

INDIVIDUAL MODEL

# Contract for the exploration and exploitation of hydrocarbons

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## Offshore Areas

**Between**

**Government of the Dominican Republic**

**And**

**(XYZ)**

[Pick the date]

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## SHARED PRODUCTION AGREEMENT

THIS CONTRACT (hereinafter the “contract”) has been written and signed on this day ..., by and between the DOMINICAN STATE, represented by the Minister of Energy and Mines, Dr. ANTONIO EMILIO JOSE ISA CONDE, Dominican, of legal age, single, holder of the Identity and Electoral Card No. 001-0103343-9 and resident in the city of Santo Domingo de Guzmán, in the Dominican Republic, who acts in execution of a special power of attorney granted by his Excellency the President of the Dominican Republic on the day ....., in accordance with Law No. 1486 of March 20<sup>th</sup>, 1938, which regulates the representation of the Dominican State in legal acts, on the one hand; AND NAME OF THE COMPANY with rights of exploration and production of Hydrocarbons, a Company duly organized in accordance with the laws of ....., represented by its ..... .., Mr. ...., of legal age, with passport number ....., domiciled in the city of ....., and for this occasion present in Santo Domingo, Dominican Republic, as the other party;

WHEREBY, under the dispositions set by Law No. 4532, of August 3<sup>rd</sup>, 1956, that regulates the exploitation of oilfields and other fuels (Petroleum Law) the property right to hydrocarbons is granted to the State, and these hydrocarbons may be explored and produced by private parties solely in accordance with a contract given by the Executive Branch.

WHEREBY, the State desires to promote the exploration and production of the oil resources in all of the Contract Area and the Contractor desires to ally and assist the State in the acceleration of the exploration and production of the oil resources within the Contract Area;

WHEREBY, in accordance with the Petroleum Law, the Executive Branch is authorized to enter into contracts regarding the exploration and production of oil, between the State and national or foreign contractors;

WHEREBY, the aforementioned contracts must be submitted to the National Congress for their approval, as required by Article 3 of the Petroleum law, and once approved cannot be revoked, altered or modified without the consent of both parties;

WHEREBY, the Contractor has assured the State that is has the financial ability and the necessary technical capacity to carry out the oil exploration and has committed to expressly submit to the legislation of the Dominican Republic; and

WHEREBY, the Contract Area requested by the Contractor for the exploration and exploitation of hydrocarbons is not covered by previous grant applications or subject to existing contract or concession, as evidenced by the Petroleum Public Registry of the Ministry of Energy and Mines;

WHEREBY, the State and the Contractor mutually desire to enter into this Contract.

THEREFORE, considering the previous preamble, and the mutual agreements established in the future, the following is mutually agreed:

## **SECTION I GENERAL PROVISIONS**

### **1. Preamble**

- 1.1 In accordance with Article 14 of the Dominican Constitution, the non-renewable natural resources found in the territory and in maritime areas under national jurisdiction, genetic resources, biodiversity and the radio electric spectrum belong to the Nation.
  
- 1.2 According to Article 17 of the Dominican Constitution, mineral and hydrocarbon deposits and, in general, non-renewable natural resources, can only be explored and exploited by individuals, under sustainable environmental criteria, under concessions, contracts, licenses, permits or fees, under the conditions determined by law. Individuals can take advantage of renewable natural resources in a rational manner with the conditions, obligations and limitations provided by law. In consequence:
  - (i) The exploration and exploitation of hydrocarbons in the national territory and in maritime areas under national jurisdiction is declared of high public interest;
  
  - (ii) The reforestation of the country, the conservation of the forests and the renewal of the forest resources are declared of national priority and of social interest;

- (iii) The preservation and rational utilization of the living and non-living resources of the national maritime areas is declared a national priority, especially the set of banks and emersions within the national maritime development policy;
  - (iv) The benefits perceived by the State for the exploitation of the natural resources will be dedicated to the development of the Nations and the provinces in which they are found, under the proportion and conditions set by law.
- 1.3. For all the effects relative and derivative to the Contract, the Parties agree that the titles of the Articles are irrelevant for the interpretation of their content.
- 1.4. Any reference to the Contract includes the Appendixes and the terms and conditions of reference on which the bidding process was based. In case of discrepancy between the Appendixes and that stipulated in the body of the Contract, the latter shall prevail.
- 1.5. The Parties intend to submit this Agreement for the approval of the National Congress.
- 1.6. Therefore, in consideration of the premises and promises set forth herein, and being the intention of the Parties to be legally linked, the Parties agree the following:

## **2. Definitions**

The definitions agreed upon by the Parties in this Section are intended to give the required meaning to the terms used in the Contract and that meaning shall be the only one accepted for the purposes of its interpretation in the execution thereof, unless the Parties expressly agree otherwise in writing.

The terms defined and used in the Contract, whether singular or plural, will be written with the first letter in uppercase and will have the following meanings:

- 2.1. **Abandonment:** All of the activities related to the abandonment of all or part of the Contract Area including, but not limited to, the closing and abandonment of non-productive wells, the closing and dismantling of the Hydrocarbon production and transportation installations that are not used, and the restoration (environmental) of the Contract Area and areas used for the Exploration and Production operations in the conditions set by the laws and regulations in force.
- 2.2. **Commercialization Agreements:** Means the sales contracts for the Production of Net Hydrocarbons.
- 2.3. **Transportation Agreements:** Means the agreements approved by MEM to transport the Production of Net Hydrocarbons from the Point of Delivery to the Point of Sale.
- 2.4. **Affiliate:** Means any company or legal entity that: (a) directly or indirectly controls a Party, or (b) is directly or indirectly controlled by that Party, or is directly or indirectly controlled by a company or entity that in turn is directly or indirectly controlled by said Party. "Control" means the right to exercise more than fifty percent (50%) of the voting rights for the appointment of its directors or similar representatives of such company or entity.
- 2.5. **Deep Waters:** Geographical condition in which the seabed is at a depth greater than or equal to four hundred (400) meters and less than one thousand five hundred (1500) meters above sea level.
- 2.6. **Shallow Waters:** Geographical condition in which the seabed is located at a depth less than four hundred (400) meters above sea level.
- 2.7. **Ultra-Deep Waters:** Geographical condition in which the seabed is deeper than one thousand five hundred (1500) meters above sea level.
- 2.8. **Storage:** Means the deposit and protection of hydrocarbons in confined tanks and facilities that can be located on the surface, the sea or the subsoil.
- 2.9. **Year:** Period of twelve (12) consecutive months according to the Gregorian Calendar, counted from a specific date.



- 2.10. **Contract Area:** Area identified in "Appendix A:" called Block ..., located between the Provinces of ....., with an extension of ... .. hectares (XXX, XXX.000 ha). The Contract Area will be redefined after excluding the areas relinquished by the Contractor, according to the terms of the Contract.
- 2.11. **Development Area:** Means, in relation to any Commercial Discovery, the area within the Contract Area that covers all the subsoil structures or stratigraphic closures that define the Deposit or the interval of interest of the Field where the Discovery was carried out.
- 2.12. **Evaluation Area:** It is the complete extension of the structure in which the Discovery is made.
- 2.13. **Governmental Authority:** Means any competent governmental body of the Executive, Legislative or Judicial Branch, or of the municipal regime, as well as the autonomous constitutional bodies of the Dominican State.
- 2.14. **Barrel:** Means a unit of measurement equivalent to a volume equal to 158.99 liters at a temperature of 15.56 degrees Celsius under conditions of a unit of atmospheric pressure.
- 2.15. **Wellhead:** The place where Petroleum, Natural Gas, liquefied petroleum gas and other Hydrocarbons resulting from the exploitation in the Field are measured, after they have been suited for transport.
- 2.16. **BOE:** It is a unit of energy equivalent to the energy released during the burning of approximately one barrel (42 US gallons or 158.9873 liters) of crude oil. A BOE equals to approximately 5,800 cubic feet of natural gas.
- 2.17. **BTU:** It means the British thermal unit that represents the amount of energy necessary to raise the temperature of one pound of water (0.4535 kilograms) by one-degree Fahrenheit (0.5556 degrees Celsius), in normal atmospheric conditions.
- 2.18. **Field:** Means the area within the Contract Area in which one or more Hydrocarbon Deposits are located in one or more formations of the same structure, geological entity or stratigraphic condition.

- 2.19. **Unforeseen Circumstances or Force Majeure:** Will have the meaning provided in Article 48.
- 2.20. **International Centre for Settlement of Investment Disputes / ICSID:** ICSID is the leading global institution dedicated to the settlement of disputes relating to international investments. It was established in the year 1966 by the "Agreement on Settlement of Investment Disputes between States and Nationals of Other States."
- 2.21. **Technical Conciliation Committee:** Means the body to rule on discrepancies that arise in relation to the Oil Operations, which will be established in accordance with the provisions of Article 44 of the Contract.
- 2.22. **Condensates:** Liquid hydrocarbons formed by the condensation of Hydrocarbons separated from Natural Gas, due to changes in pressure and temperature when the Natural Gas Reservoirs is produced or when it comes from one or more stages of compression of Natural Gas. They remain liquid at the atmospheric temperature and pressure.
- 2.23. **Concession:** grants the exclusive right of a company or consortium for the production of oil in a certain area and a specific time.
- 2.24. **Consortium:** Means, when applicable, a group of legal entities with related commercial purposes that assume the responsibility of carrying out an activity and jointly constitute the Participating Company.
- 2.25. **Contractor:** Is the Participating Company or the Consortium that signs a Contract for the Exploration, development and production of Hydrocarbons.
- 2.26. **Contract:** The present agreement reached by the Parties, which stipulates the terms and conditions for the Exploration, development and production of Hydrocarbons in a Contract Area and for a specific duration. These are contained in this document and in the appendixes that comprise it, it includes the additional agreements reached by the Parties by virtue of this document and the modifications made to it in accordance with the law.

- 2.27. **Controversy:** It will have the meaning foreseen in Article 43. (A controversy occurs when there is a discrepancy between the Parties under this Contract, including its existence, validity, interpretation, execution, compliance and termination).
- 2.28. **Costs:** Means all expenditures, expenses, investments or obligations related to Oil Activities, as defined in article 25.3 and 35.4 as well as those contained in Appendix J.
- 2.29. **Offshore:** Includes the territorial sea, the exclusive economic zone and the continental shelf of the Nation and based on the applicable law by means of which rules are issued on territorial sea, exclusive economic zone, continental shelf, and other provisions are dictated.
- 2.30. **Abandonment Cost:** Means all the costs, investments, expenses and obligations of the Oil Operations related to the Abandonment operations.
- 2.31. **Development Costs:** Will have the meaning foreseen in Article 7.3 of Appendix J: Accounting Procedure, Cost, Expenses and Investment Registry.
- 2.32. **Exploration Costs:** Will have the meaning foreseen in Article 7.2 of Appendix J: Accounting Procedure, Cost, Expenses and Investment Registry.
- 2.33. **Production Costs:** Will have the meaning foreseen in Article 7.4 of Appendix J: Accounting Procedure, Cost, Expenses and Investment Registry.
- 2.34. **Operating Costs:** Means the expenses incurred and the obligations contracted and paid by the Contractor in the performance of the Oil Operations, determined in accordance with Appendix J: Accounting Procedure, Cost, Expenditure and Investment Registry.
- 2.35. **Recoverable Costs:** Will have the meaning foreseen in Article 25.
- 2.36. **Total Cost of Estimated Abandonment:** Means all costs, investments, expenses and obligations of the Oil Operations related to the Abandonment operations according to the Development Plan approved by MEM.

- 2.37. **Escrow Account or Abandonment Fund:** Means the account where the reserve of the abandonment fund held in custody (in Escrow) will be deposited as established in articles 40 and 41.
- 2.38. **Operating Account:** Means the account books and other accounting records kept separately by the Contractor for Oil Operations.
- 2.39. **Environmental Damage:** Any loss, decrease, deterioration or damage caused to the environment or one or more of its components.
- 2.40. **Pre-Existing Damages:** Means the damages caused to the Wells and Materials, as well as the environmental liabilities and Environmental Damages found in the Contract Area, which are documented by the Contractor during the Initial Exploration Phase or recognized in the Environmental Baseline, as well as those derived from the activities, by the contractor or assignee who was in charge of the Contract Area prior to the Effective Date.
- 2.41. **Declaration of Commercial Discovery:** It is the written communication of the Contractor to MEM, whereby it declares that it has made the discovery of Hydrocarbon reserves, which in the opinion of the Contractor allows for Commercial Production.
- 2.42. **Discovery:** Means any structure or accumulation or group of structures or accumulations that in the drilling activities have been shown to contain Hydrocarbons that can be extracted to a measurable flow using the Best Practices of the Industry, regardless of whether that Hydrocarbon detection may or may not be considered commercially viable to be extracted, including the extension of some previous Discovery.
- 2.43. **Commercial Discovery:** Means a Discovery that is declared commercial by the Contractor in accordance with Article 16.
- 2.44. **Day:** Period of twenty-four (24) hours that begins at zero hours (00:00) and ends at twenty-four hours (24:00)

- 2.45. **Business Day:** Means any day that is not Saturday, Sunday or a holiday (reported by the Ministry of Labour in compliance with Law 139-97) in the Dominican Republic.
- 2.46. **US Dollars / US \$:** Means the monetary unit of the United States of America.
- 2.47. **Participating Companies:** Means each of "ABC" and "XYZ", including the Operator and their respective successors or assignees permitted under this Contract. If at any time only one entity constitutes the Contractor, any reference in this Contract to "each of the Participating Companies", "the Participating Companies", or similar references, shall be understood as meaning "the Contractor".
- 2.48. **Related Entities:** Are those referred in accordance with the provisions of art. 281 of the Dominican Tax Code.
- 2.49. **State:** Means the State of the Dominican Republic.
- 2.50. **Environmental Impact Assessment:** Means the set of technical and scientific activities aimed at the identification, prediction and control of the environmental impacts of a project and its alternatives, presented in the form of a technical report and carried out according to the criteria established by the regulations in force.
- 2.51. **Evaluation:** Means all activities and operations carried out by the Contractor after a Discovery to determine the limits, characterization and production capacity of any Discovery, as well as to determine if the Discovery in question is a Commercial Discovery, including, without limitation: (i) Additional Surveying and Superficial Exploration and Exploration activities; (ii) geological and geophysical studies; (iii) drilling of test Wells; (iv) studies of reserves and similar, and (v) all auxiliary operations and activities required to optimize the activities indicated above or those resulting from them.
- 2.52. **Exploration:** Means the planning, execution and evaluation of all types of geological, geophysical, geochemical and other studies, as well as geophysical activities, the drilling of exploratory Wells and other related activities necessary for the discovery of hydrocarbons, including the drilling of Wells for evaluation of the discovered Reservoirs.

- 2.53. **Development Phase:** Means, in relation to any Commercial Discovery, the phase that begins with the approval of the Development Program related to said Commercial Discovery and that concludes with the termination of this Contract for any reason or for administrative or contractual rescission.
- 2.54. **Exploration Phase:** Means all exploration periods, the Initial Exploration Phase and the Exploration Extension Phase, provided in Article 11.
- 2.55. **Production Phase:** Means the period of commercial production of hydrocarbons and its duration is provided in Article 20.
- 2.56. **Exploration Extension Phase:** Means the exploration period foreseen in Article 11.2.
- 2.57. **Final Transition Phase:** Means the phase that will be carried out in accordance with the provisions of Article 42.
- 2.58. **Exploration Phase:** Means the exploration period foreseen in Article 11.2.
- 2.59. **Effective Date:** This Contract will be effective for THE PARTIES from the date of its approval by the National Congress. The Dominican State undertakes and binds to submit this Contract before the National Congress for its approval, within a period of five (5) business days from the date of its conclusion, in accordance with the provisions of Article 128, numeral 2), section d) and of article 244 of the Constitution of the Dominican Republic, as well as article 3 of Law No. 4532 of the year 1958.
- 2.60. **Signature Date:** Means the date on which the Parties sign the Contract for the Exploration and Exploitation of Hydrocarbons.
- 2.61. **Abandonment Fund:** Will have the meaning foreseen in Article 40.1.
- 2.62. **Corporate Guarantee:** Means the guarantee foreseen in Article 9.
- 2.63. **Performance Bond:** Means the guarantee foreseen in Article 10.

- 2.64. **Natural Gas:** Those hydrocarbons that, in atmospheric conditions of pressure and temperature, are in a gaseous state including dry gas, humid gas and residual waste gas after the extraction, treatment, processing or separation of liquid hydrocarbons from humid gas, as well as the gas or gases produced in association with liquid or gaseous hydrocarbons.
- 2.65. **Non-associated Natural Gas:** It means the Natural Gas that is found in Deposits that does not contain Oil at the original pressure and temperature conditions.
- 2.66. **Hydrocarbons:** All organic compounds formed mainly by carbon and hydrogen, which have been formed by natural processes due to the decomposition of organic matter, the passage of time and the pressure and temperature to which they have been exposed. These will include the so-called asphalts when said compounds are in the solid state, the Oils when they are in the liquid state, and the so-called Natural Gas when they are in the gaseous state.
- 2.67. **Non-Conventional Hydrocarbons:** Means Natural Gas and Oil in tight sands and carbonates, Methane Gas associated with coal beds, Natural Gas and shale Oil, methane hydrates and tar sands.
- 2.68. **Produced Hydrocarbons:** Means the total volume of Hydrocarbons extracted by the Contractor.
- 2.69. **Income Tax / ISR:** Will have the meaning foreseen in Article 25.
- 2.70. **Minimum Participation Tax for the State / PME:** Will have the meaning foreseen in Article 26.
- 2.71. **Integral Evaluation Final Report:** Will have the meaning foreseen in Article 8.5.
- 2.72. **Shared Income of the State / IE:** Will have the meaning foreseen in Article 24.
- 2.73. **Transport Installations:** Means all the installations and equipment necessary to transport the Net Hydrocarbon Production from the Delivery Point to the Selling Point.
- 2.74. **Investments:** Will have the meaning foreseen in Article 25.

