and the balance, as well as the corresponding Financial Interest.

ANNEX O
INSURANCE

In accordance with Clause 24.1 of the Contract, the Contractor shall: (i) obtain on its own name the insurance policies indicated in Section 2 below, which shall only be issued by an insurer legally authorized to operate in México²; and (ii) have delivered to PEP, before entering into the Contract, copy and original for purposes of verification, of the documents that certify the payment of the premiums, as well as the original of the documents that evidence the coverage and amount of such insurance policies. Additionally, the Contractor shall comply with the provisions of Section 4 of this Annex.

1. GENERAL TERMS AND CONDITIONS

The Contractor shall maintain in force the insurance referred to in Section 2 of this Annex, from the day before the Effective Date, and until the date of the Final Reception Minutes of the Works by PEP (through the maintenance of insurance or through the renewal or substitution of the corresponding policy).

The Contract shall not be affected by the clauses or provisions of the policy. Additionally, the fact the referred policy is acquired shall not release the Contractor, totally or partially, from the performance of any of its obligations and responsibilities under the Contract and those that arise from the Applicable Provisions.

The Contractor shall be exclusively responsible for presenting any claim before the corresponding insurance institution, providing all the information and duly documenting every incident.

The Contractor shall bear any and all deductibles applicable in accordance with the policy.

The benefits to be collected under the policy required pursuant to this Annex shall be denominated and payable in Dollars, insofar as this is permitted by the Applicable Provisions.

In the event that the Contractor obtains indemnification under an insurance, as a consequence of presenting a claim under the insurance policy, it shall either apply such indemnification to remedy the loss or damage to the Works subject to the claim, and immediately pay to PEP the balance, if any, or notify PEP of its intent not to repair such loss or damage and immediately pay all amounts that may result from such indemnification to PEP. The Contractor shall decide if it applies or not the amounts obtained under the insurance policies to repair the loss or corresponding damage in accordance with international Good Petroleum Industry Practices.

² If the insurance company is foreign, the Contractor shall present the specific authorization issued by the *Secretaría de Hacienda y Crédito Público* for the direct contracting of the policy, or through an insurance company of the country.

2. GENERAL CIVIL LIABILITY INSURANCE

The Contractor shall enter into at its own account and expense, a general civil liability insurance that covers damages to PEP and/or third parties, on their persons and/or assets, which shall comply with the following requirements:

- a) **Coverage of the general civil liability insurance.** The general civil liability insurance shall include the following:
 - i) Basic coverage of activities in facilities.
 - ii) Underground facilities, welding Works, loading and unloading, demolition, explosives, work machinery, bracing and other special works.
 - iii) Coverage for ongoing Works and finished Works.
 - iv) Civil liability for Environmental pollution.
 - v) Claims for damage, restoration, fines, site clearing, and other similar cases.
 - vi) Coverage for all the Works and facilities in existence and/or adjacent property.

- b) **Characteristics of the general civil liability insurance.** The general civil liability insurance shall meet the following characteristics:
 - i) A maximum limit of liability or coverage, assumed by the insurance institution under the insurance policy of Fifty Million Dollars (USD\$50,000,000.00), per event; if the policy is subject to a deductible amount, the Contractor shall prove, to PEP's satisfaction, that it has the financial capacity to cover the deductible amount.
 - ii) A term counted from the day before the Effective Date until the date of the Final Reception Minutes of the Works by PEP (through the maintenance of the policy or through the renewal or substitution of the corresponding policy).
 - iii) The designation of PEP as third party and preferred beneficiary over the Contractor and other third parties.
 - iv) Specific mention of the fact that after each event or claim, the maximum liability limit or coverage shall be reinstalled automatically.
 - v) Specific mention of the fact that, in the event of any claim against PEP with respect to any indemnification under the policy, the insurance company shall indemnify PEP for any amounts that PEP has to spend for such claim.
 - vi) Indication that any amendment to the terms and conditions of the insurance policy shall be informed to PEP in advance and shall be effective thirty (30) days after the written notification to PEP, as long as PEP has agreed in writing to the newly proposed terms.
 - vii) An endorsement of non-cancellation that guarantees the coverage throughout the whole Term.

3. SPECIFIC TERMS AND CONDITIONS

- a) **Endorsements, Renewals, and/or Additional Insurance Policies.** The Contractor shall deliver to PEP the documents that certify having obtained the endorsement, renewal, and/or additional insurance policies, as the case may be, and shall comply with the same terms and conditions of the policy presented originally, in the following cases:
- i) In the event that the term of the insurance policy originally presented by the Contractor, in accordance with Section 2 of this Annex, finishes before the total reception of the Works by PEP.
 - ii) In the event of a modification of the amount or the Term, the Contractor shall deliver to PEP evidence of the increase of the coverage of such insurance policy and/or of the term of same, as the case may be; and
 - iii) In the event that PEP, in accordance with the provisions of Clause 30 of the Contract, temporarily suspends the execution of the Works, the Contractor shall deliver to PEP evidence of the increase of the term of such insurance policy.
- b) **Term to present the Endorsements, Renewals and/or Additional Insurance Policies.** The Contractor shall deliver to PEP the endorsement, renewal and/or additional insurance policy referred to in subparagraph (a) of this Section 3, in the following terms:
- i) For the case set forth in Section 3(a)(i), not later than one (1) day before the date on which the previous policy shall cease to be in force;
 - ii) For the case set forth in Section 3(a)(ii), within the fifteen (15) days following to the date on which the Contractor has received a copy of the corresponding *convenio* or written notice by PEP, whichever occurs first; and
 - iii) For the case set forth in Section 3(a)(iii), within the fifteen (15) days following the date on which the suspension is notified to the Contractor.

In the event that the last day of the terms indicated above is not a Business Day, the end of the term shall be advanced to the immediately previous Business Day.

- c) **Non-compliance with the Term for Presenting Endorsements, Renewals and/or Additional Insurance Policies.** In the event of non-compliance by the Contractor with the timely delivery of the renewal, substitution, increase, or modification of the policy, in accordance with the terms set forth in Section 3(b), PEP shall be able to suspend the payment of invoices that correspond with the Works executed and presented for payment, until such documents have been satisfactorily delivered. That suspension shall not give rise to the payment of Financial Interest in accordance with Clause 20.3 of the Contract, since the suspension is attributable to the Contractor itself. Without prejudice to the

foregoing, PEP may administratively rescind the Contract at any time, without incurring any responsibility, in accordance with the proceeding set forth in the same.

4. ADDITIONAL INSURANCE REQUIREMENTS

The Contractor shall be exclusively responsible to insure the Works with adequate All Risk Installation and Construction insurance. At the Contractors election, it may insure the Works directly or request its Subcontractors to satisfactorily certify that such Works have been insured, in which case, the Contractor shall ensure that the policies of its Subcontractors designate PEP as third party and preferred beneficiary over the Contractor and other third parties. Such insurance policies shall be issued by an insurance company legally authorized to operate in México and shall comply with the characteristics required by Good Petroleum Industry Practices for similar policies.

The Contractor shall maintain available in the Work Area, at all times in favor of PEP, for its review and verification, copies of all the information and documents referred to in this Annex.

ANNEX P-1

PERFORMANCE LETTER OF CREDIT

**[FORM OF LETTER OF CREDIT TO GUARANTEE
THE PROPER PERFORMANCE OF THE PUBLIC WORKS CONTRACT BASED
ON UNIT PRICES NUMBER PEP-_____]**

IRREVOCABLE STANDBY LETTER OF CREDIT

Issued by [Name of bank]

Date: _____

No.: _____

PEMEX Exploración y Producción

[Address of PEP / Office of the Contract Operations Manager]

Dear Sirs:

[Name of bank], a [_____] organized under the laws of [_____] (the "Bank") with its main domicile in the City of [_____] ³, hereby establishes in favor of PEMEX Exploración y Producción (hereinafter "PEP"), a parastate entity (*entidad paraestatal*) of the decentralized public administration of the United Mexican States, an irrevocable standby letter of credit No. [_____] (hereinafter the "Letter of Credit"), whereby the Bank authorizes PEP to draw the whole or partial amount of this Letter of Credit, in accordance with the following provisions:

1. This Letter of Credit is issued by the Bank at the request of [[name of Contractor]⁴, a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter jointly referred to as the "Contractor")⁵ to guarantee in an independent and irrevocable manner to PEP the obligations assumed by the Contractor under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Contract.
2. The amount of this Letter of Credit shall be the sum⁶ of [_____] Dollars of the United States of America (USD\$_____) (hereinafter the

³ If a foreign bank, the letter of credit must be confirmed by a bank authorized to operate in Mexico.