- 2.75. **General Law of Environment and Natural Resources of the Dominican Republic:** General Law of the Environment and Natural Resources No.64-00 of August 18<sup>th</sup>, 2000 and its amendments.
- 2.76. **Recoverable Costs Percentage Limit / LRC:** Will have the meaning foreseen in Article 25.
- 2.77. **Environmental Baseline:** Means the environmental conditions on which the habitats, ecosystems, elements and natural resources, as well as the relations of interaction and environmental services existing in the Contract Area are found before the execution of the activities provided in the Contract.
- 2.78. **Materials:** Means all the machinery, tools, equipment, items, supplies, pipelines, drilling or production platforms, naval artefacts, plants, infrastructure and other acquired, supplied, leased or possessed installations.
- 2.79. **MEM:** Means the Ministry of Energy and Mines of the Dominican Republic.
- 2.80. **Best Practices of the Industry:** They mean the practices, methods, standards and procedures generally accepted and followed by expert, prudent and diligent operators, with experience in the fields of Exploration, Evaluation, development, Production of Hydrocarbons and Abandonment.
- 2.81. **Month:** Means a consecutive period of time starting from a specific Day of a Calendar Month and expiring the corresponding previous Day of the following Calendar Month or of this non-existing, the first subsequent Day.
- 2.82. **Calendar Month:** Each of the twelve (12) months that constitute a Year.
- 2.83. **Ministry of Finance:** Means the Ministry of Finance of the Dominican Republic.
- 2.84. **Ministry of Environment and Natural Resources:** Means the Ministry of Environment and Natural Resources of the Dominican Republic.
- 2.85. **Oil Operations:** It is the execution of the exploration and production activities, and complementary and auxiliary operations.



- 2.86. **Operator:** Will have the meaning foreseen in Article 5. Company within a Consortium that has the authority over decision-making at an operational level in an oil project.
- 2.87. **Parties:** Means the State (by means of MEM) and each of the Participating Companies.
- 2.88. **Related Parties:** They are Related Parties when a natural or legal person participates in the management, control, administration or capital in another company, or when a third party directly or indirectly participates in the direction, control, administration or capital in two or more companies.
- 2.89. **Evaluation Period:** Will have the meaning foreseen in Article 14.1.
- 2.90. **Person:** Means any physical or moral person of any kind, including any entity, association, trust, co-investment, government or any organism or agency belonging to it.
- 2.91. **Oil:** The mixture of hydrocarbons existing in liquid phase at the conditions of the Reservoir and which remains liquid under normal conditions of surface pressure and temperature, as well as the impurities contained in it and the liquid hydrocarbons, known as condensates and / or natural gas liquids obtained of Natural Gas through condensation or extraction through separation units.
- 2.92. **Development Plan:** It means the development plan for the production that contains a time schedule that specifies the Oil Operations in the Contract Area, to achieve the production of Hydrocarbons or increase the production of Hydrocarbons.
- 2.93. **Exploration Plan:** Means a program that specifies the activities of Recognition and Surface Exploration, Exploration and Evaluation to be carried out in the Contract Area, which must comply, at least, with the Minimum Work Program.

- 2.94. **Health, Safety and Environment Policy:** Means the integral set of interrelated and documented elements whose purpose is the prevention, control and improvement of the performance of a facility or group of them in terms of industrial safety, operational safety and protection of the environment in the Hydrocarbons sector.
- 2.95. **Well:** The specialized work of Oil engineering consisting of a hole drilled through the subsoil, in order to bring the fluids from a Reservoir to the surface. It differs from the civil works carried out for the construction of the well, such as access roads, locations and / or buildings.
- 2.96. **Wellhead Commercialization Price:** Means the price obtained from the sale of Hydrocarbon Production before the allowable deductions provided in Article 34 to reach the Delivery Point.
- 2.97. **Average Monthly Reference Price:** Means the reference price foreseen in Article 24.
- 2.98. **Net Performed Price:** Means the price obtained from the sale of the Production of the Net Hydrocarbons at the Delivery Point, calculated by adjusting the price received at the Point of Sale with the deductions allowed as provided in Article 34.
- 2.99. **Accounting Procedures:** Means the procedures for accounting, recording and recovery of Recoverable Costs that are attached to this Contract as Appendix J: Accounting Procedure, Cost, Expenses and Investment Registry.
- 2.100. **Production of Net Hydrocarbons:** Means the Hydrocarbons Produced minus the self-consumed burned and vented hydrocarbons, measured at the Delivery Points under commercially acceptable conditions regarding sulphur content, water and other elements in accordance with applicable regulations and Best Practices of the Industry, which will be audited and supervised by MEM.
- 2.101. **Commercial Production:** Means the sustained regular production of any Field in order to make commercial use of said production.
- 2.102. **Evaluation Program:** It is the program that will be developed in order to determine if the Field is commercially exploitable or not as foreseen in Article 14.

- 2.103. **Work Program:** It means a detailed program that specifies the Oil Operations that will be carried out by the Contractor during the applicable period, including the time required to carry out each activity described in said program.
- 2.104. **Minimum Work Program:** It mean the Work Units that the Contractor is obliged to perform in each stage of the Exploration Phase, in accordance with Article 12 and Appendix D: Minimum Work Program.
- 2.105. **Delivery Point:** It means the site defined in the Development Plan approved by MEM and in any case it will be a point located at the exit of the treatment unit or at the entrance to the transportation system used by the Contractor where the Production of Net Hydrocarbons will be measured and verified using the Best Practices of the Industry. From that point on, ownership, control and custody of such portion of the Net Hydrocarbon Production shall pass to the Contractor.
- 2.106. **Fiscalization Point:** Means the points proposed by the Contractor and approved by MEM, or as determined by MEM, either inside or outside the Contract Area in which the Hydrocarbons Produced and / or Production of Net Hydrocarbons will be measured and verified as established in this Contract and the applicable regulations.
- 2.107. **Collection:** Means the collection of the Hydrocarbons from each Well of the Deposit once they have been extracted from the subsoil, by means of a system of discharge lines that go from the wellheads to the first separation batteries or, where appropriate, to transportation systems.
- 2.108. **Surface Recognition and Exploration:** Means all those evaluation studies that only use activities on the surface of the land or sea to consider the possible existence of Hydrocarbons in the Contract Area, including the works for its acquisition, as well as the processing, reprocessing or interpretation of information.
- 2.109. **Reservoir:** Means the stratum or strata below the surface and that are part of a Deposit, that are producing or that have been proven to be capable of producing hydrocarbons and have a common system of pressure in all its extension.
- 2.110. **Subcontractors:** It means the Persons that develop the Oil Operations by request of the Contractor.

- 2.111. **Supervision:** Actions that MEM and / or the other competent Government Authorities carry out to verify compliance with the Contractual obligations of the Contractor.
- 2.112. **Transporter:** It is a third-party company hired to provide transportation services for the Production of Net Hydrocarbons.
- 2.113. **Trimester:** Set of three (3) consecutive Months in which the Year is divided, with the end of each Quarter in the Months of March, June, September and December respectively. When the Oil Operations are carried out in a period that does not include a complete Quarter, the Quarter will be the number of Days or Months that the Contract actually operated.
- 2.114. **Work Units:** Means the work obligations, and their equivalence in money, that the Contractor must execute during the Exploration Phase, in accordance with Article 11 and "Appendix D: Minimum Work Program".
- 2.115. **Deposit:** Any formation of the subsoil in which hydrocarbons are naturally accumulated and which are characterized by a system of pressures, so that the production of hydrocarbons from a part of said formation or Deposit affects the reservoir pressure in its entirety.

### 3. Scope of the Contract

- 3.1 The State authorizes the Contractor to carry out the Oil Operations, in accordance with the provisions of the relevant legislation and the stipulations of the Contract, with the common purpose of discovering and producing Hydrocarbons in the Contract Area.
- 3.2 The Contractor shall assume all the risks, costs and responsibilities inherent to the Oil Operations, having to contribute to its exclusive expense the technology, machinery, equipment, personnel, capital, and other investments that were necessary for the Exploration of the Contract Area, as well as for the subsequent development and production of the Hydrocarbons that are eventually discovered and that are declared commercially exploitable.

- 3.3. The Contractor shall not acquire any right over the Deposits discovered in the Area, nor over the Hydrocarbons extracted, in the latter case, without prejudice to the provisions of Section V.
- 3.4. The Contractor shall have the property right over the extracted Hydrocarbons in the Contract Area at the Delivery Point.
- 3.5. The State does not guarantee the existence, quality or quantity of any existing Hydrocarbons in the Contract Area and, as a consequence, it is not obliged to any compensation for any reason whatsoever.
- 3.6. The representatives of MEM will carry out the Supervision in accordance with the law and the Contract.
- 3.7. The representatives of MEM will carry out the Supervision at any time, after notification by the means and forms determined by the parties, and must be identified and authorized for such function by MEM. The Contractor shall provide all the facilities reasonably available to them in their operations, in order that said representatives may fulfill their mission, which shall be carried out in a manner that does not interfere with them.
- 3.8. The expenses and costs corresponding to MEM representatives will be the responsibility of MEM.

#### **4. Definition of the Contract Area**

- 4.1. The Contract Area on the Signature Date comprises an area of [\*\*\*\*] hectares, described in "Appendix A: Coordinates and Specification of the Contract Area (Done)", including the geological formations contained in the projection vertical of said surface established in "Appendix A: Coordinates and Specification of the Contract Area (Done)", in which the Contractor is authorized and obligated by virtue of this Contract to carry out the Oil Operations, in the understanding that:
  - (i) Except for the rights expressly provided for in this Contract, no right is granted in favour of the Contractor regarding the surface of the area, the seabed, subsoil or with respect to any natural resource or aquatic resource;

- (ii) The Contractor is not granted any real right over the Contract Area or over natural resources in the subsoil; and
- (iii) The Contract Area will be reduced in accordance with the terms of this Contract.

## SECTION II CONTRACT ADMINISTRATION

### 5. Determination of the Operator

- 5.1 [Name of the company which Prequalified as Operator] has been designated by the Participating Companies with the approval of MEM, as the Operator of this Contract which shall comply with the obligations of the Contractor derived from this Contract on behalf and in representation of each of the Participating Companies. Without prejudice of the above mentioned, it is understood that all the operational aspects of the Oil Operations will be executed only by the Operator on behalf of the Participating Companies.
- 5.2. Participating Companies shall be jointly responsible for the fulfillment of all the Contractor obligations, independently from its participation interest. The non-compliance of the Operator of its obligations in front of the Participating Companies will neither relieve nor liberate any of the Participating Companies from its joint and several liability foreseen in this Contract.
- 5.3. The Operator at no time could participate of the Consortium in a proportion less than the thirty (30%) during the Hydrocarbons Exploration and Exploitation Contract.
- 5.4. The Participating Companies may change the Operator, and the Operator may give up its status, previous express authorization of MEM. The new operator shall comply with the qualification criteria foreseen within the Terms of Reference of the “Dominican Republic Round I” Bidding Process” and in agreement with what is established for in the previous point.
- 5.5. The change of Operator shall be approved by MEM in a previous and express manner.

5.6. Once the Participating Companies have delivered MEM the request to change Operator, MEM shall communicate the Contractor its approval or rejection in a term of twenty (20) Working Days, assuming that (i) if MEM does not notify the Contractor its approval within that term it will be considered as approved and (ii) MEM cannot deny the approval unreasonably.

## **6. Rights and Obligations of the Contractor**

6.1. The Contractor shall have the exclusive right to execute the activities subject of the Contract within the Contract Area. The Contractor shall assume all the risks, costs and responsibilities inherent to the Oil Operations and should provide at his sole responsibility the technology, machinery, equipment, personnel, capital and any other investment which would be necessary for the Contract Area Exploration, as well for the subsequent development and production of the Fields eventually discovered and which have declared commerciality.

6.2. The Contractor shall start exploration activities since the contract Effective Date.

6.3. The Contractor is committed to perform efficiently, diligent and expertly the tasks for which has been hired. In addition to the obligations assumed in virtue of the other Contract Articles, the Contractor shall:

- (i) To perform the Oil Operations according to the Best Practices of the Industry and conservation used in the oil industry, using modern, efficiently, machinery and applying the appropriate technology and methods to perform the Works in order to obtain the greater use of the Reservoirs.
- (ii) Preserve in good state and adequate conditions the operation of buildings, wells, facilities, machinery, equipment and all other goods which are necessary for the contracted operations.
- (iii) To submit MEM for its approval within one hundred eighty (180) calendar days following to the Contract Effective Date an Exploration Plan which shall include all the operations foreseen for the Exploration Phase and shall include a Health, Safety and Environment Policy.

- (iv) Submit to MEM for its approval within the first eighteen (18) months following to the Declaration of Commercial Discovery the corresponding Development Plan and include at least the information required in “Annex H: Minimum Contents of the Development Plan”
- (v) Submit to MEM annual Work Programs for each one of the Oil Operations, including Relinquishment. During the Exploration Phase the Work Programs shall comply with the Work Minimum Program according to what is established in “Annex D: Work Minimum Program”
- (vi) To commercialize the Net Hydrocarbons Production of the Contract Area, according to the Commercialization Agreements approved by MEM.
- (vii) To keep the adequate accounting in their offices in Dominican Republic according to the legal and regulatory standards and practices of the country and used un the oil industry, as well as all other book or registry regarding the contracted operations.
- (viii) To allow MEM and any other competent audit body to inspect the accounting.
- (ix) To keep a record of the Total of Hydrocarbons Produced, the Net Hydrocarbons Production and those kept in the Contract Area. To keep in their offices of Dominican Republic all the accounting books, supporting documents and other registries related with the Oil Operations according with the Accounting Procedures. All these records shall be available in physical and electronic format to be inspected, reviewed and audited by any person appointed by the Treasury Department or MEM or by any other competent Government Authority. Those records in which appear operations of the Operative Account, shall be kept updated since the Signature Date of this Contract and until 5 (five) years after the termination of the same.
- (x) To assume, exclusively and totally, the responsibility for all and any damages caused by it, its personnel or Sub Contractors.



- (xi) The obligation to which is referred to in the above paragraph will be applicable to any goods procurement, services or works contract which the Contractor signed upon the signature of this Contract.
- (xii) To adopt preventive security measures regarding personnel, facilities, equipment and vehicles used, including those of the Subcontractors.
- (xiii) Contractor shall comply with what is established for in the laws of Dominican Republic relative to the maritime navigation and areas related to the Oil Operations. To that effect, the Contractor shall use the appropriate means to minimize the inconveniences the activity may cause to the navigation and fishing.
- (xiv) To adopt the appropriate measures to avoid Hydrocarbon dumping or its derivatives or any other substance which may contaminate or pollute the waters, the coasts, the beaches and any other territory. At the same time, the Contractor shall adopt the appropriate measures to mitigate air pollution.
- (xv) To comply with all the domestic standards of Dominican Republic, international treaties and agreements regarding environmental protection, especially those referred to water and sea pollution.
- (xvi) To comply with all the domestic standards of Dominican Republic regarding workers' rights.
- (xvii) To execute all the pertinent and necessary actions in emergency situations and Act of God or Force Majeure. Specially and without limitation, perform all the necessary tasks to, en case of contamination, clean and decontaminate the water, the coasts, the beaches and any other territory.
- (xviii) To inform to the competent Government Authorities five (5) working days in advance as minimum, at the beginning of the corresponding tasks to facilities, devices, instruments or signals which are fixed and anchored with the Contract Area.

- (xix) To obtain written authorization of MEM, as of any other competent Government Authority, for the lifting and dismantling of facilities.
- (xx) To mark and point as per the standards in force, all the buildings, facilities, devices, instruments or signs which are fixed or anchored in the Contract Area.
- (xxi) To dispose of all the necessary means to determine with a maximum error margin of +/- 1/5 of second, the latitude and longitude of any point of the Contract Area.
- (xxii) To deliver to MEM and/or any other competent Government Authorities, all the information regarding mining, hydrological and other richness, obtained as consequence of the operations.
- (xxiii) To allow MEM Comptroller and other competent Government Authorities, regarding the fulfilment of the Contractor, facilitating the activities of the inspectors appointed for the inspection of the Oil Operations, provided it neither affects nor interferes with the normal development of operations.
- (xxiv) To supply MEM all the technical and economic information gathered as consequence of the Contract execution.
- (xxv) To assure its personnel against working accidents.
- (xxvi) To request, manage and obtain at its own request and expense, all the required permissions, related with the works subject of the Contract.
- (xxvii) To not stop total or partially the Oil Operations activities for more than thirty (30) calendar days, without the previous authorization of MEM, unless in case of an Act of God and Force Majeure.
- (xxviii) To provide to the authorized officers of MEM of extensive powers to allow them to comply with it duties related with this Contract, including transport, housing, feeding and other services on equal terms of those given to the Contractor personnel.

- (xxiv) To refrain from exploiting natural resources different from the Hydrocarbons discovered in the Contract Area, unless these would have been discovered during the search of Hydrocarbons.
- (xxx) To release and indemnify the State, as it may correspond, of any demand, legal action and other charges of third parties which may result injured as consequence of the Contractor activities. Expenses incurred by the Contractor for these concepts shall not be considered as Recoverable Costs.
- (xxxi) To notify opportunely MEM about any juridical process related with this Contract and whose amount claimed exceeds one million American dollars (USD 1,000,000.00)

## **7. Attributions of MEM**

7.1. Notwithstanding the rights of the Contractor related to the daily management of Oil Operations, MEM shall have the following attributions:

- (i) To approve the Work Programs and the Exploration Works Minimum Programs, as well as to evaluate its execution according to article 3.6 of this Contract;
- (ii) To review the Development Plans and Work Programs;
- (iii) To verify the execution of Oil Operations, for which the Parties representatives accredited before MEM may count on the necessary counseling;
- (iv) To verify the fulfillment of all the obligations related to the operations established in the Contractor or that the Parties agree in any other document;
- (v) To review the Transportation Agreements delivered by the Contractor;

## 8. Presentation of Information and Studies

- 8.1. Contractor will keep MEM opportunely and permanently informed about the Oil Operations, providing all the information in the form foreseen in this Article, in the regulation which results applicable and the forms established by MEM. At the same time, will provide information regarding other natural resources or archeological remains that finds or discover in the execution of the Oil Operations during the Contract term.
- 8.2. The technical information, studies, processed and not processed data, as well as the results provided by the Contractor to MEM, according to this Article, shall be of the best quality obtained by the Contractor. If to obtain information and results had been used methods or systems which are exclusive property, Contractor is not obliged to reveal those methods or systems when providing the information.
- 8.3. The Contractor shall provide a copy of the geological, geophysical and reservoir studies related with the development of the Fields, prepared with the technical information obtained from the Contract Area. Contractor shall also provide any clarification requested by MEM in relation with such studies.
- 8.4. The Contractor shall submit to MEM the information which corresponds to the obligations of the Work Program before the expiration date of each of the exploration periods included within the Exploration Phase prescribed in Article 12.
- 8.5. Additionally, within the ninety (90) calendar Days, following to the expiration of each period of the Exploration Phase, the Contractor shall submit to MEM, a 2Final Evaluation Report” which shall include, if it is the case, the studies and/or geological, geophysical, geochemical, petro-physical and reservoirs interpretation in relation to the exploration activities performed during the expired period, including those of the corresponding Work Program.
- 8.6. In case that the Work Program of the first period is the elaboration and submission of a study, the Contractor shall deliver to MEM the study, before the expiration of the mentioned period.

8.7. The Contractor shall submit to MEM a “Monthly Production Report” and a “Monthly Report of Income and Expenditures”. Both reports shall be submitted in the forms which MEM will deliver to the Contractor for such purpose, at the latest thirty (30) calendar Days after each Calendar Month. In the same opportunity the Contractor will submit in digital format the monthly average Well production data, which contains Oil, Natural Gas and water production, production Days during the Month, Net hydrocarbons production and operative condition of each Well.

8.8. The Contractor shall submit to MEM one “Quarterly Production of Income and Expenditures” in the form that MEM will deliver the Contractor for such purpose, at the latest thirty (30) Calendar Days after each Quarter. MEM may verify and examine all the charges and credits of the Contractor related to the Oil Operations and may verified and examine the Recoverable Costs.

### **SECTION III GUARANTEES**

#### **9. Corporate Guarantee**

9.1. Within the ninety (90) Calendar Days following to the date of signature of this Contract, each one of the constituents of the Contractor shall submit MEM a Corporate Guarantee of its respective parent companies by which the same grant its financial and/or technical support, as it may correspond, in relation to the obligations assumed by the Contractor, according to the model attached as “Appendix C: Corporate Guarantee”

#### **10. Performance Bond**

10.1. Within the ninety (90) Calendar Days from the effective date of this Contract, the Contractor will constitute in favour of MEM a bank guarantee issued by a bank authorized for such purposes by the Bank Superintendence of Dominican Republic, or surety bonds of insurance companies authorized for this purposes by the Insurance Superintendence of the Dominican Republic, with the conditions or being unconditional, irrevocable and renewable, for the amount of one hundred per cent (100%) of the value of the minimum Work Units and 20% of the work units of the Exploration Plan additional exploration activity corresponding to the first Exploration Period described in Article 11. The Contract Performance Bond shall be issued in

- American Dollars by a banking entity of recognized solvency and authorized for the purposes by the Bank Superintendence of Dominican Republic.
- 10.2. If Contractor continues with the following Exploration phases, in a term no longer to the ninety (90) calendar days counted upon the beginning of each subsequent Exploration period, contractor shall constitute in favour of MEM a banking guarantee issued by a bank authorized by the Bank Superintendence of Dominican Republic for these purposes, or surety bonds of insurance companies authorized for this purposes by the Insurance Superintendence of the Dominican Republic, with the conditions or being unconditional, irrevocable and renewable, for the amount of one hundred per cent (100%) of the minimum Work Units value and 20% of the work units. The Contract Performance Bond shall be issued in American Dollars by a banking entity of recognized solvency and authorized for the purposes by the Bank Superintendence of Dominican Republic. The validity of the Performance Bond shall exceed at least in 30 calendar Days the term corresponding to the guaranteed phase.
- 10.3. In case the Contractor obtains an Extension in the Exploration Phase, the guarantee established in Article 10.1 will be replaced by a new guarantee with any of the instruments mentioned in the preceding numeral, for the amounts of the Work Units value of numeral 10.1. The new bond shall be constituted at the moment of beginning each Exploration Phase Extension and its validity will be extended at least in thirty (30) calendar Days to the term corresponding to the guaranteed phase.
- 10.4. The Performance Bond shall be as per the model enclosed as “Appendix B: Performance Bond (Exploration Phase and Minimum Plan)”.
- 10.5. Each of these Guarantees will be released to the Contractor at the end of the different phases of the Exploration Phase, once the contractor has demonstrated having fulfilled with all the obligations of every phase, or when the Contract in terminated for any of the reasons established in Article 62.
- 10.6. MEM shall enforce this/these guarantee/s, in fine, in case of failure to comply without justifiable excuse of any of the Contractor obligations for any of the Exploration Phase Periods. The execution of the guarantee/s, does not exempt the Contractor of its obligation to indemnify comprehensively for all damages caused by its default.

10.7. In the event that MEM makes effective a guarantee the Contractor shall replace the guarantee with a new one, for the same amount of the original guarantee, within thirty (30) calendar Days from the execution of such guarantee.

## **SECTION IV EXPLORATION PHASE**

### **11. Duration of the Exploration Phase**

11.1. The Exploration Phase shall be until ten (10) Years for the exploration ordinary periods and up to thirteen (13) years including extensions.

11.2. The Exploration Phase shall have an initial period of four (04) years and will have two (2) additional periods of three (3) years each one for each period, upon appropriate justification of the Contractor and MEM's approval.

11.3. The activities included in the Work Minimum Program are of obligatory compliance for the initial exploration period. The Contractor shall start the exploration activities in a period no longer to nine (9) Months counted upon the signature of the Contract or from the start of the additional Exploration phases.

11.4. At the end of the exploration period and its extensions, Contractor may release the Contract Area and shall terminate the Contract, previous fulfilment of the of the commitments of such period.

### **12. Area Relinquishment during the Exploration Phase**

- 12.1. Contractor shall relinquish and return the Contract Area according the following:
- (i) Contractor shall relinquish at least the twenty five percent (25%) of the original Contract Area excluding the area comprised for evaluation and exploitation the end of the First Exploration Period.
  - (ii) Contractor shall relinquish at least the thirty-four (34%) of the remaining Area excluding the area comprised for evaluation and exploitation at the end of the Second Exploration Phase.

- 12.2. If the Contractor was granted any extension period for Exploration, he shall resign and return the corresponding exploration period for which the extension was granted, as per it is stipulated in numeral 12.1.
- 12.3. At the end of the Exploration Stage and its extensions, Contractor shall relinquish and return the one hundred percent (100%) of the Contract Area which is not considered in an Evaluation or Exploitation Program.
- 12.4. The Contractor may relinquish to the totally of the Contract Area, without any sanction, by notice to MEM with an anticipation of no less than thirty (30) working Days, as the current Work Minimum Program of the Exploration Phase has been complied.
- 12.5. In case the Contractor makes a total relinquishment of the Contract Area, abandons it or let expire the term of the current phase or period, before complying the corresponding Work Minimum Program, without technical reasons approved by MEM, the latter may execute the Performance Bond.
- 12.6. The Contractor may make partial relinquishments to the Contract Area by notifying MEM, with an anticipation of no less than thirty (30) working Days, without any sanction, but without this affecting or diminishing its obligation to fulfill with the Work Minimum Program if the current exploration program.
- 12.7. The parties will certify through a record issued by MEM of the areas relinquished by the Contractor. The Contractor may continue using the surface of the relinquished areas where he has built facilities related with Oil Operations.
- 12.8. Any of the areas relinquished by the Contractor, including Fields which lie within the same, will revert to the State at no cost for it.
- 12.9. If the Contractor performs Hydrocarbons Discovery/ies during the Exploration Phase, and which are not commercial only for transport reasons, a retention period may be requested of up to five years for the discovered Field/s with the purpose of making it feasible the production transport, when at least the following requirements are met:



- (i) That can prove to the satisfaction of MEM that the Hydrocarbon volumes discovered are enough to economically justify the building of the main pipeline
- (ii) That the set of discoveries in contiguous areas plus those of the Contractor is insufficient to economically justify the construction of the main duct.
- (iii) That proves, on an economic basis, that the Hydrocarbons discovered cannot be transported from the Contract Area to another place for its commercialization, by any means of transport.

12.10. Once the Contractor has delivered its request for a retention period as provided in Article 1.9 MEM shall communicate the Contractor the approval or rejection of the request in a term of ninety (90) calendar Days, on the understanding that (i) if MEM does not notify the Contractor within that term, it will be understood as approved and (ii) MEM may not deny its approval unreasonably. In the event that MEM rejects the request, Contractor has the right to exercise the right of procedures established in the Contract in Section X: Dispute Resolution Procedures.

12.11. The provisions of the article herein, shall not be interpreted as a reduction of the Contractor obligations to comply with the work commitments for the Exploration Phase or with its obligations regarding the Relinquishment activities and other foreseen in this Contract.

## **SECTION V PROCEDURE UPON DISCOVERY**

### **13. Notice of Discovery**

13.1. The Contractor has the obligation of communicate MEM about any Discovery that is confirmed. Within the thirty (30) calendar Days following to the confirmation of a Discovery the Contractor shall notify MEM and send:

- (i) preliminary information related to the Discovery,

13.2. The preliminary criteria regarding the convenience to perform evaluation activities of said Discovery, according to the applicable legislation.

### **14. Assessment of Discovery**

14.1. In case of a Discovery within the Exploration Phase, the Contractor shall submit for MEM approval the program of the Discovery evaluation activities (the “Evaluation Program”), in a term of one hundred eighty (180) calendar Days counted upon the Discovery notification.

## 15. Discovery Assessment Program

- 15.1. The Evaluation Program submitted as it is provided in Article 15 shall establish the contents of the Evaluation Work Program with a duration of up to thirty six (36) Months counted upon the approval of said program (the “Evaluation Period”), renewable exceptionally until for other twenty four (24) Months with MEM’s approval when the technical or commercial complexity of the Discovery development, unless in case of a Discovery of Non Associated Natural Gas, whose duration shall be subject to Article 17. The Discovery Evaluation Program shall cover the complete extension of the structure in which the Discovery was made (the “Evaluation Area”), and shall contain at least what is projected in “Appendix E: Minimum Scope of the Evaluation Activates” with sufficient scope to determine if the Discovery may be considered as a Commercial Discovery.
- 15.2. The Contractor may request MEM, with a written notification made at least sixty (60) calendar Days previous to the termination of the Evaluation Period, the extension of this period with the purpose of finishing the activates in process included in the Evaluation Program that for reasons which cannot be attributed to the Contractor, are impossible to conclude within the period to which is referred to in this paragraph. MEM will approve the extension in terms of the applicable law.
- 15.3. MEM will solve about the proposal of Evaluation Program in a term which will not exceed the sixty (60) calendar Days upon reception of the necessary information in the terms of the applicable law. If MEM does not notify the Contractor within that term, it will be understood as approved and MEM may not deny its approval unreasonably.
- 15.4. In the event that MEM denies the approval of the proposed Evaluation Program, it will base and justify its decision, and the difference.

15.5. The Evaluation Area is not subject to the area's relinquishment established in Article 12 and in case the Discovery Evaluation Program is extended more than the Exploration Phase, the Exploration Phase will be automatically extended, but only to allow the Contractor to fulfill with the Evaluation Work Program considered within the Discovery Evaluation Program.

## 16. Discovery Assessment Report

16.1. At the latest ninety (90) calendar Days counted upon the termination of the: Evaluation Period for any discovery, the Contractor shall deliver MEM a report of all the evaluation activities performed during the evaluation period containing not less than the following:

- (i) A report describing all the activities of Superficial Survey and Exploration, Exploration and Evaluation executed by the Contractor in the Contract Area during the Exploration Phase, including the Evaluation Periods and the volumes, by Hydrocarbon type, extracted during the production tests;
- (ii) The technical data, maps and reports about the Contract Area, including, without limitation: topographic, geological, geophysical and subsurface analysis information; the density of potential production areas; the depth of the different gas and/or fluids contacts; the petro physical properties of the Field rocks; an analysis of the pressure-volume-temperature data of the Fields fluids and gases; the characteristics and the pertinent analysis of the Oil discovered, and the depth, pressure and other characteristics of the Field and fluids found in it;
- (iii) An estimation of the Hydrocarbons found un the place and Field ultimate recovery (ultimate recovery);
- (iv) iv) the forecast of the production efficiency maximum rate of each individual Well and any Field discovered;
- (v) One study of the Evaluation Area feasibility development, which shall contain an economic analysis based in reasonable forecasts, Year by Year of the production profiles, the required investment, the revenue and the operation costs;
- (vi) Any opinion elaborated by experts in charge of executing operation, technical and economic studies related with the Discovery;

- (vii) Any other fact considered important for the Contractor and the conclusions derived from this;
- (viii) Its general conclusions and the development of the reasoning in which it is based on; and
- (ix) A Declaration of Commercial or non-Commercial Discovery.

16.2. With the Declaration of Commercial Discovery in such period, the Exploitation Phase shall be initiated. During the Evaluation period the Contractor, including the extensions, shall submit MEM the corresponding Development Plan, which shall consider the totality of the Contract Area and include at least the information required in Appendix G: Minimum Contents of the Development Plan as it is provided in Article 6.3 section (iv).

## **17. Discovery of Non-Associated Natural Gas or Non-Associated Natural Gas and Condensates**

17.1. If the Contractor discovers Natural Gas Non-Associated or Natural gas Non-Associated and Condensates during the exploration period; a retention period for the discovered Field/s of up to ten (10) years may be requested, with the purpose of developing market.

17.2. If the Contractor discovers Oil and also discovers Natural Gas Non-Associated or Natural Gas Non-Associated and Condensates during the exploration phase, and both scenarios formerly mentioned are submitted, a retention period for Oil and other for Natural Gas Not Associated or Natural Gas Not Associated and Condensates may be requested for the purposes mentioned in those scenarios.

17.3. The retention period to which are referred the previous scenarios extend the contract for the same period to the retention granted by MEM. El periodo de retención al que se refieren los supuestos anteriores extiende el contrato por un tiempo igual al del periodo de retención otorgado por el MEM. The retention period shall be requested in written. For such effect, Contractor shall submit a request to MEM with the supporting documentation and a Schedule of activities to be performed.

- 17.4. Notwithstanding clause 17.5, the retention period granting and the duration of the same shall be determined at criterion of MEM, without this affecting or reducing the Work Program fulfillment obligation of the of the current Exploration Phase.
- 17.5. Once the Contractor has delivered its request for a retention period as established in Article 17.3, MEM shall communicate the Contractor the approval or rejection of the request in a term of ninety (90) calendar Days in the understood that (i) if MEM does not notify the Contractor of its decision that date within such term, it will be considered approved with a retention period of ten Years and (ii) MEM could not deny the approval unreasonably. In the event MEM rejects the request, differences may be solved according to Section X: Dispute Resolution Procedures, established in the Contract.
- 17.6. The beginning of the retention period extends the Exploration phase. In case of a Declaration of Commercial Discovery in such period, the Production Phase shall start and the Contractor has eighteen (18) months to submit MEM the corresponding Development Plan, which shall include the Contract Area portion in which the Commercial Discovery was made, and include at least the information requested in Appendix G: Minimum Content of the Development Program, as it is established in Article 6.3, section (iv).

## **18. Unification**

- 18.1. The Contractor shall notify MEM in a term not exceeding ninety (90) Working Days, after having gathered the sufficient elements which allow inferring that there is a shared Field. Such notification shall contain at least:
- (i) An underpinned technical analysis which determines the existence of the shared field;
  - (ii) The general characteristics of that shared Field;
  - (iii) The geological, geophysical and other studies used to determine the possible existence of such shared Field, including, if it is the case, the information obtained from the Well drilling by which it is determined that the Field in question exceeds the Contract Area limits;
  - (iv) A Work Program Proposal for the Oil Operations prior to the unification agreement within the Contractor and the third party(ies) involved, and

- (v) The additional information the Contractor may deem convenient.

18.2. Once MEM has received the notification the following will be performed:

- (i) MEM will issue in a term no longer than forty-five (45) Working Days counted upon the reception of the corresponding information, the technical opinion about the possible existence of the shared Field and to instruct the Contractor about the unification of a shared Field, and shall request the Contractor and the third party(ies) involved, the information related to the unification agreement. The Contractor will have twenty-four (24) months to send this information.
- (ii) In case the Contractor does not submit MEM the information mentioned in previous section (i), MEM will determine the terms and conditions under which the unification will be performed. This, during the next Year, counted upon the end the term referred in previous section (i)

18.3. Based in the unification agreement and in the proposal of participation in the Oil Operations, before the unification agreement, as it may correspond, MEM may approve the Operator designated to perform Exploration and production activities in the shared Field area, in a way which the Work Units corresponding to the unified Field may be distributed within the parties as per the participation established in the unification agreement. At the same time, the activities developed to determine the existence of a shared Field shall be considered to accredit the fulfillment of the Minimum Work Program of each exploratory program or the additional exploration work commitments acquired.

18.4. According with what is foreseen in articles 18.1, 18.2 and 18.3 and supposing that the Field is partially located in an area which is not at present considered within an allocation or contract for the Exploration and production, the Contractor shall notify MEM the geological, geophysical and other studies used to determine the existence of such shared Field, including if it is the case, the information obtained from the Well drilling through which is determined that the Field in question exceeds the limits of the Contract Area. The Contractor may continue with the works within the Contract Area, the same which shall be considered in the Exploration Plans and in the Development Plans approved by MEM. For its party, MEM shall determine the juridical instrument which will provide the basis to perform the Oil Operations in the area in which is not in force an allotment or contract for the Exploration and Production.

18.5. Notwithstanding the foregoing, the Contractor may submit for consideration of MEM the areas in which the shared Fields are located. Such proposal will neither be binding, nor grants preferential rights in relation to the award of the resulting Exploration and production contracts.

## **19. International Unification**

19.1. When a Hydrocarbons Field extends beyond the national boundaries to areas under the jurisdiction of neighbor countries, it is required the signature of an agreement according to the legal dispositions in force regarding to international agreements, which shall be approved by the competent authority of the Dominican State.

## **SECTION VI PRODUCTION PHASE**

### **20. Duration of the Production Phase**

20.1. The Production Phase may have a duration of up to twenty-five (25) Years, which will coincide with the beginning of the commercial production. The Production Phase shall be extendable until the economic limit of the field life.

20.2. The extension may be requested at any moment after the 75% of the Production Phase has elapsed.

20.3. The extension conditions shall be agreed within the Parties, as well as it conforms to the interests of the State. Conditions for the State may not be less than those established in this Contract.

20.4. When the production is authorized before the expiration of the exploration period, the production period shall increase automatically for the Years not used in the Exploration Phase.

### **21. Area Relinquishment and Return**

21.1. The Contractor shall relinquish and return the Contract Area as follows:

- (i) At the end of the Exploration Phase, the Contractor shall relinquish and return the one hundred percent (100%) of the Contract Area not considered in an Evaluation Program or in a Development Plan approved by MEM.
- (ii) At the end of the corresponding Evaluation Periods, the Contractor shall relinquish and return the one hundred percent (100%) of the Evaluation Areas involved, if: (a) according to the terms established in this Contract, does not declare Commercial; or if: (b) having declared the Commercial Discovery does not submit a Development Plan for MEM's approval, or (c) such Development Plan does not comply with the requirements established in this contract;
- (iii) In case the extension is granted during the term of this Contract, the Contractor, upon request of MEM, shall relinquish and return the one hundred per cent (100%) of the subsurface structures or stratigraphic closures which are not part of the Development Plan modified according with what is established in the Contract.
- (iv) Upon termination of this Contract for any reason, or in case MEM cancels this Contract for any reason, the Contractor shall relinquish the one hundred per cent (100%) of the Contract Area, including any Evaluation Area and Development Area.