⁴ Insert the name of the Contractor.

⁵ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

"Amount"). [From the termination of the first Contract Year of the First Development Stage, the Letter of Credit may be reduced once a year. The reduction of the Amount shall be proportionate to the Non-Refundable Work Units and the Minimum Work Obligation performed by the Contractor as of the relevant date, provided that such new Amount cannot be less than ten percent (10%) of the amount of the authorized budget for the Annual Work Program corresponding to that year. For the reduction of the Amount, PEP, at the request of the Contractor, shall deliver to the Bank a certificate (a "Reduction Certificate") in accordance with the form established in Appendix ___ of this document, indicating the new Amount]⁷.

3. PEP may draw, during the term of this Letter of Credit, a portion or all of the Amount in the manner specified in Clause 4 of this Letter of Credit, on any Banking day during the period beginning at 9:00 a.m., [_____] time, on [_____] [____], [____]⁸, and ending at 5:00 p.m., [_____] time, on [_____] [____], 20[____]⁹(the "Drawing Period"). A "Banking day" is any day, other than a Saturday, Sunday or any day on which commercial banks in the City of [_____] are authorized or required by law, regulation or executive order to close.
4. A drawing may be made in accordance with this Letter of Credit only by presentation by PEP to the Bank of a drawing request on sight in the form attached hereto as Appendix 1 (hereinafter the "Drawing Certificate"), provided that the aggregate amount of one or all Drawing Certificates cannot exceed the Amount of this Letter of Credit. A Drawing Certificate must be presented at the Bank's office in the City of [_____] , located at [_____] , or at such other address in the City of [_____] as the Bank may designate, by notifying PEP of the same by notice given in accordance with Clause 10 of this Letter of Credit.
5. Upon presentation by PEP to the Bank of the Drawing Certificate during the Drawing Period at the office designated by the Bank pursuant to Clause 4 of this Letter of Credit, the Bank shall verify, that the Drawing Certificate meets all

⁶ For the Initial Letter of Credit, the amount of the value is equal to twenty-five percent (25%) of the amount of the Minimum Work Obligation corresponding to the First Development Stage. For the Annual Letter of Credit, the amount is equal to ten percent (10%) of the amount of the authorized budget for the Annual Work Program corresponding to that Contract Year.

⁷ Include only in the Initial Letter of Credit.

⁸ For the purposes of the Initial Letter of Credit, the effective date shall be prior to the date of execution of the Contract.

For the purposes of the Annual Letter of Credit, the effective date shall be from January 1 of every Contract Year, from the first Contract Year of the Second Development Stage, included.

⁹ The termination date of the Initial Letter of Credit shall be December 31 of the third Contract Year of the First Development Stage.

The Annual Letter of Credit shall remain in force until replaced by the Annual Letter of Credit corresponding to the following Contract Year, except for the Annual Letter of Credit corresponding to the Final Partial Year or the last Contract Year of the Term, as the case may be, which shall remain in force until termination of the Contract and its substitution by the Hidden Defects Guarantee under the Contract.

requirements specified in this Letter of Credit. In the event the Drawing Certificate does not comply with any of the requirements, the Bank shall notify PEP about the reasons on which the Bank rejects the Drawing Certificate, in which case PEP may present a new Drawing Certificate by adjusting it to the provisions of this Letter of Credit. Without prejudice to the foregoing, any Drawing Certificate properly presented in accordance with this document, prior to the expiration of this Letter of Credit, shall be paid by the Bank by wire transfer of immediately available funds to PEP's account with a financial institution in the City of [_____] designated in the Drawing Certificate. If presentation of the Drawing Certificate is duly made at or prior to 11:00 a.m., [_____] time, on any Banking day, the Bank shall make the payment at or prior to 5:00 p.m., [_____] time, on the same Banking day. If presentation of the Drawing Certificate is duly made after 11:00 a.m., [_____] time, on any Banking day, the Bank shall make the payment at or prior to 1:00 p.m., [_____] time, on the immediately following Banking day.

6. This Letter of Credit shall expire upon the earliest of: (i) the termination date of the Drawing Period indicated in Clause 3, unless this Letter of Credit is extended in accordance with Clause 8, in which case it shall expire on the termination date of the relevant extension; (ii) the reduction of the amount of this Letter of Credit to zero; (iii) the date on which PEP presents to the Bank an expiration certificate signed by PEP in the form attached hereto as Appendix 2 (an "Expiration Certificate"); or (iv) the indefeasible payment of the Bank to PEP of the whole Amount. Notwithstanding any other provision of this document, in the event that the Bank's office designated in Clause 4 of this Letter of Credit is closed on the termination date of the Drawing Period, or of the extension should it be the case, the expiration date of this Letter of Credit and the Drawing Period shall be extended to the next Banking day on which such office is open.
7. The Bank shall pay the Amount regardless of any credit that the Contractor has in its favor against PEP under the Contract or under any other contract with Petróleos Mexicanos or its Subsidiary Entities and, consequently, the Contractor shall not have the right to offset or demand in connection with any other claim that it could have in its favor against PEP or Petróleos Mexicanos or its Subsidiary Entities.
8. Prior to the expiration of the Letter of Credit, the Contractor may notify the Bank its will to extend this Letter of Credit by an extension certificate (the "Extension Certificate") in the form attached hereto as Appendix 3, in which case the Contractor will need to update the Amount so that it is equal to ten percent (10%) of the amount of the authorized budget for the Annual Work Program corresponding to the immediately following Contract Year. In the event of an extension, the Letter of Credit shall be in force only from January 1 of the following Contract Year.
9. With respect to all matters not provided for in this Letter of Credit, the same will be governed by the international practice for irrevocable standby letters of credit of the International Chamber of Commerce (ISP98) and to the extent not in contradiction with ISP98, this Letter of Credit shall be governed and construed in accordance with

the laws of the United Mexican States. Any controversy shall be exclusively resolved before the competent courts of Mexico City, D.F., Mexico.

10. All notices, demands, instructions, waivers or other communications to be delivered pursuant to this Letter of Credit shall be in writing in [English / Spanish], shall be effective upon receipt, and shall be sent to the following addresses:

i If to the Bank, to: _____

ii If to PEP, to: [Address of PEP - Contract Operations Management]

The addresses indicated for the sending of notices under this Letter of Credit, may be changed by the Bank or by PEP by sending a written notice to the other party at least fifteen (15) Banking days prior to the effective date of such change.

11. This Letter of Credit sets forth in full the undertakings of the Bank, and such undertakings shall not in any way be modified or amended by reference to any document, instrument or agreement referred to herein, except the Drawing Certificate and any [Reduction Certificate,¹⁰] Expiration Certificate or Extension Certificate.

Very truly yours,

[NAME OF THE BANK]

By: _____

Name: _____

Title: _____

¹⁰ Include only in the Initial Letter of Credit.

APPENDIX 1

[FORM OF DRAWING CERTIFICATE]

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [name of the Bank], a _____ organized under the laws of _____, at the request of [[name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")]¹¹ to guarantee in an independent and irrevocable manner to PEP the obligations assumed by the Contractor under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The undersigned, in my capacity as [_____] , duly authorized to execute this certificate on behalf of PEP, hereby certify that PEP officially requests payment up to the amount of [_____] Dollars of the United States of America (USD\$_____), due to the fact that the Contractor has breached the terms and conditions provided for in the Contract.

Based on the above, and in accordance with the provisions of the Letter of Credit, I request the transfer of the abovementioned amount to the following bank account:

[Insert details of the bank account]

This certificate has been duly executed on _____, 20__.

PEMEX Exploración y Producción

By: _____

Name: _____

Title: _____

¹¹ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

[FORM OF EXPIRATION CERTIFICATE]

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [name of the Bank], a _____ organized under the laws of _____, at the request of [[name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")]¹² to guarantee in an independent and irrevocable manner to PEP the obligations assumed by the Contractor under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The undersigned, in my capacity as [_____] , duly authorized to execute this certificate on behalf of PEP, hereby certify the expiration of the Letter of Credit from [_____] , due to the fact that [indicate reason for expiration of the letter of credit, among which the following are mentioned as an example: (i) the Contractor has complied, to the full satisfaction of PEP, with the obligations derived from the Contract; or (ii) the Letter of Credit has been replaced by another letter of credit or another guarantee to the full satisfaction of PEP].

This certificate has been duly executed by the undersigned on [_____] [____], 20[____].