21.2. The provisions of the article herein, shall not be interpreted as a reduction of the Contractor obligations to comply with the work commitments or with its obligations regarding the Relinquishment activities and other foreseen in this Contract.

21.3. In such an exceptional case of Discovery notification, the Contractor may submit to MEM's approval, up to sixty (60) calendar Days, previous to the termination of the Initial Exploration Phase or any of its extension periods, as it may correspond, a reduction of the percentage mentioned in Article 21.1. Such request shall be accompanied of a Work Program and additional investment commitment duly guaranteed, justifying the retention of the area where is located the Discovery.

## **SECTION VII FISCAL PROVISIONS**

### **22. Fiscal Regime**



- 22.1. The fiscal regime applicable to the activities authorized for this Contract shall be composed of what is provided in Articles 24, 25, 26, 27, 28, 29 y 30 of this contract.
- (i) The Beneficiary of an oil or gas exploration and production Contract may not use any of the benefits, income, revenue, flows or any other active of these to pay, finance, perform or cover exploration expenses, or other expenses of any nature which are not limited to those necessary to perform the exploitation operation authorized by the subject Contract; if it happens, the same shall not be recognized for fiscal purposes.
  - (ii) By virtue of the aforementioned, all the costs regarding the exploration and development, as well as the interests which can be attributed to it, shall be added to the capital accounts individually enabled for each Contract.
- 22.2. The collecting bodies shall be those of the Tax Administration, which are the General Directorate of Internal Taxes (DGII) and the General Direction of Customs (DGA) of Dominican Republic.
- 22.3. The specified fiscal obligations applicable to the extractive authority authorized for this contract, are those established specifically in the same, being these activities also subject, in a supplementary and general manner, to the dispositions of the Tax Code and other complementary laws.
- 22.4. The noncompliance of the obligations established in this Contract shall be subject to the penalties, sanctions and interests established in the Dominican Tax Code and its complementary laws.
- 22.5. All the compensations or taxes paid to the State are consolidated and accounted separately for each oil and gas exploration and producing Contract granted, considering the following:
- 22.6. Natural and legal persons being beneficiaries, or to which is applied a special fiscal regime in virtue of a fiscal incentive law, may not apply those fiscal schemes to the activities authorized by this Contract. In such cases, beneficiaries of each Oil and Gas Exploration and Production Contract shall have its own number of Taxpayer National Registry before DGII and keep a separate and specialized accounting for each Contract. Contractor shall join the fiscal regime in force in the Dominican Republic for these activities.

## 23. Tax Stabilization Clause

23.1. The State, through MEM, guarantees the Contractor the Benefit of tax stability during all the validity of the contract, so it shall be only subject to the tax regimen in force at the Contract Signature Date.

- (i) The participation in the State Sharing Income, the Lease for Access to Surface, the Income Tax, the State Minimum Participation Tax, ITBIS and any other rate or tax in force at the Contract signature shall be part of the tax regime in force.
- (ii) The dispositions of this Article will not be applicable to the extensions that the State may grant as per it is provided for in Article 20 of this contract.
- (iii) Any additional tax obligation, or reduction of the tax burden (unless, for this latter, the legislation specifically provides it), which is introduced after the Signature Date and notarial registration of this Contract, shall not be considered within the terms of this contract.

## 24. Shared Income of the State

24.1. The Contractor shall pay monthly the State the participation Income as per the following formula:

$$IE_m = Q_m \times R_{t_m} \times PBP_m \times D_m$$

Where :

$IE_m$  = Shared Income of the State in the month m in thousand dollars

$Q_m$  = Average daily production in the month m, fiscalized, in thousand barrels of oil per day

$R_{t_m}$  = State Shared income rate in the month m

$PBP_m$  = Commercialization monthly average price on Well Head (in dollars of the United States of America per barrel)

$D_m$  = day in month m

24.2. For their part, the rate of Shared Income of State for Crude and Condensates will be calculated monthly as follows:

- (i) The value of the variable rate is calculated:  $R_{min}$ 
  - a. When the price ( $P_b$ ) is less or equal to 50\$/bbl, it will be applied the following formula:

$$R_{minm} (\%) = 3.00$$

- b. When the price (Pb) is within 50 and 130\$, it will be applied the following formula:

$$R_{minm} (\%) = (0.15 \times Pb - 4.5)$$

- c. When the price (Pb) is higher or equal to 130\$, it will be applied the following formula:

$$R_{minm} (\%) = 15.00$$

Where:

$R_{m}$  = Variable rate 1 in the month m

Pb= Monthly referential average price for oil in the month m (in dollars of the United States of America per barrel)

- (ii) The value of the variable rate is calculated:  $R_{max}$

- a. When the PB is less or equal to 40\$/bbl, the following formula will be applied:

$$R_{maxm} (\%) = 3.00$$

- b. When the PB is within 40\$/bbl, and 130\$/bbl, the following formula will be applied:

$$R_{maxm} (\%) = (0.2445 \times Pb - 6.7777)$$

- c. When the PB is higher or equal to 130\$/bbl, the following formula will be applied:

$$R_{maxm} = 25.00$$

Where:

$R_{maxm}$  = Variable Rate 2 in the month m

- (iii) The value of the final rate is calculated:  $R_t$

- a. When  $Q_m$  is less or equal to 25 kbpd

$$R_{tm} = R_{minm}$$

- b. When  $Q_m$  is higher to 25 and less to 300 kbpd

$$R_{tm} = (R_{max_m} - R_{min_m}) \times \frac{Q_m - 25}{275} + R_{min_m}$$

- c. When  $Q_m$  is higher or equal to 300 kbpd

$$R_{tm} = R_{max_m}$$

Where:

$Q_m$  = Average fiscalized daily production in the month m in well head (kbpd)

$R_{tm}$  = Shared income rate of the State in month m

24.3. Shared Income rate of the State for Gas shall be calculated monthly as follows:

- (iv) The value of the variable rate is calculated:  $R_{min}$

- a. When  $P_g$  is less or equal to 8\$/mmbtu, the following formula will be applied:

$$R_{min_m} (\%) = 2.00$$

- b. When the price ( $P_g$ ) is within 8 and 12\$/mmbtu, the following formula will be applied:

$$R_{min_m} (\%) = (0.5 \times P_g - 2)$$

- c. When the price ( $P_g$ ) higher or equal to 12\$/mmbtu, the following formula will be applied:

$$R_{min_m} (\%) = 4.00$$

Where:

$R_{min_m}$  = Variable rate 1 in month m

$P_g$  = Monthly Average Price of reference for gas in the month m in \$/mmbtu (in dollars of the United States of America by millions of British thermal units)

- (v) The variable rate value is calculated:  $R_{max}$

- a. When the price ( $P_g$ ) less or equal to 4 \$/mmbtu, the following formula will be applied:

$$R_{max_m}(\%) = 2.00$$

- b. When the price ( $P_g$ ) is within 5 and 12 \$/mmbtu, the following formula will be applied:

$$R_{max_m}(\%) = (0.625 \times P_g - 0.5)$$

- c. When the price ( $P_g$ ) is higher or equal to 12 \$/mmbtu, the following formula will be applied:

$$R_{max_m} = 7.00$$

Where:

$R_{max_m}$  = Variable rate 2 in month m

$P_g$  = Monthly Average Price of reference for gas in the month m in \$/mmbtu (in dollars of the United States of America by millions of British thermal units)

- (vi) The variable rate value is calculated:  $R_t$
- a. When  $Q_m$  is less or equal to 80 mmpcd

$$R_{tm} = R_{min_m}$$

- b. When  $Q_m$  is higher to 80 and less to 500 mmpcd

$$R_{tm} = (R_{max_m} - R_{min_m}) \left( \frac{Q_m - 80}{420} \right) + R_{min_m}$$

- c. When  $Q_m$  is higher or equal to 500 mmpcd

$$R_{tm} = R_{max_m}$$

Where:

$Q_m$  = Average daily production in the month m fiscalized in well head (kbpd)

$R_{tm}$  = Shared income rate of the State in month m

- 24.4. For the Reference Monthly Average Price for oil, the average quotation of previous month from "Europe Brent Spot Price FOB" in United States dollars, taken from the Data Base "US Energy Information Administration, EIA", shall be used,
- 24.5. For the Reference Monthly Average Price for natural gas, the average quotation of previous month from the reference of the import parity price published by the Ministry of Industry, Commerce and Mipymes of the Dominican Republic.
- 24.6. The Participating Company shall perform the payments corresponding to the Shared Income within the ten (10) Calendar days following the end of each Month. The amounts to pay in virtue of this Article shall be paid in American dollars to the General Direction of Internal Taxes. (DGII).
- 24.7. All the foregoing, without prejudice of the faculty of DGII to verify that reconciliations, affidavits, payments and credits made by the Participating Company be in agreement with the procedures and conditions foreseen in the Dominican Tax Code and in this Contract; in case of requiring that the adjustments and/or the applicable payments which result from such verification.

## **25. Income Tax**

- 25.1. The income tax applicable to the exploration and exploitation hydrocarbon activities authorized in favour of the Participating Company will be ruled according to what is established in the Dominican Tax Code, its bylaws and complementary laws, unless the specific conditions established by this article.
- 25.2. The Income Tax rate applicable to the Contract, shall be the current rate in the legislation corresponding to the moment of signature of this.
- 25.3. The Recoverable Costs for the Income Tax include the Costs and Investments incurred during the Exploration Phase and the Production Phase in the Area authorized by MEM.
- 25.4 It is considered Recoverable Costs to all expenditures that are strictly indispensable for performing oil and gas activities, incurred since Effective date up to the end of the contract. Whenever it corresponds to one of the described in Appendix J: Accounting Procedure, Cost Registry, Expenses and Investment whenever it

corresponds with those performed in the production area authorized by this contract.

- 25.5. The maximum quota of Gross Income available for the recovery of the Recoverable Costs, called Perceptual Limit of Recoverable Costs, shall be ninety-five per cent (95%).
- 25.6. The recovery of Recoverable Cost shall start as of the month of start Commercial production.
- 25.7. The annual balance of the Cost and Investments not recovered due to depletion of the amount established for the Recoverable Costs shall be transferred to the next year and so on, without limitation.
- 25.8. To the effects of determining the Costs and Investments to be recovered by the Contractor, records in American dollars shall be kept, translating all the expensed executed in other currencies, at it may be necessary, on the date disbursements are made.
- 25.9. The registry procedure shall be submitted for consideration and approval of MEM, and shall comply with the legal standards in force, with the established and accepted accounting principles and practices in Dominican Republic and which correspond to the best practices in the international oil industry.
- 25.10. The Recoverable Cost limitations are established in Article 27 of Appendix J: Accounting Procedure, Costs, Expenses and Investments Records.
- 25.11. The Participating Company shall perform the Income Tax estimated payments to the General Direction of Internal Taxes (DGII) at the latest twenty (20) calendar days after the end of each Fiscal Quarter. Such quarterly payments shall be calculated as per it is established in Article 21 of Appendix J.
- 25.12. Within the one hundred twenty (120) calendar days following the fiscal year end, the Participating Company shall conciliate the amounts paid quarterly for Income Tax to determine the final amount to be paid by the Participating Company in relation to such concept for the corresponding fiscal year, and shall submit the corresponding annual income tax declaration for the current fiscal year and shall pay the corresponding taxes.

- 25.13. In case it is determined that the amount paid by the Participating Company for quarterly settlements of the income tax during the fiscal year exceed the final tax income that the Participating Company Shall pay for such fiscal exercise, such surplus, may be applied by the Participating Company as an advance payment for income tax future obligations.
- 25.14. Notwithstanding the foregoing, in case that the conciliation of the income tax quarterly payments against the final income tax for the same fiscal year, results in a difference to be paid in favour of the State, the Participating Company shall pay the corresponding amount at it may be applicable, within the term established for the submission of the corresponding annual income tax declaration.
- 25.15. Payments regarding this tax shall be made in north American Dollars.
- 25.16. The foregoing, without prejudice of the faculty of the DGII to verify that the conciliations, sworn declarations, payments and credits performed by the Participating Company are in agreement with the procedures and conditions foreseen in the Dominican Tax Code and in this Contract; and if it is required to perform the adjustments and/or payments resulting from such if applicable.

## **26. Minimal Participation of the State and Contribution to Local Governments (CGL)**

- 26.1. With the purpose of guarantying an appropriate distribution of the benefits generated by the Contract for the benefit of the State and the Dominican Nation, it is established the application of the following system for the guarantee and protection of the Minimum Participation of the State (PME) in oil production. Accordingly, the Contractor shall pay the State a minimum of forty percent (40%) of the benefits attributable during all the life of the Project or the equivalent, of the Total Oil Revenues (RPT) of the corresponding Project as per it is established in this Chapter.
- 26.2. It shall be understood as Total Oil Revenues (RTP) the benefits or taxable income attributable to the Contract, estimated during all the lifetime thereof, meaning, the accumulated income generated with the following formula:

$$\text{Accumulated Income (UA)} = \text{Revenue } m - \text{CAPEX} - \text{OPEX}$$





Where:

$Q_m$  = Fiscalized monthly average production in the month  $m$  in thousand barrels of oil per day.

$PBP_m$  = Monthly average Price in well head

CAPEX = Capital investment approved by MEM

OPEX = Operation Costs approved by MEM

26.3. For the calculation and division of the percentages previously described, it shall be taken into account the following components as generators of the opposable benefits to State for the exclusive purpose to perform the mentioned liquidations, namely:

- (i) The historic payments for concept of Income Tax executed until the moment of the corresponding liquidation and,
- (ii) The historic payment for concept of the State Shared Income (IE) and,
- (iii) The historic payment for Easement Lease and,
- (iv) Historic payment of PME and,
- (v) The historic payment made for the five percent (5%) payable to the municipalities where the exploitation is executed, calculated over the net profit generated and in virtue of what is provided for in paragraph II of Article 117 of Law No. 64-00.
  
- (vi) Any other income attributable to State in the Contract. These revenues exclude the payment of ITBIS (Tax over Industrialized Goods and Services Transferences) and ISC (Consumption Tax) as these payments are considered as costs.

26.4. Minimum Participation of the State (PME) shall be calculated annually, taking into account all the benefits and payments generated all the previous years and until the corresponding liquidation year.

26.5. The value of the tax to be paid annually is the result of the following formula:

$$\text{Tax (PME)} = 0.4 \times UAm - 1 - IEAm - 1$$

Where:

PME<sub>n</sub> = Minimum Participation of State Tax up to year n

UAm-1 = Retained earnings up to year m-1

IEA m-1 = Accumulated State Earnings up to year m-1

26.6. For the exclusive purposes of this Contract, it shall be understood that in paragraph II of article 117 of Law No. 64-00, which creates the Ministry of Environment and Natural Resources, it reads as follows: “In case of non-renewable natural resources, the State shall destiny the five percent (5%) of the net benefits received in favour of the municipalities in which the exploitation is executed. Specifically, the State shall destiny those funds to develop projects identified in the corresponding municipal development plans elaborated by the Ministry of Economy, Planning and Development. The highest amount demandable and to be destined for the corresponding municipalities shall be of five million American Dollars (US\$ 5,000,000.00) per year by Contract. When there is more than one exploitation for one licensee, the corresponding funds shall be destined proportionally to the volume extracted in each municipality, and the sum of the funds provided separately to multiple municipalities shall not exceed five million American Dollars (USD 5,000,000.00) annually”.

26.7. The payment of the contribution established in paragraph II of article 117 of Law No. 64-00, for the purposes of the next contract are calculated over the basis of the net benefits of the State, meaning as net benefits for the calculation of such contribution, the amount effectively paid for Income Tax of the corresponding fiscal year.

26.8. The royalty, Tax Income and Minimum Participation of the State collection shall be administrated by the General Direction of Internal Taxes (DGII) of Dominican Republic, in the manner and term which is established in this contract by the tax legislation in force.

26.9. Within the one hundred twenty (120) calendar Days after the end of the fiscal year the Participating Company will determine the final Minimum Participation of the State (PME) for such fiscal year and will pay in American Dollars before the General Direction of Internal Taxes (DGII) any liquidated PME.

26.10. The foregoing, without prejudice of the faculty of the DGII to verify that the conciliations, sworn declarations, payments and credits performed by the Participating Company are in agreement with the procedures and conditions foreseen in the Dominican Tax Code and in this Contract; and if it is required to perform the adjustments and/or payments resulting from such if applicable.

## **27. Import Duties**

27.1. The Contractor and its Subcontractors may enter under the regime of temporary admission the machinery and equipment necessary for oil exploitation to develop within this contract.

27.2. The foregoing, without prejudice of the faculty of the DGA to verify that the conciliations, sworn declarations, payments and credits performed by the Participating Company are in agreement with the procedures and conditions foreseen in the General Customs Law; and if it is required to perform the adjustments and/or payments resulting from such if applicable

## **28. Rent for access to the surface**

28.1. During the term of the Contract, the Contractor undertakes to take the necessary steps to reach an agreement with the owners or occupants of the property adjacent to the Contract Area for the use of the territorial extension required for exclusive activities of exploration, exploitation and benefit in terms of the applicable legislation. The agreements or contracts resulting from these procedures must be registered in the Public Oil Registry.

28.2. The owners, lessees or occupants may not oppose the work carried out in compliance with the provisions of this contract. Neither may the owners, tenants or occupants of the lands adjacent to the access to the areas covered by the aforementioned titles, constitute in this case an easement.

28.3. In the event that the awardee and the owners, lessees or occupants of the land do not reach an agreement, MEM shall serve as mediator in said process. However, if in the mediation phase no agreement is reached between the parties, or no reliable supporting documentation has been submitted to MEM, the latter will set within a term not greater than thirty (30) calendar days since the notification of the Start of Activities, in an administrative manner, a preliminary bond to ensure access to the surface lands by the awardee and the subsequent payment of the corresponding compensation to the registered owners or lessees of the surface rights. This bond must be deposited in MEM in favour of the corresponding party.

28.4. Once the bond is received, the owners, the registered owners, tenants or occupants cannot oppose the access to the areas by the beneficiary, its employees or contractors, and the corresponding easements necessary to carry out the activity in question are constituted.