PEMEX Exploración y Producción

By: _____
 Name: _____
 Title: _____

¹² If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

[FORM OF EXTENSION CERTIFICATE]

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [name of the Bank], a _____ organized under the laws of _____, at the request of [[name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")]¹³ to guarantee in an independent and irrevocable manner to PEP the obligations assumed by the Contractor under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The undersigned, in my capacity as [_____] , duly authorized to execute this certificate on behalf of the Contractor, hereby certify to the Bank the will of the Contractor to extend this Letter of Credit until [_____]. From January 1, [_____] ¹⁴, the Amount of the Letter of Credit shall be the amount of [_____] ¹⁵ Dollars of the United States of America (USD\$ _____).

This certificate has been duly executed on [_____] [____], 20[_____].

[Name of the Contractor]

By: _____
 Name: _____
 Title: _____

ACKNOWLEDGED and ACCEPTED
 PEMEX Exploración y Producción

By: _____
 Name: _____
 Title: _____

¹³ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

¹⁴ Indicate the corresponding Contract Year.

¹⁵ The [reduction or increase] of the Amount of the Letter of Credit is based on the adjustment of the same so that it is equal to ten percent (10%) of the amount of the authorized budget for the Annual Work Program corresponding to the following Contract Year.

[FORM OF REDUCTION CERTIFICATE]¹⁶

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [name of the Bank], a _____ organized under the laws of _____, at the request of [[name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")]¹⁷ to guarantee in an independent and irrevocable manner to PEP the obligations assumed by the Contractor under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The undersigned, in my capacity as [_____] , duly authorized to execute this certificate on behalf of PEP, hereby certify to the Bank that the Letter of Credit shall be reduced in amount of [_____] Dollars of the United States of America (USD\$ _____) due to the partial compliance with the Non-Refundable Work Units and the Minimum Work Obligation. As a result thereof, from January 1, [_____] ¹⁸, the Amount of the Letter of Credit shall be the sum of [_____] Dollars of the United States of America (USD\$ _____).

This certificate has been duly executed on [_____] [____], 20[_____].

PEMEX Exploración y Producción

By: _____
 Name: _____
 Title: _____

¹⁶ Only applicable for the Initial Letter of Credit.

¹⁷ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

¹⁸ Indicate effective date of the reduction of the Amount.

ANNEX P-2

CORPORATE GUARANTEE

**[FORM OF
CORPORATE GUARANTEE FOR THE PROPER PERFORMANCE OF THE
PUBLIC WORKS CONTRACT BASED ON UNIT PRICES NUMBER PEP- _____]**¹⁹

This Corporate Guarantee is issued in accordance with the Public Works Contract Based on Unit Prices number PEP- _____ and its Annexes (hereinafter the "Contract"), entered into between PEMEX Exploración y Producción (hereinafter "PEP") and [name or corporate name of [Company A which filed the joint proposal in the bid]²⁰] (hereinafter the "Guaranteed Entity").

With respect to the obligations undertaken by the Guaranteed Entity under the Contract or that may be required to the Guaranteed Entity under the Contract, [name or corporate name of the Affiliate of Company A]²¹] (hereinafter the "Guarantor"), hereby agrees to the following:

1. Capitalized terms used in this document and not defined herein shall have the meaning given to the same in the Contract.
2. The purpose of the Contract is to perform in the Work Area located in the [_____] Basin, the execution and administration of the works related to the development, infrastructure and maintenance of non-associated gas fields.
3. The Guarantor declares and warrants to PEP that: (i) it is duly incorporated and existing under the laws of [_____] ; (ii) it is empowered and has been duly authorized to execute, issue and bind itself under the terms of this Corporate Guarantee; (iii) the execution, issuance and binding character of this Corporate Guarantee have been duly authorized by all the necessary corporate internal bodies; (iv) this guarantee constitutes the legal, valid and enforceable obligation of the Guarantor, which can be enforced against it in accordance with its terms; (v) no governmental approval is required with respect to the execution, issuance and enforcement of this Corporate Guarantee, except for those which have already been obtained and that remain in force; and (vi) neither the execution, issuance or compliance of this Corporate Guarantee with respect to the Guarantor in accordance with the terms provided in this document, will violate any provision of any law or regulation to which the Guarantor is subject to, nor any provision of the articles of incorporation/by-laws of the Guarantor, nor of any agreement to which it may be a party.

¹⁹ This guarantee will be adjusted in the event there is only one member of the Contractor (with one or more shareholders) or more than two members of the Contractor.

²⁰ If the Contractor is only one company, replace the bracketed language for: *the Contractor*.

²¹ If the Contractor is only one company, replace the bracketed language for: *the Contractor*.

4. The Guarantor guarantees to PEP, unconditionally and irrevocably, as a primary and joint debtor and obligor and up to a cumulative amount²² during the Term of _____ Dollars of the United States of America (USD\$ [____])²³, the due and timely performance of all the obligations of the Guaranteed Entity under the Contract or in connection with the same, in which case, each requirement that the Contractor makes to the Guarantor, shall reduce such total amount in a quantity equivalent to such requirement. This Corporate Guarantee is granted in accordance with the provisions contained in Clause 24.2 of the Contract.
5. In case that the Guaranteed Entity fails to comply with any of its obligations provided in the Contract in the required manners and terms, the Guarantor, at the request of PEP, will comply with such obligations or will have them complied with up to the amount indicated in Clause 4 of this document. Compliance of this Corporate Guarantee is independent from the request that may be made to the Guaranteed Entity for payment of the conventional penalties provided in the Contract. This Corporate Guarantee does not preclude PEP from enforcing any remedy against the Guaranteed Entity for any breach derived from the Contract that may exceed the value specified in this document.
6. The Guarantor undertakes the obligation to supply all necessary technical, human and financial recourses so that the Guaranteed Entity timely complies with its obligations under the Contract, including without limitation, to make all technology, directly or indirectly owned by the Guarantor, existing or future, as well as the know-how applicable to the Works under the Contract, available for its use.
7. This Corporate Guarantee guarantees the total execution of the Works subject to the Contract, even if they were partially subcontracted.
8. This Corporate Guarantee is irrevocable and unconditional and shall remain in full force and effect from the date of execution of the Contract and until twelve (12) months after the termination of the Contract, whether by acceleration or otherwise, provided that all obligations of the Guaranteed Entity under the Contract, or in connection with the same, are duly fulfilled and fully satisfied and PEP has not filed any claim within such term of twelve (12) months. This Corporate Guarantee shall remain in force even in any of the following events: (a) in the event of any amendment of the Contract, (b) any Assignment of the participation interest in the capital stock of the Guaranteed Entity by the Shareholders; (c) any extension or voluntary concession granted by PEP; or (d) any delay or omission of PEP in exercising any actions that it could exercise against the

²² This amount must be equal to fifty percent (50%) of five percent (5%) of the total value of the Contract at the Effective Date. If the Contractor is more than two companies, the set percentages may vary, as long as the total sum with the percentages of the other similar guaranties is equal to one hundred percent (100%) of five percent (5%) of the total amount of the Contract.

²³ This amount must be equal to fifty percent (50%) of five percent (5%) of the total value of the Contract at the Effective Date. If the Contractor is more than two companies, the set percentages may vary, as long as the total sum with the percentages of the other similar guaranties is equal to one hundred percent (100%) of five percent (5%) of the total amount of the Contract.

Guaranteed Entity, provided that PEP pursues the actions prior to the expiration of the twelve (12)-month period previously mentioned. Notwithstanding the foregoing, this guarantee shall be automatically terminated if, as a consequence of the requirements made by the Contractor to the Guarantor under this Corporate Guarantee, its amount is reduced in its entirety.

9. The obligations of the Guarantor under this Corporate Guarantee shall be independent and absolute and the Guarantor shall not have the right to offset or reconvene with respect to any other claim in its favor that it may have against PEP or any other person. PEP shall not have the obligation of pursuing any remedy or taking any action against the Guaranteed Entity prior to enforcing or executing its rights under this Corporate Guarantee directly against the Guarantor. Likewise, the Guarantor may not allege that PEP could have avoided or mitigated in some way or by means of some actions the damages resulting from the breach of the Contract of the Guaranteed Entity, or that PEP must satisfy its claim by executing any other guarantee that could exist in its favor at any time before acting against the Guarantor in connection with the latter's obligations under this Corporate Guarantee. The Guarantor expressly waives the benefits of order, excuse and preference granted to it under Articles 2813, 2814, 2815 and 2823 of the Federal Civil Code, it being understood that the Guaranteed Entity has given in the Contract the express waiver to the benefit of offset under the terms of Article 2197, in conjunction with Article 2192, Paragraph I of the Federal Civil Code.
10. All obligations of the Guarantor provided in this document shall be binding on the Guarantor and its successors. The Guarantor may not assign or delegate its duties and obligations under this document without PEP's prior written consent, and any purported assignment or delegation without such consent shall be null and void. No other person or entity shall benefit from this Corporate Guarantee or have or acquire any rights in accordance with the same.
11. PEP will have a twelve (12)-month period to file any claim in accordance with this Corporate Guarantee, which will be calculated from the enforceability of the corresponding obligation in accordance with the terms of the Contract, and the Guarantor commits itself to pay up to one hundred percent (100%), in the aggregate, of the amount provided in Clause 4 of this document, in the event of one or more claims.
12. The Guarantor undertakes to take care of any claims filed by PEP. The claims shall contain the following data: (i) date of the claim, (ii) description of the guaranteed obligation; (iii) data of the Contract (date and number of the Contract); (iv) description of the breach of the guaranteed obligation which results in the bringing of the claim, accompanied by the supporting documentation in order to prove the statements made, if any; and (v) the amount being demanded, which cannot be greater than the amount of the Corporate Guarantee or the remaining amount of the Corporate Guarantee in the event that the same had already been enforced and that the Guarantor had paid part of the amount guaranteed by this Corporate Guarantee by one or more previous claims.
13. This Corporate Guarantee shall be governed and construed in accordance with the laws of the United Mexican States.

14. Any omission or delay of PEP in the exercise of any right, in whole or in part, provided in this document, will not constitute nor shall it be understood as a waiver to the exercise of the same or of any other right.
15. No amendment or modification of this Corporate Guarantee shall be effective unless made in writing and signed by PEP and the Guarantor.
16. All controversies, disputes, claims or conflicts arising from, linked to or in connection with, or related with this Corporate Guarantee, its interpretation, performance and/or compliance, shall be exclusively resolved through institutional arbitration in the City of Paris, France, in accordance with the Rules of Arbitration of the International Chamber of Commerce or with any other rules that may be agreed upon by the parties, it being understood that PEP expressly and irrevocably waives, in the most ample manner permitted by the Applicable Provisions, the forum or any potential immunity, including sovereign or jurisdictional immunity that may correspond to it. The governing law used as substantive law shall be the law of the United Mexican States. The arbitration tribunal shall be comprised by three (3) members, one appointed by each one of the parties, and the third (who shall be the Chairman) appointed in accordance with the Rules of Arbitration of the International Chamber of Commerce. The arbitration shall be conducted in the Spanish language. The award shall be final, mandatory and binding on the parties. Each one of the parties will cover its own representation expenses at the arbitration, regardless of the fact that they will cover in equal parts the costs derived from the arbitration, unless in the latter case the tribunal decides a different allocation based on its decision. Any decision requiring the compliance with any award rendered by the arbitration tribunal may be requested to any tribunal of competent jurisdiction, and in PEP's case, it may be exclusively remitted to the Federal Tribunals in *Ciudad de México, D.F.*, without a need to review the merits of such decision. The fees and costs incurred in order to request judicial intervention for the judicial compliance of an award shall be paid by the party rejecting the voluntary compliance of the same. To the extent that the Applicable Provisions allow it, the parties waive all their rights to appeal or to request the review or annulment of the decision referred to herein by the courts.
17. All notices, demands, waivers or other communications to be delivered pursuant to this Corporate Guarantee and any consents contemplated herein shall be in writing in the Spanish language, shall be effective upon receipt, and shall be sent for personal delivery to the following addresses:
 - i. If to the Guarantor, to:
 - ii. If to PEP, to:

The addresses of any party for the purposes of the notifications to be made under this Corporate Guarantee, may be changed through written notice to the other party at least fifteen (15) business days prior to the effective date of such change.

This Corporate Guarantee has been executed by the authorized representative of the Guarantor on [_____] [____], [_____].

[NAME OF THE GUARANTOR]

By: _____
Name: _____
Title: _____

ACKNOWLEDGED and ACCEPTED
PEMEX Exploración y Producción

By: _____
Name: _____
Title: _____

ANNEX P-3

HIDDEN DEFECTS BOND

FORM OF HIDDEN DEFECTS BOND TO RESPOND FOR DEFECTS, HIDDEN DEFECTS AND ANY OTHER LIABILITY²⁴

[Name or corporate name of the guarantor], a [_____] organized under the laws of [_____] becomes guarantor up to the amount of [_____] ²⁵ before, in favor of and at the disposition of PEMEX Exploración y Producción, a subsidiary entity of Petróleos Mexicanos (hereinafter "PEP"), and grants this guarantee taking into consideration all provisions contained in the Public Works Contract Based on Unit Prices number PEP-_____ and its Annexes (hereinafter the "Contract"), to guarantee the obligations derived from the Contract, which was executed between PEP and [[name of the Contractor]²⁶, a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter jointly referred to as the "Guaranteed Entity")²⁷, related to responding for the Defects resulting from the works, for the hidden defects and for any other liability in which our Guaranteed Entity incurs, with respect to the following works: [_____] (the "Works").

This bond also guarantees the quality of the materials and labor used for the execution of the Works, even if they were subcontracted, in accordance with the terms, conditions and specifications set forth in the Contract, and responds for the Defects resulting from the works, for the hidden defects and for any other liability within twelve (12) months following the date on which the Partial Reception of the Works is made, as long as no liability has arisen on our Guaranteed Entity during that period of time, in which case the bond shall remain in force in relation with such liability that has arisen, until it is remedied. The term of this bond shall be for the twelve (12) months previously indicated. The bond likewise guarantees the correct working condition of the Works, even if they were partially subcontracted, and is granted in accordance with the Contract and its Annexes.

In the event our Guaranteed Entity does not repair the Defects or hidden defects informed to it by PEP, this guarantor undertakes to pay all expenses in which the beneficiary has incurred due to such repairs up to one hundred percent (100%) of the amount of the

²⁴ This bond must be issued by a Mexican institution previously approved by the Contract Operations Management and duly authorized by the Governmental Authorities.

²⁵ The amount is a value equal to ten percent (10%) of the Unit Price of each one of the works for which the Partial Reception Minutes is signed.

²⁶ Insert the name of the Contractor.

²⁷ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Guaranteed Entity").

guarantee. In the event that the amount of the repair and/or reposition exceeds the amount of the guarantee, the guarantor will solely cover up to one hundred percent (100%) of the amount of the guarantee.

The guarantor expressly submits to the foreclosure procedures provided for in the Federal Law on Bond Institutions with respect to the effectiveness of the bond even in the event that collection of interest due to untimely payment of the required bond policy amount applies. PEP shall have a term of six months to bring a claim with respect to this policy, which will be calculated from the termination of the maximum term of thirty (30) calendar days that PEP grants to our Guaranteed Entity in order to perform the corrections or repositions derived from Defects, hidden defects or any other liability in which it has incurred. In those cases in which PEP and our Guaranteed Entity agree on a longer term for corrections or repositions, this guarantor shall grant its written agreement.

This guarantor shall have a term of up to thirty (30) calendar days from the date of the claim in order to pay, or if applicable, to inform PEP in writing the reasons, causes and reasoning of the non-applicability of the payment. The guarantor undertakes to pay under this bond, regardless of the fact that its Guaranteed Entity brings any type of remedy before administrative or non-judicial agencies, and therefore the payment shall not be subject to the relevant decision on such remedy, provided that the Guaranteed Entity has expressly agreed to it in the Contract. This bond will be in force during the course of all legal remedies or judicial proceedings that may be brought and until a final and definitive decision is rendered by a competent authority.

The guarantor will be released from its guarantee obligation, once PEP expressly requests in writing the termination of this guarantee. The guarantor undertakes to take into consideration the claims signed by PEP, which shall contain the following information: date of the claim; number of the bond policy related to the claim being received; date of issuance of the bond; amount of the bond; name or corporate name of the Guaranteed Entity; name or corporate name of PEP; domicile of PEP for service; description of the guaranteed obligation; reference of the Contract (dates, number of the Contract, etc.); description of the breach of the guaranteed obligation which results in the bringing of the claim, accompanied by the supporting documentation in order to prove the statements made and the amount being demanded, which cannot be greater than the amount of the bond.