28.5. The Contractor undertakes to allocate for public use the roads built for the Contract. In case there are two (2) or more Contractors that benefit from them, the maintenance and maintenance costs will be distributed pro rata.

28.6. The Contractor shall pay in the DGII an annual rental fee per square kilometer according to the following considerations:

- i) For the first phase of the Exploration Period a total of one hundred (100) US dollars per square kilometer;
- ii) For the other phases of the Exploration period, a total of one hundred and fifty (150) US dollars per square kilometre; and
- iii) For production phase a total of one thousand (1,000) US dollars per square kilometer

28.7 This fee shall be paid by the Contractor within thirty (30) calendar days after the end of the fiscal year, for which the Contractor shall require the authorization of said payment from the Ministry of Energy and Mines.

## **29. Easements**

29.1. The superficial properties subject to the Contract Area will be under the easement regime with the authorization of the competent Government Authority.

- 29.2. The Contractor must agree with the holders, owners or occupants of the property located in the Contract Area an amount of compensation for the damages and losses caused. The contract concluded between the parties for this reason, must be delivered to MEM.
- 29.3. In case of not delivering the contract or there is no agreement between the Contractor and the owner of the property, MEM will determine the amount of the bond to ensure the payment of compensation according to the procedure established in the applicable regulations.
- 29.4. If there is a natural passage of the waters and they have to pass through the land, the property will be affected by an easement. Said easement shall be constituted only with respect to the part of the property where the water crosses.
- 29.5. If for any circumstance it is necessary to carry out works for the construction of a special channel for the water course, the Parties agree that the cost must be paid in accordance with the provisions of the applicable regulations.
- 29.6. The easements established by common agreement between the Parties must be made in a public deed, if ordered by MEM, it will be by resolution.
- 29.7. The easements are extinguished once the term of the Contract has expired or as a consequence of an early termination. The rights for the easement can only be exercised for the activities of this Contract.
- 29.8. The costs inherent to its constitution will be paid by the Contractor.
- 29.9. Unless otherwise provided, the Civil Code is applicable to easements.

### **30. Overseas Payments**

- 30.1. Payments abroad will be subject to the provisions established in the Dominican Tax Code and its complementary laws, with the exception of the preferential treatment contained in this article.

30.2. Preferential treatment for the exploration and development phase:

- (i) During the exploration phase, payments or credits on account of individuals, legal entities or entities not resident or not domiciled in the Dominican Republic, according to the concepts defined in article 7.2 of Appendix J of this contract, will not have a withholding tax rate source.

30.3. During the development phase, payments or credits on account of individuals, legal entities or entities not resident or not domiciled in the Dominican Republic, according to the concepts defined in article 7.3 of Appendix J of this contract will have a withholding tax in the source of ten percent (10%). The foregoing, without prejudice of the faculty of the DGII to verify that the conciliations, sworn declarations, payments and credits performed by the Participating Company are in agreement with the procedures and conditions foreseen in the Dominican Tax Code and this Contract; and if it is required to perform the adjustments and/or payments resulting from such if applicable

## **SECTION VIII COMERCIAL PROVISIONS**

### **31. Commercialization of the Contractors Production**

31.1. The Contractor may market the Net Hydrocarbons by itself or through any other trader, observing the provisions of Article 31 of this contract, and in accordance with the Applicable Regulations.

### **32. Preferential Right to Provide for the Local Market**

32.1. The State, through MEM, will have the preferential right to acquire all or part of the Hydrocarbon Production owned by the Contractor.

32.2. If, for a certain moment, another or other Contractors were in production of Hydrocarbons of similar characteristics, the preferential right of the State shall be exercised in proportion to the volume of Net Hydrocarbon Production that each of the Contractors is producing.

- 32.3. The State, through MEM, will pay for the Hydrocarbons acquired in accordance with this preferential right, a price calculated with a formula to be agreed between the Parties, and take into consideration what is established in Article 35, which in the case of Natural Gas shall not be less than the equivalent price of the alternative fuel.
- 32.4. To make use of such preferential right, the State, through MEM, will notify the Contractor in writing with an anticipation of nine (9) Months, specifying the volume of Hydrocarbons of the portion corresponding to the Contractor that will be acquired, as well as the period during which will be made said purchase.
- 32.5. If the quality of the Oil of the part delivered to the Contractor in remuneration of the contracted operations, is not appropriate for the national refineries, the State, through MEM, will have the right to buy from the Contractor said Oil, at an international price determined according to Article 34 and, by mutual agreement of the Parties, exchange it with it for an equivalent volume of other Oil owned by the Contractor that meets the necessary refining conditions in the State, or, after having purchased from the Contractor Oil that meets or does not meet the conditions of refining necessary in the State, to exchange them for other Oil owned by third parties.

### **33. Measure and Reception of Net Hydrocarbons**

- 33.1. The volume and quality of the Production of Net Hydrocarbons must be measured and determined in the Fiscalization Point, in accordance with the procedures established in the applicable regulations. Additionally, MEM may request the measurement of the volume and quality of the Hydrocarbons Produced at Wellhead, in separation batteries or along the Collection and Storage systems or at the Measurement Point agreed between the contractor and MEM, in which case, the Contractor shall supply and install the additional equipment necessary to carry out said measurements. All information regarding the measurement of Hydrocarbons under this Contract must be reported to MEM.
- 33.2. At the same time and in the same terms related to the presentation of the Development Plan for the approval of MEM, the Contractor shall propose the procedures that shall regulate the programming, storage, and the measurement and quality monitoring of the Production of Net Hydrocarbons in the Fiscalization Points

and Delivery Point. The procedures must comply with the provisions of this Contract, Chapter 11 of the most recent version of the Manual of Petroleum Measurement Standards of the American Petroleum Institute, the Best Practices of the Industry and applicable regulations, and will develop, among others, the following topics

- (i) Measurement systems;
- (ii) Short-term production forecasts;
- (iii) Delivery / reception schedule;
- (iv) Measures of industrial safety, operational safety, environmental protection and health at work, and
- (v) The responsibilities derived from the custody of the Hydrocarbons from the Wells and to the Fiscalization Points and the Delivery Point.

33.3. MEM will review the Contractor's proposal for procedures and will communicate any objection or observation within thirty (30) calendar days following its receipt. Without prejudice to the faculty to approve the procedures previously indicated by MEM, the Contractor shall attend to the procedures the observations made by MEM, and shall submit a new version that addresses said observations within the following thirty (30) calendar days to have received them. MEM and the Contractor may hold hearings or hearings to clarify in good faith any difference that exists in respect of the procedures referred to in this Article, in accordance with the Best Practices of the Industry and the applicable regulations.

33.4. The installation, operation, maintenance and calibration of the measurement systems will be under the responsibility of the Contractor, under the supervision of MEM. The measurement system will be supplied by the Contractor and must have the approval of MEM, who will verify compliance with the applicable regulations and the Best Practices of the Industry. Under the Contractor, an independent third party approved by MEM will verify that the measurement system, its operation and its management are suitable and measure the volumes and quality of the Hydrocarbons within the parameters of uncertainty and tolerance established by MEM based on in the Best Practices of the Industry.

33.5. The Contractor must keep complete and accurate records of all measurements of the Hydrocarbons, and must make a true copy of them available to MEM. Additionally, the Contractor must deliver the reports established by the applicable regulations. MEM representatives, duly authorized to do so, will have the power to



inspect and examine the measurement systems, their operation and management, as well as being witnesses, together with the Contractor, of the calibration tests. The measurement systems should also allow the Parties to measure real time in the Fiscalization Points with remote access to information.

### **34. Valuation of Hydrocarbons Sold to Third Parties**

- 34.1. The Contractor will deliver the Marketing Agreements for the sale of Hydrocarbons to MEM for approval. MEM will keep the information of these agreements confidential.
- 34.2. The Hydrocarbons sold by the Contractor to third parties and / or related parties, in accordance with the definition of related parties established in article 281 of the Tax Code and Decree 78-14 that establishes the Transfer Pricing Regulations, will be valued at the Realized Net Price at the Delivery Point received by the Contractor for said Hydrocarbons. In the calculation of the Realized Net Price, the deductions can only be made for (a) transportation costs between the Delivery Point and the Sale Point, (b) the margins and brokerage, and (c) the handling charges; and the deductions shall be limited to amounts not exceeding the customary and current rates charged by them in the international oil industry between independent parties under conditions of full competitions.
- 34.3. The Contractor must provide MEM with all the necessary information to review the calculation of the Net Realized Price and MEM must approve the calculation of the Net Realized Price within a period not exceeding ten (10) calendar days, and may not deny its approval unreasonably. In the event that MEM cannot reach an agreement, the Net Realized Price Performed will be determined by the Technical Conciliation Committee, as provided in Article 44.
- 34.4. All the foregoing, without prejudice to the faculty of the DGII to verify that the Realized Price at the Delivery Point for transactions between related entities complies with the provisions established in article 281 of the Tax Code and Decree 78-14 that establishes the Regulation of Transfer Pricing

### **35. Valuation of Hydrocarbons Sold to Contractual Parties**

35.1. The Net Price Carried Out by the Contractor of the Hydrocarbons sold to one of the Parties, its Affiliates and / or related parties, in accordance with the definition of related parties established in article 281 of the Tax Code and Decree 78-14 that establishes the Transfer Pricing Regulations, this Contract will be denominated in US dollars on FOB terms (Dominican Republic) at the Delivery Point, so that it reflects the real value on the international market for an Oil or Natural Gas with characteristics similar to those produced in the Contract Area.

35.2. The price of the Oil will be calculated on a formula to be agreed on among the Parties that considers a basket of oil prices with characteristics similar to the aforementioned Oil, which will be determined as follows:

- (i) With an anticipation of not less than ninety (90) calendar Days from the date of commencement of Commercial Oil Production, the Parties will determine the approximate amount of Oil that will be produced in the Contract Area.
- (ii) Within thirty (30) calendar Days following the determination referred to in the paragraph above, the Parties will select a basket of Oils of up to a maximum of four (4) components that must meet the following conditions:
  - a. That they are of similar quality (API grades and sulfur content) to the Oil that is going to be measured in a Production Fiscalization Point.
  - b. That their quotes appear regularly in the publication "Platt's Oilgram Price Report", in the publication of the Energy Information Administration, or in another source of the same category and recognition within the petroleum industry that is agreed by the Parties; Y,
  - c. Every six (6) Months or sooner if any of the Parties requests so, the Parties may review the basket established for the valuation of the Production of Net Hydrocarbons, in order to verify that it continues to comply with the conditions listed above. If it is verified that any of these conditions is no longer met, the Parties must modify the basket respecting the provisions of paragraphs (a) and (b) above, and within thirty (30) calendar Days following the date on that the revision of the basket was initiated. If this period has expired, and the Parties have not agreed on a new basket, they will proceed in accordance with the provisions of Article 43.
  - d. The value of the crude oil must also consider the quality of the crude oil, which will be determined through a laboratory analysis in order to obtain the ASSAY of the crude oil found in the Dominican Republic

and its valuation in the refineries and / or markets where it would be processed;

- (iii) If it is verified that the API gravity (weighted average), sulphur content, or other element that measures the quality of Net Hydrocarbon Production would have varied significantly with respect to the quality of the components that make up the basket (simple arithmetic average), the Parties must modify the composition of the basket in order to reflect the quality of the Production of Net Hydrocarbons.
- (iv) In the event that in the future the price of one or more of the types of Oil that make up the basket is quoted in a currency other than US Dollars, said prices will be converted into US dollars at the exchange rates in effect on the dates of each of the referred quotes. The exchange rates to be used will be those published by the Central Bank of the Dominican Republic.

35.3. The price of Natural Gas will be in US dollars per million BTU (US \$ / MMBTU) and will be established when calculating the quarterly average of the price of imported gas in the Dominican Republic. The price will be the result after having discounted the costs of processing, transportation and commercialization, agreed between MEM and the Contractor.

### **36. Transportation of Hydrocarbons**

36.1. The Contractor will deliver the Production of Net Hydrocarbons to the Transporter at the Delivery Point. The Transporter will transport the Production of Net Hydrocarbons from the Point of Delivery to the Sale Point in consideration of the Transport Agreements established by the contractor. In the event that the Delivery Point and the Sale Point are the same, there will be no need to have a Transportation Agreement.

36.2. The scope of the Transportation Agreement will be established by the Contractor and will comply with the Best Practices of the Industry and the obligations established under this Contract.

36.3. In the event that it was approved by MEM in the Development Plan, the Contractor or one of the Participating Companies may finance and / or construct the required Transportation Facilities, the development and operation of the Transportation

Facilities will be treated as another business and outside the scope of this Contract and subject to applicable regulations.

### **37. Payment Procedure**

37.1. All payments due to the State under this Contract shall be made in US dollars, or another currency agreed upon by both Parties, before the corresponding authority in the Dominican Republic.

37.2. The parties may agree to pay in cash, in kind or in a mixed form based on the methodology for the valuation of Hydrocarbons contained in Article 35 of this Contract and with that established in numeral 1 of this Article.

## **SECTION IX: SURRENDER AND ABANDONMENT OF AREA**

### **38. Requirements of the Abandonment Program**

38.1. The Contractor shall be obliged to carry out all the operations related to the Abandonment of the Contract Area. The Development Plan, as well as each Work Program and budget submitted for the approval of MEM shall contain a section related to the Abandonment, which shall include an estimate of the activities necessary for the final plugging of Wells, restoration, remediation and, when applicable:

- (i) Environmental compensation of the Contract Area;
- (ii) Uninstallation of machinery and equipment; Y
- (iii) Orderly and free delivery of debris and rubbish from the Contract Area.

38.2. Said activities must be carried out in accordance with the Best Practices of the Industry and the applicable regulations.

### **39. Notice of Abandonment**

39.1. Before plugging a Well or uninstalling any equipment, the Contractor must notify MEM, at least sixty (60) calendar Days in advance.

### **40. Abandonment Fund**

40.1. Within thirty (30) calendar Days following the approval of the Development Plan by MEM, the Contractor shall open a custody or Escrow account (the "Abandonment Fund"), in a Dominican banking institution of recognized reputation and solvency and authorized for these purposes by the Superintendence of Banks of the Dominican Republic, chosen by the Contractor with the favourable opinion of MEM. In the event that MEM rejects the proposal of the Dominican banking institution of the Contractor, MEM must propose three (3) alternative institutions in a term no greater than thirty (30) calendar Days.

40.2. The custody or Escrow account agent must invest the resources received in financial instruments issued by financial institutions, corporations or governments with investment grade credit ratings whose duration does not exceed the term when such resources will be required to fund the Abandonment activities in accordance with the investment policies established in the custody or Escrow contract. The Parties agree that the purpose of the Abandonment Fund is to create a reserve to fund the Abandonment operations in the Contract Area. The Contractor may not make use of the funds deposited in the Abandonment Fund for any other purpose than carrying out the Abandonment operations in the Contract Area, nor shall he have the right to give as guarantee, assign or dispose of in any other way the resources that make up the Abandonment Fund. The foregoing without prejudice to any other requirement imposed by the applicable regulations.

#### 41. **Abandonment Fund Financing**

41.1. The Contractor shall quarterly deposit to the custody or Escrow account of the Abandonment Fund an amount for the Abandonment operations in the Contract Area considering the Estimated Total Cost of Abandonment and the life of the project according to the approved Development Plan. The quarterly value to be deposited will be calculated using the production unit method and will be governed by the provisions of Article 40.3.

41.2. Deposits to the Abandonment Fund are not considered as Recoverable Costs and the amount of each deposit will be determined by the Contractor.

41.3. The contractor is obliged to:

- (i) Begin with the deposits to the Abandonment Fund at the end of five (5) years from the start of the Production Period.

- (ii) Deposit, no later than two (2) years before the end of the Production Period, one hundred percent (100%) of the Estimated Total Cost of Abandonment considering the interest received in the Fund until this date. If on that date there is not one hundred percent (100%) of the Estimated Total Cost of Abandonment in the Abandonment Fund, the Contractor shall pay the pending amount to the Abandonment Fund within the next ninety (90) calendar days.

41.4. The responsibility of the Contractor to comply with the Abandonment works is independent to whether or not there are sufficient funds in the Abandonment Fund. In case the funds of the Abandonment Fund are insufficient to cover all the Abandonment Costs, the Contractor will be responsible for covering the amount.

41.5. In the Abandonment Fund contract, it must be established that, in the case there is a remaining amount in the fund once the Abandonment Costs have been covered, the remaining resources will be returned to the Contractor.

41.6. Prior to the termination of this Contract for any reason, including rescission, MEM may request the Contractor to refrain from carrying out specific Abandonment operations with respect to certain facilities, including Wells. In such case, the Contractor must hand over to the third party that MEM determines, the facilities in good operation conditions, as well as hand over to the Fund any balance remaining in the Abandonment Fund, and from that moment the Contractor will be considered relieved of any future obligation related to the use and Abandonment of said facilities.

41.7. Once the Abandonment activities are completed to the satisfaction of MEM, MEM will issue a certificate of conclusion of Abandonment. In the event that the Parties do not reach an agreement regarding the conclusion of the Abandonment activities, the differences will be resolved according to Section X: Dispute Resolution Procedures of the Contract.

41.8. If, in the Abandonment Operations, the Operator hires Related Parties with one or more of the Participating Companies to perform the works, the contract value must be that agreed between independent parties in comparable market operations.

## **42. Final Transition Phase**

42.1. One (1) Year prior to the termination of this Contract due to the termination of its validity, in the event that the contract is not extended in accordance with Article 20, the Contractor and MEM will initiate the Final Transition Phase for all or the corresponding part of the Contract Area, during which the Contractor's Contract Area will be handed over to MEM or a third party designated by MEM for such purpose, in conformity with the applicable regulations and in accordance with the following:

- (i) The Contractor must update Appendix H: Inventory of Assets, to include all the existing Wells and Materials in all or the corresponding part of the Contract Area;
- (ii) The Contractor must submit to MEM a report that at least indicates the identification of the Wells and Materials in all or the corresponding part of the Contract Area, as well as the description of the operating conditions as of the start date of the Final Transition Phase;
- (iii) The Contractor must submit to MEM a report containing all the information obtained within ninety (90) calendar Days prior to the termination of the Contract, relating to the production of Hydrocarbons in the Contract Area and the infrastructure associated with the production;
- (iv) MEM will request the Contractor to abandon the wells and materials that will not be transferred to MEM in accordance with the provisions of this Contract;
- (v) The Contractor must present an updated report of its system, program or mechanism for response to claims and / or of social management to identify the existing social liabilities arising from the conduction of the Oil Operations in all or the corresponding part of the Contract Area;
- (vi) The Contractor must update the Environmental Baseline determined in accordance with Article 54.3 subsection (ix), to identify the Pre-existing Damages derived from the conduction of the Oil Operations in all or the corresponding part of the Contract Area, and;
- (vii) MEM will have the right to accompany the Contractor, directly or through the designated third party, during the Final Transition Phase and will review and validate that the corresponding activities have been carried out in accordance with Best Practices of the Industry and in accordance with the applicable regulations.