ANNEX P-4

HIDDEN DEFECTS GUARANTEE

FORM OF LETTER OF CREDIT TO GUARANTEE THE DEFECTS, HIDDEN DEFECTS OF THE WORKS AND ANY OTHER LIABILITIES OF THE PUBLIC WORKS CONTRACT BASED ON UNIT PRICES NUMBER PEP-

IRREVOCABLE (STANDBY) LETTER OF CREDIT

Issued by [Name of bank]

Date: _____

No.: _____

PEMEX Exploración y Producción

[Address of PEP / Office of the Contract Operations Manager]

Dear Sirs:

[Name of bank], a [_____] organized under the laws of [_____] (the "Bank") with its main domicile in the City of [_____] ²⁸, hereby establishes in favor of PEMEX Exploración y Producción (hereinafter "PEP"), a parastate entity (*entidad paraestatal*) of the decentralized public administration of the United Mexican States, an Irrevocable (Standby) Letter of Credit No. [_____] (hereinafter the "Letter of Credit"), whereby the Bank authorizes PEP to draw the partial or whole amount of this Letter of Credit, in accordance with the following provisions:

1. This Letter of Credit is issued by the Bank at the request of [[name of Contractor]²⁹, a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter jointly referred to as the "Contractor")]³⁰ to respond, in an independent and irrevocable manner, for the Defects resulting from the works, for the hidden defects and for any other liability of the Contractor for the Works executed under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Contract.
2. The Letter of Credit irrevocably and unconditionally guarantees that the Contractor executed the Works indicated in the list of Works presented in the form established

²⁸ If a foreign bank, the letter of credit must be confirmed by a bank authorized to operate in Mexico.

²⁹ Insert the name of the Contractor.

³⁰ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

in Appendix 1 hereto (hereinafter the "Delivered Works"), in accordance with the Contract and that the same are in correct working condition, as well as free from Defects, whether apparent or hidden. This Letter of Credit also guarantees the quality of the materials and labor used for the execution of the Delivered Works, even if they were subcontracted, in accordance with the terms, conditions and specifications set forth in the Contract, and responds, with respect to each one of the Delivered Works, for the Defects, hidden defects and any other liability resulting from the Delivered Works.

3. The amount of this Letter of Credit shall be the sum³¹ of [_____] Dollars of the United States of America (USD\$ _____) (hereinafter the "Amount"). In the event that the aggregate amount of the repair and/or reposition of one or more of the Delivered Works exceeds the Amount, the Bank will solely cover up to one hundred percent (100%), taken in the aggregate, of the Amount.
4. In the event that the Contractor does not repair the Defects, hidden defects and any other liability informed to it by PEP, or by the person designated by the latter, within thirty (30) days after submission of the written claim by PEP, the Bank undertakes to pay all expenses in which PEP incurs as a result of such repairs up to one hundred percent (100%), taken in the aggregate, of the Amount. This Letter of Credit does not preclude PEP from enforcing any remedy against the Contractor for any Defects, hidden defects and any other liability resulting from the Delivered Works, that may exceed the Amount.
5. PEP may draw, during the term of this Letter of Credit, a portion or all of the Amount, on any Banking day during the period beginning at 9:00 a.m., [_____] time, on [_____] [_____], [_____]³², and ending at 5:00 p.m., [_____] time, on the date which is twelve (12) months following the date of the Partial Reception Minutes [or the Final Reception Minutes] of the Delivered Works, unless PEP has realized the existence of a defect prior to the termination of the abovementioned twelve (12)-month period and the Contractor has not repaired the Delivered Work in accordance with Clause 4, in which case PEP shall commence the drawing on this Letter of Credit in accordance with Clause 6, within sixty (60) days from the termination of the term provided in Clause 4 (the "Drawing Period"). A "Banking day" is any day, other than a Saturday, Sunday or any day on which commercial banks in the City of [_____] are authorized or required by law, regulation or executive order to close.
6. PEP may draw on this Letter of Credit within the term of sixty (60) days from the termination of the maximum term of thirty (30) days that PEP, in accordance with Clause 4 hereto, grants the Contractor to make the corrections or dispositions arising from Defects, hidden defects or any other liability in which it may have

³¹ The amount must be equal to five percent (5%) of the Unit Prices of the Delivered Works received through the Partial Reception Minutes [or the Final Reception Minutes].

³² The letter of credit must be in force from the Partial Reception Minutes date [or Final Reception Minutes] of the Delivered Works.

incurred in connection with the Delivered Works. A drawing may be made in accordance with this Letter of Credit only by presentation by PEP to the Bank of a drawing request on sight in the form attached hereto as Appendix 2 (hereinafter the "Drawing Certificate"), provided that the aggregate amount of one or all Drawing Certificates cannot exceed the Amount. A Drawing Certificate must be presented at the Bank's office in the City of [____], located at [____], or at such other address in the City of [____] as the Bank may designate, by notifying PEP of the same by notice given in accordance with Clause 12 of this Letter of Credit.

7. Upon presentation by PEP to the Bank of the Drawing Certificate during the Drawing Period at the office designated by the Bank pursuant to Clause 6 of this Letter of Credit, the Bank shall verify that the Drawing Certificate meets all requirements specified in this Letter of Credit. In the event the Drawing Certificate does not comply with any of the requirements specified in this Letter of Credit, the Bank shall notify PEP about the reasons on which the Bank rejects the Drawing Certificate, in which case PEP may present a new Drawing Certificate by adjusting it to the provisions of this Letter of Credit. Without prejudice to the foregoing, any Drawing Certificate properly presented in accordance with this document, prior to the expiry of this Letter of Credit, shall be paid by the Bank by wire transfer of immediately available funds to PEP's account with a financial institution in the City of [____] designated in the Drawing Certificate. If presentation of the Drawing Certificate is duly made at or prior to 11:00 a.m., [____] time, on any Banking day, the Bank shall make the payment at or prior to 5:00 p.m., [____] time, on the same Banking day. If presentation of the Drawing Certificate is duly made after 11:00 a.m., [____] time, on any Banking day, the Bank shall make the payment at or prior to 1:00 p.m., [____] time, on the immediately following Banking day.
8. This Letter of Credit shall expire upon the earliest of: (i) the termination date of the Drawing Period indicated in Clause 5; or (ii) the indefeasible payment of the Bank to PEP of the whole Amount. Notwithstanding any other provision of this document, in the event that the Bank's office designated in Clause 6 of this Letter of Credit is closed on the termination date of the Drawing Period or of the extension should it be the case, the expiration date of this Letter of Credit and the Drawing Period shall be extended to the next Banking day on which such office is open.
9. The Bank shall pay the Amount regardless of any credit that the Contractor has in its favor against PEP under the Contract or under any other contract with Petróleos Mexicanos or its Subsidiary Entities and, consequently, the Contractor shall not have the right to offset or demand in connection with any other claim that it could have in its favor against PEP or Petróleos Mexicanos or its Subsidiary Entities.
10. Prior to the expiration of the Letter of Credit, the Contractor may notify the Bank its will to extend this Letter of Credit by a renewal certificate for additional Works (the "Renewal Certificate for Additional Works") in the form attached hereto as Appendix 3, for the purpose of guaranteeing the Defects, hidden defects and any other liability of the Contractor in connection with Works other than the Delivered Works. In this case, the Contractor shall update the Amount to a sum equal to five

percent (5%) of the aggregate value of the additional Works based on which the Letter of Credit is extended. In the event of an extension, the Letter of Credit shall be in force from the date of the Partial Reception Minutes [or the Final Reception Minutes], but only with respect to the additional Works listed in the relevant Renewal Certificate for Additional Works.

11. With respect to all matters not provided for in this Letter of Credit, the same will be governed by the international practice for irrevocable standby letters of credit of the International Chamber of Commerce (ISP98) and to the extent not in contradiction with ISP98, this Letter of Credit shall be governed and construed in accordance with the laws of the United Mexican States. Any controversy shall be exclusively resolved before the competent courts of Mexico City, D.F., Mexico.

11. All notices, demands, instructions, waivers or other communications to be delivered pursuant to this Letter of Credit shall be in writing in [English / Spanish], shall be effective upon receipt, and shall be sent certified delivery to the following addresses:
 - i. If to the Bank, to: _____
 - ii. If to PEP, to: [Address of PEP - Contract Operations Management]

The addresses indicated for the sending of notices under this Letter of Credit, may be changed by the Bank or by PEP by sending a written notice to the other party at least fifteen (15) Banking days prior to the effective date of such change.

13. This Letter of Credit sets forth in full the undertakings of the Bank, and such undertakings shall not in any way be modified or amended by reference to any document, instrument or agreement referred to herein, except the Form of Delivered Works, the Drawing Certificate and any Renewal Certificate for Additional Works.