42.2. In the event that: (i) the Contractor waives or returns all or part of the Contract Area in accordance with the corresponding Clauses; (ii) early termination of the

Contract occurs; or (iii) MEM rescinds the Contract; the Final Transition Phase will begin simultaneously with the notification of waive, return, termination or rescission, as applicable, issued in accordance with the provisions of this Contract.

42.3. In case of waive, return, early termination or rescission, the Contractor and MEM shall execute the necessary activities in such a way that, within the six (6) Months following the corresponding notification, the provisions of subsection (iv) of Article 41.1. are concluded.

42.4. Notwithstanding what is established in Article 41.3, the Final Transition Phase shall have a duration of up to one hundred and eighty (180) calendar Days, extendable for up to ninety (90) additional calendar Days ex officio or at the request of the Contractor. MEM may object to the contents of Article 41.1 subsections (i), (ii), (iii), (v) and (vi) within ninety (90) calendar Days following the Final Transition Phase. During said period of ninety (90) calendar Days, the Parties may hold hearings to clarify, in good faith, any existing difference, in accordance with the Best Practices of the Industry. Once the anticipated deadlines have elapsed and the activities have concluded to the satisfaction of MEM, MEM will issue a certificate of completion of the Final Transition Phase where, where appropriate, the actions to be carried out in matters of remediation and Abandonment will be indicated. In the event that the Parties do not reach an agreement regarding the conclusion of the Final Transition Phase, their differences will be resolved according to Section X: Dispute Resolution Procedures of the Contract.

## **SECTION X DISPUTE RESOLUTION PROCEDURES**

### **43. Direct Negotiation**

43.1. In the case there is a discrepancy between the Parties under this Contract, including its existence, validity, interpretation, execution, compliance and resolution, the latter produced according to Article 63 of the Contract, it will be called ("Controversy"), the process of resolution of the Controversy shall be initiated by one Party sending the other Party, in writing, the notice of the Controversy.

43.2. The Parties shall make the greatest efforts to resolve the Controversy by direct negotiation with the participation of the management personnel of the Parties within



a term of thirty (30) Business Days counted from the date of receipt of the notification of the Controversy.

43.3. The aforementioned term of (30) Business Days may be extended by mutual agreement of the Parties for an additional period of fifteen (15) Business Days. If an agreement is reached between the Parties to resolve the Controversy, this must be recorded through a signed minute signed by both Parties, which will be binding on the Parties according to its own terms, with equal force and under the same conditions of any Article of this Contract.

43.4. Upon expiration of the period of direct negotiation without reaching a total agreement on the Controversy, the Parties will qualify the Controversy, whether of a technical nature or of a non-technical nature. In case there is no agreement on this aspect, the controversy will be considered as non-technical.

43.5. Without prejudice to the provisions of Article 43, if the Controversy is qualified as technical, any of the parties must submit it to the Technical Conciliation Committee described in Article 44, for the purpose of issuing an opinion on the matter.

43.6. If the Controversy is of non-technical nature, any of the Parties may submit it to arbitration as indicated in Article 45.

#### **44. Technical Conciliation Committee**

44.1. The Technical Conciliation Committee will be formed within fifteen (15) Business Days following its convocation by any of the Parties and will be composed of three (3) members qualified in the matter in question. Each of the Parties will select one (1) member and the third one will be selected by members designated by the Parties. If either Party does not designate its representative member within the stipulated term or if members appointed by them cannot agree on the determination of the third member within the stipulated term, or if the Technical Conciliation Committee does not issue an opinion within the stipulated term, any of the Parties may submit the discrepancy to be resolved in accordance with the provisions of Article 44.

44.2. Within sixty (60) calendar Days from the Effective Date of the contract, the Parties shall agree on the procedure that will govern this Technical Conciliation Committee.

44.3. The resolutions of the Technical Conciliation Committee must be issued within thirty (30) calendar Days from its conformation and will be mandatory, as long as an arbitration award, if applicable, resolves the dispute in a definitive manner.

#### **45. Arbitration Agreement**

45.1. Any litigation, controversy, dispute or claim resulting from the Contract or relating to the Contract, such as its interpretation, compliance, resolution, termination, effectiveness or validity, that may arise between the Parties and that cannot be resolved by mutual agreement between them, shall be resolved through international arbitration.

45.2. The Parties undertake to perform all the acts that are necessary for the development of the arbitration procedure until its completion and execution.

45.3. The arbitration will be administered by the International Centre for Settlement of Investment Disputes. In all matters not provided for in this Article, the arbitration will be organized and developed in accordance with the "Arbitration Rules" of the ICSID, in force on the Signature Date.

45.4. The arbitrators shall be three (3), each Party shall designate one and the third one shall be appointed by the arbitrators appointed by the Parties.

45.5. For the solution of the merits of the litigation, controversy, difference or claim submitted to arbitration, the arbitrators will apply the domestic law of the Dominican Republic.

45.6. The arbitration may be processed at the headquarters of the Permanent Court of Arbitration or at any other appropriate institution, public or private, with which the ICSID has reached an agreement to that effect or in any other place that the Commission or Court approves, prior consultation to the Secretary General.

45.7. During the development of the arbitration, the Parties will continue with the execution of their contractual obligations, to the extent possible, including that matter of the arbitration.

45.8. The arbitral award is binding for the Parties and may not be subject to appeal or any other remedy, except those provided for in the Agreement on Settlement of Investment Disputes between States and Nationals of Other States, hereinafter "The Agreement".

45.9. The issued arbitral award will be executed within the Dominican territory or abroad, in accordance with the regulations regarding the execution of judgments in force.

45.10. The Parties, on their behalf and all their Affiliates, expressly waive to make any claim through the diplomatic channel regarding any matter related to this Contract.

45.11. This Contract is drafted and interpreted in the Spanish language, for which the Parties agree that this version is the only official one.

## **SECTION XI LEGAL PROVISIONS**

### **46. Regulatory Framework and Applicable Law**

46.1. The Contract has been negotiated, drafted and signed in accordance with the regulatory framework and the legal system of the Dominican Republic. Everything that is not expressly dealt with in this Contract will be governed by the rules of domestic law of the Dominican Republic.

### **47. Compensation**

47.1. The Contractor shall indemnify and hold MEM and any other Governmental Authority harmless (and such obligation shall survive the termination of this Contract for any reason and in the event that MEM rescinds the Contract) due to any action, claim, trial, lawsuit, loss, Costs, damages, detriments, procedures, taxes and expenses, including attorneys' fees and costs of trial caused by the negligence of the Contractor and, that arise from or are related to the partial or total non-compliance of this Contract.

47.2. Notwithstanding the foregoing, in no case shall the Parties be liable for loss of profits as of the date MEM notifies the order of termination of the Contract.

### **48. Unforeseen Circumstances, Force Majeure**

- 48.1. Neither of the Parties is responsible for the non-compliance of an obligation or its partial, late or defective compliance, during the term in which said obligated Party is affected with a Fortuitous Event or Force Majeure and whenever it proves that such cause prevented its due fulfilment.
- 48.2. The Party affected by a Fortuitous Event or Force Majeure will notify the other Party in writing within five (5) calendar days following the occurrence of the event and will accredit the manner in which it affects the execution of the corresponding obligation.
- 48.3. In the case of partial, late or defective compliance of the obligation affected by the Fortuitous Event or Force Majeure, the Party bound to its compliance shall make its best efforts to execute it in accordance with the common will of the Parties expressed in the Contract, the Parties must continue with the execution of their contractual obligations that have not been affected in any way by said event.
- 48.4. The Party affected by the cause of Fortuitous Event or Force Majeure shall re-initiate the fulfilment of the contractual obligations and conditions within a reasonable period of time after said cause or causes have disappeared, for which it shall give notice to the other Party within of the five (5) calendar days after the disappearance of the cause. The unaffected Party will collaborate with the affected Party in this effort.
- 48.5. The term during which the effects of the Fortuitous Event or Force Majeure affect the fulfilment of the contractual obligations, will be added to the term foreseen for the fulfilment of said obligations, and if it were the case, to the corresponding phase of the contract and to the term of validity of the Contract.
- 48.6. If the cause of the Fortuitous Event or Force Majeure affects the execution of any of the Minimum Work Programs referred to in Article 12, the bond that guarantees said program will remain in force and without being executed during the term in which such cause affects the indicated execution or during the period in which MEM does not rule on the cause invoked by the Contractor and, if there is any discrepancy with respect to the existence of such cause, until the discrepancy is resolved. For this purpose, the Contractor shall extend or replace said bond, as the case may be.
- 48.7. MEM will make the necessary efforts to obtain the help and cooperation of the corresponding authorities so that the necessary measures are taken to ensure a

continued and safe implementation and operation of the activities foreseen under the Contract.

48.8. It is agreed that when any of the Parties, at its sole discretion, considers that its personnel or that of its subcontractors cannot act within the Contract Area with the necessary security as to their physical integrity, the invocation of this situation as a cause of Fortuitous Event or Force Majeure will not be argued by the other Party, provided that the required diligence has been carried out in accordance with the applicable regulations.

48.9. In the event that the Contractor is affected by a Fortuitous Event or Force Majeure that prevents it from completing the execution of the Minimum Work Program of the current phase or period, at the term of twelve (12) consecutive Months counted from the moment in which the event occurred, the Contractor may terminate the Contract, for which it must communicate its decision to MEM with an anticipation of no less than thirty (30) calendar days from the date on which he will waive the Contract Area.

48.10. The provisions of this Article are not applicable to payment of money obligations.

#### **49. Assignment of Contractual Position**

49.1. The Contractor and the Participating Companies may not transfer or assign this Contract in whole or in part without the prior written consent of MEM. In all cases of transfer or assignment to third parties, including Affiliated companies or partners of the Contractor, all contractual guarantees will be maintained.

49.2. In all cases of transfer or assignment to third parties, the Contractor or the Participating Company should request authorization from MEM by sending a request letter as provided in Article 60. MEM will respond to the request within fifteen (15) Business Days, authorizing or rejecting the request and detailing their reasons for such decision.

49.3. In case the Parties do not reach an agreement regarding an assignment, the differences will be resolved according to the procedures established in Section X: Dispute Resolution Procedures of this Contract.

#### **50. Waiver**

50.1. Any waiver by the Parties to any provision of the Contract must be express and recorded in writing. In no case shall the waiver presented by any of the Parties be interpreted as applicable to similar or comparable cases.

## **SECTION XII SOCIAL AND ENVIRONMENTAL PROVISIONS**

### **51. Hydrocarbon Conservation and Loss Prevention**

51.1. During the activities of Exploration and production of Hydrocarbons, the Contractor must adopt all reasonable measures to prevent the loss or waste of the Hydrocarbons in the surface or subsoil in any way.

51.2. In case of Hydrocarbon spills on the surface, within the Contract Area or outside of it, which must be informed according to current legal standards, the Contractor must immediately inform MEM of this event, indicating the estimated volume of the spill and the actions that have been immediately and urgently taken to correct the causes thereof. MEM will have the right to verify the volume of the spill and analyse its causes.

51.3. In case of Hydrocarbon spills on the surface, within the Contract Area or outside of it, before the Production Fiscalization Point, due to serious negligence or wilful misconduct of the Contractor, the lost volume will be valued as foreseen for in Article 34 or Article 35 and will be considered as income under this contract, without prejudice to what is stipulated by the laws or environmental provisions when applicable.

### **52. Environment and Community**

52.1. Exploration and production activities must comply with all norms and legal and regulatory requirements on environmental protection and recovery of natural resources as stipulated in the General Law of Environment and Natural Resources. The Contractor is obliged to comply with the provisions of the General Law of Environment and Natural Resources, regulations and procedures for environmental authorizations, as well as the environmental provisions in force, as may be applicable.

- 52.2. MEM will condition the granting of awards to the approval of an Environmental Impact Study for the activities by the Ministry of Environment and Natural Resources, as established by Law No. 64-00. As the works corresponding to the exploration and exploitation phases progress, the Environmental Impact Study will be revised and periodically updated.
- 52.3. The procedures for the environmental authorizations will be administered by the Ministry of Environment and Natural Resources.
- 52.4. The Contractor will conduct the operations in line with the guidelines of sustainable development, conservation and protection of the environment in accordance with environmental protection laws and regulations, and with international conventions ratified by the State. Likewise, it must respect the culture, uses, customs, principles and values of the communities, maintaining an adequate harmony with the State and civil society.
- 52.5. The Contractor shall use the best available techniques in the practice of the international industry, in compliance with environmental laws and regulations on the prevention and control of environmental contamination applicable to the operations. Likewise, it will conduct the operations in accordance with current regulations on the preservation of biological diversity, natural resources and the preservation of the safety and health of the population and its personnel.
- 52.6. The period during which the process for the granting of the permits and environmental authorizations required pursuant to this clause has been delayed, will be added to the term established in the corresponding phase of the Contract and to the term of its validity.

### **53. Industrial and Operational Safety**

- 53.1. The Contractor shall be responsible for compliance with all obligations, commitments and conditions of industrial safety, operational safety and environmental protection provided in the applicable regulations and in the Best Practices of the Industry, in addition to obtaining and complying with the authorizations, permits, concessions, compulsory environmental licenses and registrations, as well as responding for Environmental Damage caused by the realization of the Oil Operations.

53.2. The Contractor must comply with the controls and preventive measures in matters of industrial safety, operational safety; protection to the environment and occupational health required by the Ministry of the Environment and Natural Resources or by the applicable regulations.

53.3. Without limiting the responsibility in industrial safety, operational safety and environmental protection of the Contractor and its Subcontractors provided for in Article 53 and in the applicable regulations, the Contractor and Subcontractors shall:

- i) Perform Oil Operations in accordance with the Best Practices of the Industry in terms of industrial safety and operational safety, respecting environmental sustainability to preserve and / or conserve the environment, without causing damage to public or private property;
- ii) Carry out all the environmental studies and request to obtain, maintain valid and renew all the permits, authorizations, licenses, concessions and environmental records of the competent authorities for the realization of the Oil Operations, in accordance with the applicable regulations;
- iii) Comply with the terms, conditions and recommendations established in the permits, authorizations, licenses, concessions and environmental records issued by the competent Government Authorities and maintain the Contract Area in the best conditions that allow a sustainable development;
- iv) Employ qualified personnel, materials, operational procedures and in general the most up-to-date technologies that comply with the Best Practices of the Industry for the preservation of natural resources, applying the principles of prevention, precaution and preservation of natural resources, considering industrial safety, operational safety, the health of the population and its personnel;

53.4. Be responsible for any damage or environmental damage during the performance of Oil Operations in accordance with the provisions of the Contract;

- i) Carry out the corresponding remediation, restoration, compensation and compensation work. In case of spills to the ground, subsoil and bodies of water caused by the Oil Operations, the Contractor and Subcontractors must immediately carry out the actions and implement safety measures and work to control the contaminating effects, including cleaning, neutralization,



remediation, recovery, characterization and restoration of the affected areas in terms of the provisions of the applicable regulations;

ii) Collaborate with the Ministry of Environment and Natural Resources, Governmental Authorities and state agencies in charge of protecting the environment and the sustainable development of the Contract Area, with the understanding that the Contractor: (a) will give access to personnel of the Ministry of the Environment and Natural Resources and Competent Governmental Authorities to all facilities used in Oil Operations for inspection; (b) deliver to the Ministry of the Environment and Natural Resources, in due time, all the information and documentation required in the area of its competence, in accordance with the provisions of the Health, Safety and Environment Policy; and (c) appear before the Ministry of Environment and Resources. Natural when required according to the applicable regulations;

iii) Maintain the Health, Safety and Environment Policy up-to-date and comply with the provisions of the same for the execution of Oil Operations, with the understanding that this obligation will also be applicable to all Subcontractors, and

iv) As part of the Abandonment activities, carry out the updating of the Environmental Baseline study, taking responsibility for the Environmental Damage caused by the Contractor in the Contract Area, remedy, restore, compensate and rehabilitate the Contract Area that is being abandoned and comply with all environmental obligations that may exist as a result of Petroleum Operations in accordance with the applicable regulations.

53.5 The Contractor shall be responsible for Environmental Damages in the Contract Area that have not been reported in the Environmental Baseline study in accordance with the provisions of the following section and the applicable regulations.

## **54. Pre-existing Damages**

54.1. The Contractor must initiate the conduction of the studies for the determination of the Environmental Baseline during the Initial Phase of Exploration in accordance with the applicable regulations and the normative dispositions established by the Ministry of the Environment and Natural Resources. Not later than one hundred and eighty (180) Days after the Signature Date of this Contract, the Contractor shall submit to MEM and the Ministry of Environment and Natural Resources a detailed

report of the Environmental Baseline, including the existence of any Pre-Existing Damage. This term may be modified only once at the request of the Contractor and prior authorization of MEM for up to ninety (90) additional days. MEM and the Ministry of Environment and Natural Resources may present their objections to the reported Pre-existing Damages within the ninety (90) calendar days following the receipt of the study. During said period of ninety (90) days following receipt of the study, MEM and the Contractor may hold hearings to clarify, in good faith, any technical differences that exist with respect to Pre-Existing Damages, in accordance with the Best Practices of the Industry, the provisions established by the Ministry of the Environment and Natural Resources and the applicable regulations.

54.2. Once MEM and the Ministry of the Environment and Natural Resources approve the Pre-existing Damages, the Contractor will be given a document that identifies the acceptance of said damages and the restoration, remediation and Abandonment activities that are necessary by the Assignee or previous Contractor. In the event that the Parties do not reach an agreement regarding the Pre-existing Damages, the disputes will be resolved according to the procedures established on Section X Dispute Resolution Procedures of the Contract.

## **SECTION XIII ADDITIONAL PROVISIONS**

### **55. Audit**

55.1. MEM shall have the right to inspect and perform annual audits of the accounting related to the Contract without interrupting operations.

55.2. Any observations that result from them will be submitted in writing within sixty (60) calendar days of the inspection or audit, with the Contractor having to remedy or correct the cause within the following thirty (30) calendar days.