Very truly yours,

[NAME OF THE BANK]

By: _____
Name: _____
Title: _____

ACKNOWLEDGED and ACCEPTED
PEMEX Exploración y Producción

By: _____
Name: _____
Title: _____

[FORM OF DELIVERED WORKS]

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [[name of the Bank], a _____ organized under the laws of _____, at the request of [name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")³³ to respond, in an independent and irrevocable manner, for the Defects resulting from the works, for the hidden defects and for any other liability of the Contractor for the Works executed under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The Letter of Credit guarantees that the Contractor executed the Works indicated below in accordance with the terms and conditions of the Contract:

[Insert the Works received through the Partial Reception Minutes or the Final Reception Minutes, as the case may be]

This certificate has been duly executed on [_____] [____], 20[____].

[Name of the Contractor]

By: _____
Name: _____
Title: _____

ACKNOWLEDGED and ACCEPTED
PEMEX Exploración y Producción

By: _____
Name: _____
Title: _____

³³ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

[FORM OF DRAWING CERTIFICATE]

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [name of the Bank], a _____ organized under the laws of _____, at the request of [[name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")]³⁴ to respond, in an independent and irrevocable manner, for the Defects resulting from the works, for the hidden defects and for any other liability of the Contractor for the Works executed under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The undersigned, in my capacity as [_____] , duly authorized to execute this certificate on behalf of PEP, hereby certify that PEP officially requests payment up to the amount of [_____] Dollars of the United States of America (USD\$ _____), due to the fact that the Contractor has not executed the Delivered Works in accordance with the terms and conditions contained in the Contract and has not repaired them in accordance with Clause 6 of the Letter of Credit.

Based on the above, and in conformity with the provisions of the Letter of Credit, I request the transfer of the abovementioned amount to the following bank account:

[Insert details of the bank account]

This certificate has been duly executed on _____, 20__.

PEMEX Exploración y Producción

By: _____
 Name: _____
 Title: _____

³⁴ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

[FORM OF RENEWAL CERTIFICATE FOR ADDITIONAL WORKS]

Reference is made to the Irrevocable (Standby) Letter of Credit No. _____, dated _____, [_____] (the "Letter of Credit"), issued by [name of the Bank], a _____ organized under the laws of _____, at the request of [[name of the Contractor], a [_____] organized under the laws of [_____] and [_____] a [_____] organized under the laws of [_____] (hereinafter collectively referred to as the "Contractor")]³⁵ to respond, in an independent and irrevocable manner, for the Defects resulting from the works, for the hidden defects and for any other liability of the Contractor for the Works executed under the Public Works Contract Based on Unit Prices number PEP-_____ (hereinafter the "Contract"). Capitalized terms used herein and not defined shall have the meaning given to the same in the Letter of Credit, and in a subsidiary manner in the Contract.

The undersigned, in my capacity as [_____] , duly authorized to execute this certificate on behalf of the Contractor, hereby certifies to the Bank the will of the Contractor to maintain in force the terms and conditions of the Letter of Credit for the purpose of guaranteeing the Defects, hidden defects and any other liability resulting from the additional works indicated in the attached list³⁶. The Amount to guarantee the Works indicated in the attached list shall be the sum of [_____] ³⁷Dollars of the United States of America (USD\$_____). The Letter of Credit shall remain in force for a period of twelve (12) months following the date of the Partial Reception Minutes Date [or the Final Reception Minutes] of the Works indicated in the attached list, unless PEP has realized the existence of a defect prior to the termination of the abovementioned twelve (12)-month period and the Contractor has not repaired the work within thirty (30) days from the submission of the written claim from PEP, in which case PEP shall commence the drawing on this Letter of Credit in accordance with Clause 6 of the Letter of Credit, within sixty (60) days from the termination of the thirty (30)-day term previously mentioned.

This certificate has been duly executed on [_____] [____], 20[____].

³⁵ If the Contractor is only one company, replace the bracketed language for: [name of Contractor], a [_____] organized under the laws of [_____] (hereinafter referred to as the "Contractor").

³⁶ Use Appendix 1 to the Letter of Credit to list the Works being received.

³⁷ The [reduction or increase] of the amount of the Letter of Credit is due to the adjustment of the same based on the five percent (5%) of the aggregate Unit Prices of the additional Works being received in the Partial Reception Minutes or the Final Reception Minutes, as the case may be.

[Name of the Contractor]

By: _____

Name: _____

Title: _____

ACKNOWLEDGED and ACCEPTED
PEMEX Exploración y Producción

By: _____

Name: _____

Title: _____

ANNEX Q-1

SAFETY, HYGIENE AND ENVIRONMENTAL PROTECTION REQUIREMENTS

This Annex specifies the safety, hygiene and environmental protection requirements in Oil Facilities, to be complied with by the Contractor in the execution of the Works under the Contract.

1. DEFINITIONS

For purposes of this Annex, the following defined terms shall have the meanings ascribed to them below:

"*Administrative Building*" means any facility used by PEP (whether owned or leased), the use of which is devoted to administrative tasks. This definition includes office buildings, hospitals, clinics, doctors' offices, filing rooms, libraries, newspaper filing rooms, auditoriums, storage rooms, general retail stores, parking lots, schools, family centers, child care centers, and any others put to similar uses.

"*Dangerous Material*" means any elements, substances, components, or mixtures, whatever their physical state, that pose a Risk for the Environment or to health.

"*Effusion*" means any deliberate release of waste or other material from ships, aircraft, or platforms and other structures, into the sea, lakes, rivers, and swamps, among other bodies of water.

"*Emergency Response Plan*" means the group of directions and actions of immediate execution that are predetermined by a facility or work center to be carried out internally in the facility, in order to inhibit or mitigate any consequences that may arise in case of an emergency.

"*Exposure*" means the group of measures that determines the quantity, route, frequency, and time in which a Toxic Agent enters the body of the employee.

"*Industrial Accident*" means an unexpected event that alters the normal performance of the Infrastructure, causing grave damage, with or without environmental damage, or to the physical integrity of the Persons.

"*Industrial Hygiene*" means the group of activities performed in order to recognize, evaluate, and control any Toxic Agents or conditions present in the work environment, whose continued action may cause work injuries.

"*International Norms*" means the norm, guideline or normative document issued by a normative international agency or another related international agency recognized by the Mexican Government under International law.

"*Occupational Health*" means the application of strategies, techniques and multi-disciplinary activities in order to identify, evaluate and control Risks to the health of the employees.

"*Oil Facility*" means any building, structure, and in general any infrastructure, owned or leased by PEMEX, other than the Administrative Buildings, as well as the areas and lands owned, or over which PEP has occupancy rights, in which some of the activities of PEP, mentioned in the Contract are carried out, such as the maintenance, storage and handling of materials and Residues.

"*Personal Accident*" or "*Work Injury*" means any professional injury or illness suffered by a Person, which is the result of, and occurs during the performance of the Works, or in transit from or to the workplace.

"*Personal Accident with Lost Time*" means an accident that results in one, or more than one, day of disability of the employee.

"*Personal Protection Equipment*" means the group of equipment and accessories specially made to be used on various parts of the body, aiming to impede injuries or maladies caused by Toxic Agents to which the employees are exposed.

"*Residue*" means any material generated as a consequence of the processes of extraction, benefit, transformation, production, consumption, use, control, or treatment, the qualities of which make it impossible to re-use in the process that generated it.

"*Risk*" means the probability of occurrence of an injury to personnel, or damage to the environment, to the facilities or to the productive process.

"*Risk Area*" means any of the places where the following events may occur:

- (a) Processing, handling, or continued or periodical storage of flammable or toxic gases or liquids.
- (b) Storage of flammable liquids or solids capable of igniting a fire or an explosion.
- (c) Operation of facilities or equipment at high pressure or temperatures.
- (d) Performance of activities requiring the handling of Dangerous Materials, including those activities contained in the first and second listings of high risk activities, published in the *Diario Oficial de la Federación* on March 28, 1990, and on May 4, 1992, respectively.
- (e) Handling of Dangerous Residues.
- (f) Operation of facilities or equipment located above 10 meters high or in excavations below 1.20 meters, tunnels and wells in general.

- (g) Operation of high tension electrical energy facilities or equipment.
- (h) Existence of facilities or equipment that generate noise, vibrations, ionizing radiation, or thermal radiation above the permissible limits established under to Applicable Provision.
- (i) Performance of shot activities in Oil Facilities.
- (j) Storage of explosives, corrosive products, fuel, or chemicals.

"*Risk Atlas*" means the document that contains the records of Toxic Agents, conditions and circumstances likely to deteriorate the health of the employees by Exposure.

"*Spill*" means any liquid discharge, release, overflow, draining or emptying of hydrocarbons, other dangerous substances or Residues, over land or water bodies.

"*Toxic Agent*" means an element with physical, chemical or biological characteristics, the presence or absence of which in the environment interacts with the human organism, causing molecular, biological or cellular effect to tissue or organs.