### **56. Insurance**

56.1. The Contractor shall not have any type of limitation of its responsibility with respect to foreseeable or unforeseeable events, directly related to the works purpose of this Contract, that may generate losses, damages, delays, operation halts or any alteration, modification, to their own, the State or third parties' interest. Consequently, it must anticipate and assume the repair, resolution, or indemnification of any loss or damage that may occur in relation to this Contract.

- 56.2. The Contractor shall hold the State harmless, in a full and complete manner, at all times, of any claim, complaint, expense, or cost related to any type of incident or loss that may cause the damages or losses indicated above.
- 56.3. The Contractor must have properly transferred the risks of suffering and / or causing damages or losses that the activity purpose of this Contract may generate. Before the beginning of the activities, it shall present a documented proposal of its risk transfer program to MEM, which will approve or request the appropriate adjustments so that, in the sole judgment of the latter, the predictions made are acceptable within the options available to comply with the principles already noted. The program will be adjusted whenever the extension of the activities, or the importance thereof are modified, and even if the working conditions are maintained, it will at least be reviewed on an annual basis.
- 56.4. No measure of risk transfer, for example: self-insurance, mutual fund, captive use, or insurance contracting, will relieve the Contractor of its responsibilities. Even when contracting insurance, the Contractor's responsibility will be maintained intact at all times or events, and cannot request MEM any amount for deductibles, franchises, differences in coverage, differences in limits, or exclusions of risk transfer contracts that it has made, or by error in the appreciation or valuation of the risks that it has assumed.
- 56.5. The minimum aspects to be covered are indicated in the following paragraphs. MEM may accept variations considering reasoned request of the Contractor.
- 56.6. After the acceptance of the program, the Contractor must annually update its status, providing proof of the contracts that remain in force, indicating the insurers and reinsurers employed; of the payment of their premiums on time and in form and; of the maintenance of the reliability of its insurers and reinsurers based on the opinion of well-known rating agencies.
- 56.7. Under no circumstances may the hiring of insurance or other measures relieve the Contractor of its responsibility for the ensuing consequences. Therefore, the Contractor will never be released from following and complying with the strictest safety policies of the activities, procedures and training of its personnel in order to prevent damage to the greatest extent possible or minimize its impact in the case that some undesirable event occurs.

- 56.8. The Contractor and Subcontractors must contract all the obligatory insurances that correspond on this day or may correspond in the future, according to the State legislation.
- 56.9. The Contractor and Subcontractors must each have insurance in force during the whole period of the Contract that covers the operative risks of suffering damages on its assets (goods, machinery, equipment, etc.) required for its fulfilment. At its own option it may also extend the coverage to cover the decrease in income or extraordinary costs due to the interruption of its work due to the damage.
- 56.10. The Contractor must hire and maintain in force a policy covering its civil liability for the Oil Operations to third parties for damages to persons and / or goods, for an amount that should be related to the average amount that operates internationally for similar coverage, without prejudice of covering with ease the most pessimistic estimate of damages in an incident or group of incidents, which will have a limit of not less than XXXX (XXXX) million American Dollars for all of them together or separately, and a deductible not greater than 2% of the compensation limit. Both the Contractor and each of the Subcontractors must in turn have the specific policies that correspond to each activity, and that maintain in their coverage, limit and deductible an adequate relationship with the main policy, depending on the participation in the Contract and of the importance and particularity of the equipment involved (P&I for ships, civil liability of transporters for trucks, civil aviation liability, etc.) which must comply with the acceptability provisions in the Dominican Republic.
- 56.11. The Contractor must hire and maintain in force a policy that covers its civil responsibility for environmental damage, for a value that should be related to the average amount that operates internationally for similar coverage, without prejudice of covering with ease the most pessimistic estimate of damages of this category in an incident or group of incidents, which will have a limit of not less than XXXX (XXXX) million American Dollars for the exploration phase and not less than XXXX millions of American Dollars for the exploitation phase, and a deductible no greater than 2% of the compensation limit in each case. All the Contract Area must be covered by the hired insurance or insurances, or by MEMbership to repair funds specially foreseen for this type of contingencies. In particular, the following should be covered: Platforms; support vessels; tankers; ducts and storage of Hydrocarbons, etc.

56.12. Damages due to contamination and / or filtration for any reason during operations will be covered, in conjunction with the general civil liability policy indicated above or separately, through the coverage program that the Contractor proposes and that MEM accepts as valid, considering the indicated minimum amounts to comply with.

56.13. The minimum amounts of coverage established in this Article 57 may be reviewed by MEM, as it may deem convenient.

## **57. Labour Liability**

57.1. The Contractor shall have the exclusive and independent responsibility of all the personnel and workers employed in the Oil Operations, being the only ones responsible for the fulfilment of the labour or employer obligations that come or emanate from the applicable regulations or from the individual or collective contracts with its personnel and workers, without prejudice to its direct or indirect hiring.

## **58. Subcontractors**

58.1. The Contractor has the right to use Subcontractors for the supply of specialized equipment and services, provided that said subcontracting does not imply the de-facto substitution of the Contractor as Operator. It will be understood that there is a de-facto substitution when, among other assumptions, the Contractor ceases to have control of the Oil Operations.

58.2. In all cases, Subcontractors must comply with the provisions of this Contract, the Health, Safety and Environment Policy and the applicable regulations.

58.3. The Contractor may not use the services of companies that have been disabled by the Government Authorities in accordance with the applicable regulations. Notwithstanding any subcontracting of the Contractor, the Contractor shall continue to be responsible for all obligations derived from this Contract.

58.4. If the Subcontractor is related to one or more of the Participating Companies, the value of the contract must be that which would have been agreed between independent parties in comparable market operations and prior authorization must be requested from MEM.

## 59. International Bidding for Subcontracts

59.1. The Contractor shall perform the following bidding processes based on the different amounts foreseen for each contract to be concluded for the Oil Operations (the amounts are expressed in US Dollars):

- (i) Procedure A – Less than US\$ 3,000,000.00
  - a. The Contractor may sign the contract with the Subcontractor that it considers to be the best qualified, without having to conduct a bidding process.
  
- (ii) Procedure B - Between US\$ 3,000,000.00 and US\$ 10,000,000.00
  - a. Award the contract through a bidding process;
  - b. Inform MEM of the selected company and send a copy of the final version of the contract.
  
- (iii) Procedure C - More than US\$ 10,000,000.00
  - a. Award the contract through a bidding process;
  - b. add to the list of companies to invite those that are suggested by MEM provided that such companies meet the qualifications established for the bidding process, all in a justified manner within a period of fourteen (14) days from the receipt of information.
  - c. send MEM a copy of the final version of the contract.

## 60. National Content

60.1. Use, as far as possible and under commercially competitive terms, Dominican technical and non-technical personnel in the operations covered by the Contract. For this purpose, the Contractor agrees to make its best efforts to train and capacitate Dominican workers in the execution of technical works so that said personnel may progressively replace, according to a location plan, foreign personnel in the execution of said works.

60.2. The Parties agree that, at the end of the tenth Year counted from the date of commencement of Commercial Production, the Contractor shall have made its best

efforts to replace all of its foreign workers with Dominican workers of equivalent professional qualifications as long as the required capacities can be found locally at the appropriate amount and cost. Foreign personnel for managerial positions and those necessary for the performance of works related to Oil Operations are exceptions to the above.

60.3. Use, as far as possible, goods and materials produced in the Dominican Republic, and services provided by Dominican companies, provided that said goods, materials and services are comparable and competitive in price and quality with those that can be obtained in another country.

## 61. Notices and Communications

61.1. Any notification or communication regarding the Contract shall be made in writing and considered as duly made when it has been delivered against receipt to an authorized representative of the other Party.

61.2. Each Party shall have the right to change its address for notifications by giving written notice to the other Party at least ten (10) days in advance of said change.

61.3. In the event that, according to what is established in this Contract, the communication can be made by certified mail or fax, the Parties establish the following addresses:

Ministry of Energy and Mines	Contractor
Ministry of Energy and Mines Vice Ministry of Hydrocarbons Ave. Tiradentes # 53, Esquina Heriberto Pieter, Bloque B, Ensanche Naco, Santo Domingo, Dominican Republic Fax: 809-373-1800	

## 62. Property of Remnant Equipment

62.1. All equipment and goods that are fixed installations and are not exported by the Contractor shall become the property of the Government, at no cost, as soon as this Contract is terminated as provided in Article 63. The Government shall assume

full responsibility for said equipment and goods and will release the Contractor from any liability related thereto.

### 63. Termination

63.1. MEM will have the right to terminate this Contract, with immediate effect from the notification to the Contractor, in the following cases:

- (i) If within thirty (30) Days of the date on which they should be submitted, the Contractor does not present the Guarantees stipulated in the Contract, or if it does not keep them in force for the periods required under this Contract.
- (ii) If the Contractor does not obtain or maintain in full force and effect the Bank Guarantees or the insurance policies required in accordance with Section III of this Contract.
- (iii) Due to a substantial breach in the execution of the Exploration Work Units (UTE) during the current Phase in the corresponding Exploration Phase.
- (iv) If within ninety (90) days after it must be submitted, the Contractor does not present the Development Plan; or if within sixty (60) days after receiving notice from MEM, the Contractor does not initiate or does not remedy the noncompliance of the Development Plan, their respective Work Programs and annual budgets without a just cause recognized by MEM.
- (v) By unjustified material and repeated refusal of the Contractor, to deliver the volumes necessary for the supply of the internal market in accordance with Article 31.
- (vi) For unjustified, material and repeated breach of the obligation to deliver the payments provided for in this Contract.
- (vii) For the prolonged interruption for more than thirty (30) consecutive days of production, except for justified technical or economic reasons or others not attributable to the Contractor. In the event of an emergency situation, the interruption of production must be reported within a period not exceeding seventy-two (72) hours after the event occurred.
- (viii) For repeated, unresolved, deliberate and not justified breach of the obligation to deliver the information or of allowing and facilitating the inspections and fiscalizations established in this Contract.
- (ix) When it assigns or transfers all or part of this Contract, without prior authorization from MEM.
- (x) If any Participating Company or guarantor falls into insolvency or is unable to pay its debts upon expiration thereof, or requests or accepts the



imposition of an administrator, liquidator or trustee with respect to its property or income or initiates any judicial proceeding under any legislation for the readjustment or deferral of its obligations or any part thereof or request bankruptcy, reorganization, suspension of payments, dissolution or liquidation or performs or permits a general session or an arrangement with or for the benefit of its creditors.

63.2. In addition to the grounds for early termination established in Article 62.1, this Contract may be terminated or rescinded for any of the following reasons:

- (i) Due to expiration of the term established in Article 21.
- (ii) Due to a Fortuitous Event or Force Majeure. If, given a Fortuitous Event or Force Majeure, the performance of the Petroleum Operations is interrupted for a continuous period of two (2) Years or more, MEM and the Contractor may, by mutual agreement formalized in writing, terminate this Contract. This right will be valid until three (3) months after the end of the Fortuitous or Force Majeure Event. If the other Party rejects the request to terminate this Agreement, the Parties will be subject to the provisions of Section X Dispute Resolution Procedures established in the Contract.
- (iii) By mutual agreement between MEM and the Contractor.

63.3. In any case of termination of the Contract:

- (i) The Parties must comply with all the applicable obligations stipulated in this Contract and its Appendixes before the return of the Contract Area.
- (ii) the Contractor will be liable for the damages resulting from its non-compliance.
- (iii) MEM will retain the guarantees established by Article 9, Article 10 and Article 11 of the Contract until the responsibility of the Contractor is settled.

63.4. If MEM considers that one or some of the causes specified in Article 62.1 exist, it will notify the Contractor by telegram, certified mail or fax signed by the Minister of MEM. Unless the cases mentioned in Article 62.1 have a specific grace period, if within forty (40) days after the Contractor receives such notification, such cause has not been corrected and eliminated, MEM shall have the right to rescind the Contract. However, if the correction of the cause notified by MEM requires more than forty (40) Days and the Contractor is diligently correcting it, MEM will give an additional necessary term to complete said correction.

63.5. In the cases specified in the paragraphs (ix) and (x) of Article 62.1, MEM may at its sole discretion, without prior notice, rescind the Contract.

## **64. Transparency Provisions**

64.1. The Contractor and its Affiliates declare and guarantee that the directors, officers, advisors, employees and personnel of the Contractor and its Affiliates have not made, offered or authorized, nor shall they make, offer or authorize at any time, any payment, gift, promise or another advantage, either directly or through any other Person or entity, for the use or benefit of any public servant, political party, an official of a political party or candidate for a political office, with the purpose of:

- (i) Influencing any decision or omission of a public servant, political party or candidate;
- (ii) Obtain or maintain this Contract or any other business;
- (iii) Approve any Recoverable Cost; or
- (iv) Securing any other illicit benefit or advantage for the Contractor, its Affiliates, shareholders, or any other Person.

64.2. Likewise, the Contractor will ensure that both it and its Affiliates will: (i) adhere to and comply at all times with any anti-corruption laws and regulations that are applicable, and (ii) create and maintain adequate internal controls to comply with Article 64.1.

64.3. The Contractor must notify MEM: (i) immediately as it has knowledge, or that it has sufficient reasons to presume, that any act contrary to the provisions of Article 64.1 has occurred, and (ii) within five (5) Days after it becomes aware of any investigation or proceeding initiated by any authority, domestic or foreign, related to any alleged violation of the provisions of this Article 65. Likewise, the Contractor must keep MEM informed about the progress of the investigation and process until its conclusion.

## **65. Confidentiality**

65.1. The Parties guarantee that they will maintain and make all their personnel, and Subcontractors, keep strict confidentiality and, therefore, will not use or allow the use of any data, design or information related to their development, whether supplied by MEM, or generated in the fulfilment of the purpose of this contract,

except for the execution of the obligations assumed in accordance with this Contract.

65.2. The Contractor may disclose the confidential information without the prior consent of MEM only if said information:

- (i) is known by the Contractor before the date of delivery, on the basis of non-confidentiality;
- (ii) is of public domain, is found or is made available to the public for causes not attributable to an act or omission of the Contractor;
- (iii) is required from the Contractor or one or more of its Affiliated companies in accordance with the applicable law or in accordance with a government order, decree, regulation or rules of a recognized stock exchange in which its shares or the shares of its affiliates are registered. However, the Contractor must make all reasonable efforts to provide written notification to MEM before delivering the information;
- (iv) is acquired by the Contractor or acquired by one or more of its Affiliates independently by a third party that has the right to disclose such information at the time of its acquisition by the Contractor or its Affiliated companies;
- (v) it is acquired in property by the Contractor or one or several of its Affiliates.

65.3. The Contractor may disclose the confidential information, without the prior written consent of the Contractor, to an Affiliate provided that the Contractor guarantees the adhesion of its Affiliates to the terms of confidentiality consistent with those established in this clause.

65.4. The Contractor has the right to disclose the confidential information without the prior written consent of MEM to the persons detailed below, who must have a clear necessity to know it in order to evaluate the confidential information:

- (i) Employees, officials and directors of the Contractor;
- (ii) Employees, officials and directors of an Affiliate;
- (iii) Employees, officials and directors of a Subcontractor, consultants, advisors or agents;
- (iv) Any advisor or agent hired by the Contractor or its Affiliate for the evaluation of confidential information;
- (v) Any entity that is consulted with the objective of financing the Contractor or its Affiliate in relation to confidential information, including any advisor or agent hired by such entity (ies) to evaluate confidential information.

- 65.5. Before revealing confidential information to the persons detailed in Article 65.4, subsections (iii), (iv) and (v) above, the Contractor must obtain a confidentiality commitment that is substantially the same form and content of this Contract.
- 65.6. The Contractor shall be directly responsible for any loss or damage arising from and / or related to the disclosure of data, designs and information regulated by the provisions of this clause, whether such disclosure was made by the Contractor or its personnel, directors, agents, advisors, advisers, collaborators in general, Subcontractor, or third parties that are obligated or authorized to make the disclosure.
- 65.7. If one of the Parties uses a technology of its property in the execution of the Contract, the other Party may not use or disclose said technology without previously obtaining the written approval of the owner Party.
- 65.8. MEM has the right to publish or in any other way disclose the geological, scientific and technical data and reports of the areas which the Contractor has returned.
- 65.9. In the case of the areas in operation, the right referred to in Article 65.8 above shall be exercised at the expiration of the third Year of termination of the Contract or earlier if the Parties agree so.
- 65.10. The Contractor acknowledges that MEM does not guarantee, nor express, not even implies, the quality, accuracy and integrity of the data, designs and information provided, the Contractor being responsible for any risk inherent to errors in the acquisition, processing and interpretation of said data, design and information.

## **66. Oil Public Registry**

- 66.1. Through this contract, any legal provision of equal or lower rank that is contrary to this law is repealed.
- 66.2. Article 7 of Law No. 4532 of August 30<sup>th</sup>, 1956, modified according to law No. 4833 of January 16<sup>th</sup>, 1958, is modified so that in its article 7 thereafter read as follows:
- (i) In the Vice Ministry of Hydrocarbons, of the Ministry of Energy and Mines an Oil Public Registry is established, where all contracts by which private

individuals are granted the exploration, exploitation and benefit of oil and other hydrocarbon substances, and the assignments, subcontracts and encumbrances that are granted by the individuals with whom the Executive Power has contracted the exploration, exploitation and benefit of said substances will be registered.

## SECTION XIV APPENDIXES

### Appendix A Coordinates and Determination of Contract Area (Done)

(To be completed once the winning bid has been defined)

1. Coordinates:

Points	North Latitude	West Longitude

Map:

2. Definition of the Contract Area: Terrestrial / Shallow Water / Deep Water

Depth: No depth restrictions.

## Appendix B Performance Bond (Exploration Phase and Minimal Program)

### PERFORMANCE BOND OF CONTRACT FOR THE MINIMUM WORK PROGRAM PERIOD

Ministry of Energy and Mines, Vice ministry of Hydrocarbons,

Dear Sirs,

We, ...(entity of the financial system)... hereby stand as joint guarantors with OIL COMPANY, hereinafter referred to as the Contractor, before the Ministry of Energy and Mines of the Dominican Republic, hereinafter referred to as the Ministry, for the sum of XXXXX and 00/100 Dollars (US\$ XXXX) in order to guarantee the faithful compliance of the Contractor's obligations under the minimum work program of the exploration phase, contained in "Appendix D: Minimum Work Program" of the Shared Production Agreement with the State (hereinafter the Contract) for the Exploration and Exploitation of Hydrocarbons in the Block XXX, limited to the percentage of the Contractor's participation in said Shared Production Agreement.

The obligation assumed by ...(entity of the financial system)... under this Guaranty is limited to paying the Ministry the sum of XXXXXX and 00/100 Dollars (US\$ XXXX) against their request for payment. Said amount corresponds to the percentage of the contractor's participation in the Exploration phase and Minimum Program.