"*Work Conditions*" means the group of variables that define the performance of a task and the environment in which it takes place.

All other defined terms shall have the meaning ascribed to them in the Contract.

2. GENERAL REQUIREMENTS

- a) Compliance with the safety, physical safety, environmental protection, Occupational Health, and Industrial Hygiene requirements contained in this Annex, shall not release the Contractor from complying with the Applicable Provisions.
- b) After execution of each Work, the Contractor shall submit to PEP the following information regarding the products or chemical substances that were used in the Work, or that the Contractor leaves in inventory for subsequent use: chemical composition, safety, and use or application instructions pursuant to NOM-STPS-114-1994 "*Sistema para la identificación y comunicación de Riesgos por sustancias químicas en los centros de trabajo*"; and, if applicable, the Contractor must indicate the expiration date of the substances, and the methods for conservation, segregation, handling, or protection, in order to preserve their properties.
- c) At the end of the execution of each Work, the Contractor shall submit to PEP the chemical composition information and safety data sheet of the chemical substances contained in any equipment remaining at the Work, all pursuant to NOM-STPS-114-1994 "*Sistema para la identificación y comunicación de riesgos por sustancias químicas en los centros de trabajo*".

- d) At the end of the execution of each Work, the Contractor, shall identify and deliver any equipment that will remain in the Work.
- e) The Contractor shall ensure that Contractor's Personnel undertake its activities with safety and respect to the Environment.
- f) The Contractor shall repair any Defects caused in safety, physical safety, Occupational Health, Industrial Hygiene, and environmental protection, within and outside the Oil Facilities, in compliance with the Applicable Provisions, or following instructions from the Governmental Authority.
- g) The Contractor shall comply with, and ensure that its Subcontractors comply with, the directions and policies on safety, physical safety, Occupational Health, Industrial Hygiene, and environmental protection issued by the Governmental Authority.

3. INDUSTRIAL SAFETY

- a) Any Works delivered to PEP by the Contractor involving the exploitation of associated gas Reservoirs with sulphidic gas must include a detection and alarm system that complies with norm NRF-011-PEMEX-2002 "*Sistemas automáticos de alarma por detección de fuego y atmósferas riesgosas SAAFAR*".
- b) During its permanence in the Oil Facilities, the Contractor shall use, and ensure that the Contractor's Personnel uses, the Personal Protection Equipment specific for the performance of their activities, which shall comply with applicable PEMEX reference norms, or if such norms do not exist, with the Applicable Provisions.
- c) Within the first five (5) days of each Month, the Contractor shall report to the office of the Contracts Operations Manager, statistical information about accidents related with Works executed under the Contract, in accordance with the model provided in Appendix 1 to this Annex.
- d) The Contractor shall have a system to perform high Risk Works, which shall ensure that the Works are executed pursuant to the safety measures necessary to avoid Personal Accidents, Industrial Accidents and environmental accidents. PEP shall have the right to audit such system at its discretion.
- e) All equipment and accessories used by the Contractor in Risk Areas, as well as any electrical connections executed within Oil Facilities, shall comply with the Applicable Provisions and with PEMEX's reference norms, ensuring the safety of the facilities.

f) Signs

- (i) Throughout the process of building, the Contractor shall install a sign where it indicates the name of the project being built, the name of the Company, and the Person responsible for the works.
 - (ii) At the border of a land well, the Contractor shall install a metal or concrete sign indicating, at least, the names of the Well, Field, and asset, pursuant to Applicable Provisions.
- g) At the end of the execution of the Work, the Contractor shall return the Work Area in clean conditions, free of any extra materials and equipment, and without any damage to the land and structures.
- h) Emergency Response Plan
 - (i) The Contractor shall have an Emergency Response Plan, which guarantees attention to any known or probable emergency scenario, and which contemplates evacuation and response procedures in case of any event. Such Emergency Response Plan shall provide for coordination with near-by PEP facilities whenever required.
 - (ii) The Contractor shall define escape routes, meeting points, and emergency exits for each Oil Facility managed or operated by it. Also, the Contractor shall give such information to all Persons who enter such Oil Facility for the first time.

4. INDUSTRIAL HYGIENE AND OCUPATIONAL HEALTH

- a) The Contractor shall implement mitigating measures to avoid the emission of Toxic Agents, from the equipments, that may affect human health, within or outside the Oil Facilities.
- b) The Contractor shall provide its employees with lavatory services pursuant to the Applicable Provisions.
- c) All chemical products for plague and rodent control used in the Work Area shall be those authorized by the Health Secretary.
- d) Any machinery and equipment with noise emissions used by the Contractor shall not exceed the maximum allowed levels specified in rule NOM-011-STPS-2001 "*Condiciones de seguridad e higiene en los centros de trabajo donde se genere ruido*".
- e) On the Termination Date, the Contractor shall deliver to PEP the relevant Risk Atlas, which must consider, at least, the physical agents (noise, illumination, thermal environment, and mechanical vibrations, among others), and chemical agents (toxic gases, fumes, acids, solvents, among others).

5. ENVIRONMENTAL PROTECTION

- a) The Contractor shall provide, during the execution of the Works, and whenever requested by PEP, any documentary evidence of compliance with environmental protection requirements, authorizations, and Permits for which the Contractor is responsible, and which are required by the Governmental Authority in connection with the Works. On the Termination Date, the Contractor must deliver to PEP any applicable Permits and authorizations in effect.
- b) Environmental Compliance Report
- (i) The Contractor shall be responsible for complying with the terms and conditions established in the authorizing decision issued by SEMARNAT in matters of Environmental Impact and Risk; also, the Contractor shall document such compliance and produce the relevant evidence, such as photographs, laboratory analyses, plans, permits, payments, reports, statistics, studies, among others. Whenever such proof is an official document, it must be signed by a recognized Person, or by someone authorized for that purpose. At the end of the execution of the Work, the Contractor shall prove to PEP that no term or condition is pending compliance.
 - (ii) The Contractor shall draft the Environmental Compliance Report (ECR) for the authorizing decision, including all the information collected pursuant to the preceding paragraph, and shall deliver it to PEP for review. The term for filing the report and any compliance advancements shall depend on the times established in the authorizing decision, and on the term of validity of the environmental impact and risk authorization.
- c) Water
- (i) The Contractor must guarantee that the Contractor's Personnel, shall not allow deliberate Effusions to lakes, rivers, swamps, or other bodies of water.
 - (ii) The Contractor shall guarantee that the Contractors' Personnel, shall not throw into rivers, lakes, swamps, and other bodies of water, any materials such as those indicated herein: plastics, textiles, synthetics, glass, metal, ceramic, roofing materials, or any other pollutants.
 - (iii) If the Contractor generates residual waters, it shall treat them and dispose of them in accordance with the Applicable Provisions.
 - (iv) The Contractor shall avoid deviating any natural course of water on account of the Contract.
 - (v) If the Contractor were to build a temporary duct for a body of water, it shall obtain the Permit from the relevant Governmental Authority, and restore the

flow to the original conditions upon termination of the Works, without charge to PEP.

- (vi) The Contractor shall guarantee that all necessary measures be taken to prevent cement, lime, or fresh concrete, and in general any solid Residue generated from the Contractor's activities in the Oil Facilities, from ending up in the bed of any body of water.

d) Atmosphere

- (i) The Contractor shall prevent polluting emissions from entering the atmosphere, in order to comply with the maximum allowed levels of emission pursuant to the Applicable Provisions.
- (ii) The Contractor shall guarantee that the equipment remaining in the facilities and delivered to PEP upon termination of its management or operation, shall not contain chloro-fluoro-carbons (CFCs), or other substances capable of damaging the ozone layer.

e) Residues

- (i) The Contractor is responsible for all Residues generated during its activities, and must comply with the provisions of the *Ley General del Equilibrio Ecológico y la Protección al Ambiente*, its regulations, and the Applicable Provisions on the subject matter, when handling such Residues.
- (ii) Upon termination of the Works object of this Contract, and before the Final or Partial Reception, whichever the case, the Contractor shall be obligated, on its own account, to remove and dispose of all Residues which it has generated.
- (iii) Should the Contractor deal with dangerous Residues, it shall comply with the provisions established to that end by the *Secretaría de Comunicaciones y Transportes* and SEMARNAT, as appropriate; any applicable PEMEX regulations; and the Applicable Provisions. The Contractor must deliver to PEP any management permits in effect, as well as the biannual reports, and the log of Residue movement, within the term established in the Applicable Provisions on environmental matters. If the environmental authority and PEP authorize the Contractor to make such arrangement, then the Contractor shall only be obligated to deliver the biannual dangerous Residue management reports, and its movement log for the last five years prior to delivery of the Work.

f) Soil

- (i) The Contractor shall guarantee that the Contractor's Personnel, shall not, during the execution of the Works, spill Dangerous Residues or Materials onto the land. Also, it is the Contractor's responsibility to restore any areas polluted by the Contractor's Personnel, through the authorized companies, pursuant to the Applicable Provisions on environmental matters, without any cost to PEP.
 - (ii) The Contractor shall not remove gravel or any other weighting material from the beds of rivers, streams, lakes, ponds, or any other body of water, except in zones specifically approved as material deposits by the Governmental Authorities.
- g) The Contractor shall have an Environmental Contingency Plan, establishing the measures and equipment which shall be used in case of an environmental contingency. Upon termination of the execution of the Oil Facilities, the Contractor shall deliver the updated Environmental Contingency Plan for that Oil Facility to PEP.
- h) Measures for mitigation of environmental impact
 - (i) The Contractor shall ensure that the Contractor's Personnel, shall not hunt, fish, consume, transport, or keep any wild fauna specimens within the Work Area, or its vicinity.
 - (ii) Any Contractor that finds monuments, remains, and archeological, historical, and cultural remnants in the course of its activities, shall avoid their destruction, and immediately inform PEP, pursuant to Clause 11.6(b) of the Contract, and avoid the public divulgation of said findings.
- i) Environmental audits
 - (i) Upon PEP's request, the Contractor shall grant all services and information for the execution of environmental or safety Audits in the Work Area.
 - (ii) The Contractor shall incorporate the Works into the National Program of Environmental Audit, in the terms established by the Governmental Authority.
 - (iii) For purposes of the preceding paragraph, upon termination of the execution of the Work, the Contractor shall deliver documentary evidence demonstrating its registration with the National Program of Environmental Audit, as well as its compliance with the requirements and recommendations issued by the Governmental Authority for purposes of obtaining a "Clean Industry Certificate", or if required, to deliver said certificate and its authentication.

- k) Any Contractor that in the execution of the Contract uses machinery and equipment that emits noise, shall comply with the Applicable Provisions on environmental matters.

6. PHYSICAL SAFETY

The Contractor shall take special care of fences, roofs, and access gates to the Work Area or third parties' property to which entrance clearance is granted. Such gates shall remain closed when there is no personnel to protect the access.

MONTHLY STATISTICAL REPORT ON WORK ACCIDENTS

COMPANY:	RFC:
CONTRACT NUMBER:	
ADDRESS:	
TELEPHONE:	FAX:
E-MAIL:	
REPORT FOR THE MONTH OF:	YEAR:
TOTAL MONTHLY WORK ACCIDENTS WITH LOSS OF TIME:	
TOTAL MONTHLY WORK TRAFFIC ACCIDENTS WITH LOSS OF TIME:	
TOTAL MONTHLY CASES PAID WITH PARTIAL PERMANENT DISABILITY:	
TOTAL MONTHLY CASES PAID WITH TOTAL PERMANENT DISABILITY:	
TOTAL MONTHLY CASES PAID FOR DEATH CAUSED BY A WORK ACCIDENT:	
TOTAL MONTHLY DAYS LOST DUE TO DISABILITY:	
TOTAL MONTHLY DAYS INDEMNIFIED DUE TO PARTIAL PERMANENT DISABILITY:	
TOTAL MONTHLY DAYS INDEMNIFIED DUE TO TOTAL PERMANENT DISABILITY OR DEATH:	
TOTAL MONTHLY AMOUNT OF SALARIES AND BENEFITS PAID DUE TO DISABILITY:	
TOTAL MONTHLY AMOUNT OF EXPENSES DUE TO MEDICAL SERVICES PROVIDED TO WORKERS INVOLVED IN ACCIDENTS:	
TOTAL MONTHLY AMOUNT OF INDEMNIFICATION PAID DUE TO WORK RISKS:	
MONTHLY AMOUNT OF MAN/HOURS WORKED:	
PLACE:	DATE(DAY/MONTH/YEAR): OF OF
COMPANY REPRESENTATIVE:	
NAME AND SIGNATURE:	
POSITION:	

ANNEX Q-2

INDEMNITY FOR ABANDONMENT

This Annex specifies the indemnity to be paid:

- a) from PEP to the Contractor pursuant to Clause 25.8 of the Contract related to the Abandonment of Existing Wells and infrastructure during the Term, and
- b) from the Contractor to PEP pursuant to Clause 25.9 of the Contract related to Abandonment of Productive Wells and Infrastructure, which were not Abandoned prior to the Termination Date of the Contract.

1. DEFINITIONS

For purposes of this Annex, the following defined terms shall have the meanings ascribed to them below:

"Linear Interpolation" means the interpolation, in equal parts, between two values for Well depth, Infrastructure Works capability, Gathering Lines and Gas Pipelines diameter and water volumes. For interpolation below the minimum established value, the interpolation is made between zero and that value. For interpolation above the maximum established value, the same equal parts used between the two highest values are applied continuously.

"Total Depth" means, in relation to a Well, the distance in meters along the borehole of the Well, whether such Well is a vertical, deviated or horizontal Well.

All other defined terms shall have the meaning assigned to them in the Contract.

2. WELL ABANDONMENT

Nothing in this Section shall affect the obligation of the Contractor to properly Abandon Dry Wells and its right to receive the related Unit Prices for Dry and Abandoned Wells, pursuant to Annex E-1 and E-2, for accepted Dry and Abandoned Wells in accordance with the Contract.

The indemnity for Well Abandonment includes the costs of Abandoning each of the Well zones with a bridge plug and cement cap, the costs of putting inhibiting water in the Production casing, the costs of cutting off the Well head and Abandoning the Well with a cement plug and a steel plate, the clean up and reclamation costs of the Well site and access road, and project design, supervision and management costs. The indemnity also includes the disposal of any hazardous waste and all required environmental inspections and reports. This indemnity is established for Well depths from 1,000 meters to 6,000 meters and for Wells with and without tubing. Also presented are the indemnities for Abandoning each additional zone. The indemnity includes the additional bridge plugs, logging, and equipment and crew time required for each zone.

The table below provides for the indemnity values in Dollars. The actual values need to be established on the basis of Linear Interpolation on the basis of the Total Depth of the Well and the zones to be abandoned.

These values shall be adjusted yearly based on the U.S. Producer Price Index for Finished Goods in the same manner as described in Clause 17.4 of the Contract.

1000 m	with existing tubing	\$/well	144,409
	Tubingless	\$/well	135,189
		\$/extra zone	33,206
2000 m	with existing tubing	\$/well	146,298
	Tubingless	\$/well	138,968
		\$/extra zone	36,040
3000 m	with existing tubing	\$/well	208,798
	Tubingless	\$/well	163,246
		\$/extra zone	38,874
4000 m	with existing tubing	\$/well	209,743
	Tubingless	\$/well	166,080
		\$/extra zone	40,763
5000 m	with existing tubing	\$/well	212,577
	Tubingless	\$/well	172,693
		\$/extra zone	60,318
6000 m	with existing tubing	\$/well	260,869
	Tubingless	\$/well	221,514
		\$/extra zone	66,931

3. ABANDONMENT OF INFRASTRUCTURE

This refers to the indemnity to be paid for infrastructure of any existing or new infrastructure pursuant to the Contract.

The indemnity for infrastructure Abandonment includes the costs of the removal of all above-ground equipment, tanks, piping, and buildings from the site, the transport of any salvageable equipment to PEP's storage site, the removal of all concrete pads, containment dikes, and roadways, and the restoration and reclamation of the site and access road. In the case of underground gas pipelines, the indemnity includes the costs of the removal of all surface valves and control equipment, the cleaning and purging of the underground pipeline with N₂, capping of the underground line, and the restoration and reclamation of any sites

and access roads. Also included in these costs is the disposal of any hazardous waste and all the environmental inspections and reports.

The indemnities for Abandonment of facilities and pipelines and Gathering Lines will be calculated as follows:

1. For facilities other than pipelines and Gathering Lines, twenty five percent (25%):
 - a) of the Original Unit Price of the related Infrastructure, or
 - b) in the case of existing facilities, of the Original Unit Price that would have been applicable to such facility, had the facility been constructed under this Contract.
2. For Pipelines and Gathering lines, five percent (5%):
 - a) of the Original Unit Price of the related Infrastructure, or
 - b) in the case of existing facilities, of the Original Unit Price that would have been applicable to such facility, had the facility been constructed under this Contract.