1. This is an irrevocable, unconditional, joint and several guaranty, without excussio, automatically executable and payable, whilst it is in force, against presentation of a notarial letter sent by the Ministry to ...(entity of the financial system)..., requesting payment of XXXXX and 00/100 Dollars (US\$ XXXXX) and including a declaration that the Contractor has failed to comply with some or all of the obligations referred to above and accompanying this letter, as the only precaution and justification, a certified copy of the notarized letter addressed by the Ministry to the Contractor requiring compliance with the obligation referred to above, with notice of its intent to redeem the bond; the notarized letter from the Ministry to the Contractor shall have been delivered to it at least forty (40) Calendar Days before the date on which the Ministry presents this payment claim to ...(entity of the financial system)....
2. This guaranty shall expire on the ..., unless ...(entity of the financial system)... has received, prior to this date, a letter from the Ministry, absolving ...(entity of the financial system)... and the Contractor from all responsibility under this guaranty, in which case this



guaranty shall cease to be effective from the reception date of the said letter from the Ministry.

3. Any delay on our part in honouring this guaranty in your favour shall accrue interest equivalent to the Active Multiple Bank Rate published by The Central Bank of the Dominican Republic, applicable during the period of the delay, or any rate which may replace it. Interest shall be calculated from the reception date of the notarial request sent by the Ministry to ...(entity of the financial system)....

This guarantee is valid until the day (indicate the day in letters and numbers) of (indicate the month) of (indicate year in letters and numbers).

1. Authorized signatures
2. Seal of the Issuing Entity



## Appendix C Shared Production Contract Corporate Guarantee

### SHARED PRODUCTION CONTRACT CORPORATE GUARANTEE

Messrs.

Ministry of Energy and Mines

Vice ministry of Hydrocarbons

I, the undersigned, \_\_\_\_\_, \_\_\_\_\_(nationality), of legal age, domiciled in \_\_\_\_\_, hereby says:

1. In mi position as \_\_\_\_\_ and acting on behalf of and representing (Parent Company), company incorporated under the laws of \_\_\_\_\_ according to the documents and certificates that prove the constitution, existence and representation of said company duly translated and legalized.
2. With reference to the obligations assumed, or that may be imposed by the Contract or its related, by \_\_\_\_\_ (Subsidiary) that was awarded Area \_\_\_\_\_ as Contractor / Participating Company, (Parent Company) is hereby committed to the following:
3. Parent Company hereby declares to the Ministry of Energy and Mines that:
  - a. Is has been duly constituted in accordance with the applicable jurisdiction.
  - b. It has all the corporate and legal representation faculties to sign, present and comply with this Guarantee.
  - c. This Guarantee represents the legal obligations validly assumed by (Parent Company) and is enforceable against (Parent Company), in accordance with its terms.
  - d. No type of approval will be necessary for the presentation, fulfillment and execution of this Guarantee.
  - e. The presentation, compliance and execution of this Guarantee by (Parent Company) will not violate any existing legal or regulatory provision to which the declarant is subject, being it any provision of corporate documents of (Parent Company) or any agreement or contract in those who are part of it.
4. (Parent Company) hereby guarantees to the Ministry of Energy and Mines, unconditionally and irrevocably, as main debtor, the due and timely compliance with all obligations of \_\_\_\_\_ (Subsidiary) for the concept of the Contract or its related up to the amount of 350 million dollars.

5. This guarantee is irrevocable and unconditional, and will be in force until all the obligations of the Contract have been fulfilled.
6. That being (Parent Company) joint and several guarantor of \_\_\_\_\_  
(Subsidiary) acknowledges and accepts that it has no right to invoke the benefit of excussion and any other benefit recognized to non-joint guarantors.
7. Any delay or tolerance of the Ministry of Energy and Mines to exercise any right, in whole or in part, shall not be construed as a waiver of the exercise of said right or of any other right.
8. The Guarantor will pay upon request and presentation of invoices, the costs and expenses actually incurred by the Ministry of Energy and Mines as a result of the execution of this guarantee, including, without limitation, reasonable attorneys' fees and expenses.

Signed in \_\_\_\_\_ on \_\_\_\_\_, 20\_\_

By: \_\_\_\_\_ (Name and Seal of Parent Company)

Mr. \_\_\_\_\_ (Representative)

## Appendix D Minimum Work Program and Exploratory Work Units (Conversion Tables)

1. Compliance with the Minimum Work Program will be evaluated according to the execution of Exploration activities within the Contract Area, according to its value in Work Units, independently of the Costs incurred in its execution.
2. In order to prove compliance with the Minimum Work Program, the Contractor shall include the program and the description of the activities related to the Minimum Work Program in the Exploration Plan.
3. The Contractor may accredit Work Units for activities related to seismic and exploratory studies in accordance with the following:

TABLE OF EQUIVALENCE OF EXPLORATORY WORK UNITS (UTE) FOR THE SEISMIC AND EXPLORATORY STUDIES				
Activity	UTE – Land	UTE – Shallow Waters	UTE – Deep Waters	UTE – Ultra Deep Waters
Seismic 2D – Km				
Seismic 3D - Km <sup>2</sup>				
Reprocessing 2D - Km				
Gravimetry – Km <sup>2</sup>				
Magnetometry – Km <sup>2</sup>				
Studies by period				

4. The accreditation of seismic and exploratory studies will be subject to the delivery of the technical information related to MEM.
5. Only works of acquisition and reprocessing and seismic interpretation that are limited to the Contract Area will be accepted.
6. For the purpose of valuing the Performance Bonds established in Article 10 of the Contract, the following equivalence should be used: 1 UTE = US \$ 5,000

## Appendix E Minimum Scope of the Assessment Activities

The Assessment Plan must cover at least the Minimum Work Program, as well as contain and develop at least the concepts indicated below:

1. An Assessment Activities plan that includes drilling, testing and Assessment, as well as technical, economic, social and environmental studies to be carried out to determine recovery factors, as well as hydrocarbon processing and transportation requirements.
2. Map and coordinates of the area that will be assessed.
3. Possible location of the Assessed Wells to be drilled.
4. Preliminary drilling programs for the Assessed Wells.
5. A detailed estimate of the Costs of carrying out the Assessment activities.
6. Proposal for the duration of the Assessment Period.
7. Security measures and environmental protection, including a risk management program.
8. Program for the execution of Assessment activities.
9. Location in which the Hydrocarbons that are obtained during any production test will be delivered.

## Appendix F Assessment Report

The Assessment Report must include at least the following information:

1. A report describing all the Surface Survey, Exploration and Evaluation activities carried out by the Contractor in the Contract Area during the Exploration Phase, including the Evaluation Periods and the volumes, by type of Hydrocarbon, extracted during the production tests.
2. The technical data, maps and reports related to the Contract Area, including, without limitation: topographic, geological, geophysical and information of the analysis of the subsoil; the density of potential productive zones; the depths of the various gas and / or fluid contacts; the petrophysical properties of the Deposit rocks; an analysis of the pressure-volume-temperature data (PVT) of the Deposit fluids and gases; the characteristics and relevant analysis of the discovered Oil, and the depth, pressure and other characteristics of the Deposit and the fluids found in it;
3. An estimate of the Hydrocarbons found at the site and the final recovery of the Deposit (estimated ultimate recovery);
4. The forecast of the maximum rate of production efficiency of each individual Well;
5. A study of the feasibility of the development of the Discovery, which should contain an economic analysis based on reasonable forecasts, Year by Year, of the production profiles, the investments required, the revenues and the operating costs;
6. Any other fact considered relevant by the Contractor and the conclusions derived from it, and;
7. Their general conclusions and the development of the reasoning on which they are based.
8. A Declaration of Commercial or non-commercial Discovery.
9. Environmental impact that it may cause.

## Appendix G Minimum Content of the Development Program

The Development Plan must be carried out in accordance with the applicable regulations and must present the conceptual development of the Fields based on technical and economic analysis. The analysis applied to conceptual alternatives should describe the technical reasons and justifications why other conceptual development alternatives were not considered, how their most relevant technical risks were quantified, the selection criteria and contain at least the following:

1. Description of the Fields that are going to be developed.
  - (i) General description;
  - (ii) Delimitation of the Field;
  - (iii) Description of the area in which it is located, and
  - (iv) Description of the formations in which the Hydrocarbons are contained.
  
2. Reserves and production information.
  - (i) Estimation of in situ volumes, proven, probable and possible reserves for each Field in the Camp (in each case determined on a life basis of the Field without considering the duration of the Development Phase). The information should be broken down into Oil, Condensates and Natural Gas. Where appropriate, the estimate of contingent resources should be included;
  
  - (ii) Estimation of the production profile that is expected to be delivered at the Delivery Point, for each Field in each Year during the Development Phase. The information must be broken down for each of the cases in proved, probable and possible reserves;
  
  - (iii) Explanation of the way in which the production profile of the proved reserve allows to reach the commercial potential corresponding to said reserve as efficiently as possible; and
  
  - (iv) Estimated date of commencement of Commercial Production.
  
3. Description of proposed activities.

- (i) Description of the proposed development approach including the following:
  - a. General description of the activities expected for the Development Phase, according to the alternative and the results of the execution of previous phases until the end of the life of the field;
  - b. General description of the Materials that are to be built or used in connection with that Development Plan, including a description of the collection facilities;
  - c. General description of the required commercialization facilities;
  - d. Description of the development and management policy of the Reservoir;
  - e. The measurement system and the Fiscalization Points that the Contractor proposes to use;
  - f. Proposed location, as well as Well drilling and completion techniques, and;
  - g. Actions planned for Abandonment of the facilities that are going to be used in the course of the Development Plan, including the Estimated Total Cost of Abandonment that the Contractor expects from the Abandonment operations.
4. Main characteristics of the works, services and proposed Materials and of the probable works, services and additional Materials that may have to be made or acquired, depending on the results of the works, services and initial Materials, including those necessary to condition the Hydrocarbons to commercially acceptable conditions in terms of sulphur content, water and other elements in accordance with applicable regulations and the Best Practices of the Industry.
5. Considered alternative development approaches and reasons for choosing the selected approach.
6. Program of works, services and supply or construction of Materials including the tentative program for construction or acquisition of major facilities and itinerary to reach the Commercial Production rates. The Contractor must include the first Work Program and budget.

7. In the event that the Fields or Fields extend beyond the Contract Area, a program proposal for the unified development of Fields as provided in Article 19 and/or Article 20.
8. In the event that the shared use of infrastructure is foreseen, a proposal of the corresponding agreement prepared in accordance with the established in Appendix I: Shared Use of the Infrastructure and the applicable regulations.
9. Budget and Economy
  - (i) An estimate of the Recoverable Costs for each Year, according to the alternative and phase analysed. Said estimate should be made for each scenario of proven, probable and possible reserves. These estimates must be presented in constant US Dollars and without adjustment for expected inflation;
  - (ii) Description of the methodology used, the assumptions made in the analysis of technical risks, uncertainty or sensitivity and how these have an impact on the cost calculations.
  - (iii) Any proposed arrangement to share facilities or costs or to mix and redistribute production, with Persons outside the Contract Area, and
  - (iv) Expected program of return of the Contract Area or any part of it.
10. Risk management programs. The risk management programs must derive from the Health, Safety and Environment Policy and contain at least:
  - (i) A description of the measures and actions of prevention, monitoring and mitigation of the risks identified, analyzed and evaluated, as well as the improvement of the performance of a facility, or group of them, including emergency and contingency plans to be executed in accordance with the Best Practices of the Industry, and
  - (ii) The other considerations determined by MEM in accordance with the applicable regulations.



11. Outsourcing. The description in reasonable detail of the works, services and Materials that will be carried out by Subcontractors in addition to the development approach including a program for the selection and hiring of Subcontractors.
  
12. Additional Information. The Contractor shall include in its proposal for the Development Plan any other additional information that it considers necessary for a complete evaluation of the Development Plan, including the information requested by MEM.
  
13. Additional Information for modifications to the Development Plan. In the event that the Contractor wishes to make changes to the Development Plan, the Contractor must submit to MEM:
  - (i) Detailed reasons for the modification of the proposal;
  
  - (ii) Discussion of activities conducted from the original Development Plan or since the last modification, as the case may be, based on an analysis of alternatives, phases and selection criteria; and
  
  - (iii) All the information provided in this "Appendix G: Minimum Content of the Development Plan" (or, if applicable, only the information that is being modified).
  
14. In the event that MEM does not approve the modifications proposed by the Contractor to the Development Plan, the Contractor shall implement the previously approved Development Plan.
  
15. Geological, geophysical and engineering information considered. The Contractor must have at the disposal of MEM the supporting information used for the proposal of the Development Plan. Said information must be kept for the duration of the Contract.

## Appendix H Inventory of Assets

This Appendix enunciatively and non-imitatively describes, a list of assets within the Contract Area, which may be updated each year as referred to in Article 3.3 of the Contract, considering the information available at the time of the transfer to the Contractor, prior agreement.

General description of the Inventory of Assets as of \_\_\_\_\_, 20\_\_

### Wells

Localization	Well	Location (Geog. Coord.)	Depth	Type	Drilling Year	Condition
				(Vertical)		(In operation)
				(Directional)		(Closed)
				(Horizontal)		(Capped)

### Discharge Lines

Type	Origin	Destination	Diameter (pg)	Length (km)	Description	Construction Year	Condition
							(In operation)
							(Out of operation)

## Appendix I Shared Used of Infrastructure

1. The Contractor shall, for technical and economic reasons that indicate so, construct at its own expense the oil pipelines, gas pipelines or other facilities necessary for the transport of the Production of Net Hydrocarbons in the Contract Area, as well as the necessary facilities for their storage, outside or within the Contract Area.

Third parties shall have the option, subject to the negotiation of a contract with the Contractor, and as long as it is technically possible and this does not interfere with the Contractor's safe operations and the quality of the Contractor's Hydrocarbons, to use such pipelines, gas pipelines and other facilities that the Contractor has built at its own expense, with the condition that the Hydrocarbons of the Contract Area will have first priority of transportation and storage at all times, including future volumes.

## **Appendix J Accounting Procedure, Cost, Expenses and Investment Registry**

### **Section 1 General Provisions**

#### **1. Purpose**

1.1. The purpose of this appendix is to establish accounting rules and procedures that allow the determination of the income, investments, expenses and operating costs of the Contractor for purposes of calculating the Income Tax referred to in Article 25 of the Contract.

#### **2. Definitions**

2.1. The terms used in this appendix that have been defined in Article 2 of the Contract, shall have the meaning given to them in said Article. The accounting terms included in this appendix shall have the meaning given to them by the accounting standards and practices accepted in the Dominican Republic and in the international oil industry.

#### **3. Accounting Norms**

3.1. The accounting records of this Contract shall be maintained by the Contractor in the Dominican Republic, in American Dollars with its respective conversion to the Dominican Peso, in accordance with Article 5 of this Appendix.

3.2. The accounting records of this Contract will be maintained in quarterly periods and in compliance with the provisions set forth in the main part of the Contract and with the legal regulations in force, with the accounting principles and practices established and accepted in the Dominican Republic and in the international oil industry, and in accordance with the provisions of this Accounting Procedure, Cost, Expenses and Investment Registry.

3.3. The accounting records of this Contract will be maintained in Spanish.

#### **4. Review of Accounting Procedure**

4.1. The Parties agree that, if a procedure established here is unfair or inequitable for any of the Parties in question, they must meet and seek to agree on the necessary changes to correct the injustice or lack of equity.

4.2. This revision must be done through a written instrument signed by the Parties.

## **5. Currency Conversion Regulations**

5.1. The conversion of any currency other than US Dollars, and from Dominican Pesos to US Dollars, to be made in the Dominican Republic under this Contract will be made at the official exchange rate of the Central Bank of the Dominican Republic according to the last Business Day prior to the date of the transaction and / or accounting record.

## **Section 2 Accounting Criteria**

### **6. Accounts Systems**

6.1. For the purpose of determining the Income Tax, the Contractor will have a special system of accounts to record in them, in American Dollars, the income received and expenses incurred, in relation to the operations of the Contract. This system will consist of two main accounts; the Income Account, and the Expense Account.

### **7. Expense Account**

7.1. All direct and indirect costs incurred by the Contractor with respect to the Oil Operations and in the achievement of the objectives of said Operations established in relation to the production area authorized by MEM, will be debited to the accounts carried by the Contractor in accordance with the general classification of Exploration Costs, Development Costs and Production Costs.

7.2. For the purposes of the application of the withholding tax on foreign payments established in Article 30, the Exploration Costs shall mean those incurred by the Contractor during the Exploration Phase, from the Subscription Date of the Contract to the Declaration of Commercial Discovery, limited to:

- (i) topographic, aerial, geophysical, geochemical and geological studies and surveys (including interpretation);
- (ii) drilling, production tests and all associated activities such as sample extraction;

- (iii) all costs for the drilling and completion of exploration and assessment Wells, including costs for labour, materials and services, considering that the wells are dry and not finished as productive or injection wells;
- (iv) facilities in the Dominican Republic used only to support these purposes, including access roads; necessary infrastructure for the transfer of personnel and Materials to the site of the operations;
- (v) acquisition and processing of geological and geophysical information.

7.3. For the purposes of the application of the withholding tax on foreign payments established in Article 30, Development costs will mean those incurred for the development of one or more Fields for the production of Hydrocarbons, from the Declaration of Commercial Discovery to the beginning of Commercial Production and those caused by the supplementary development of one or more Fields carried out after the start of Commercial Production, limited to:

- (i) All costs of drilling and completion of Wells, producers of hydrocarbons or injectors within reservoirs or deposits, to put the Field into production, including drilling, deepening and completion of such Wells, including also the drilling of service Wells, such as those used for the disposal of waste;
- (ii) All costs for the construction of access roads or other means of communication that are only related to the planned development activities;
- (iii) All costs related to the production, treatment, storage, maintenance and transportation of Hydrocarbons, such as pipes, equipment for the production and treatment of Hydrocarbons, equipment for wellheads, subsoil extraction equipment, production pipes, rods pumping, pumps, flow lines, improved recovery systems, storage tanks and other related facilities;
- (iv) Engineering, reservoir and design studies for these facilities;
- (v) The Development Costs of the facilities used in two or more Fields may be shared among the Fields, calculating the estimated use for each Field according to the correct and recognized accounting principles.

7.4. Production costs include all the direct and indirect costs of a Field different to the Exploration or Development Costs from the beginning of the Commercial Production of said Field, mainly:

- (i) Operation, maintenance and repair of production and injection Wells, as well as all Materials, consumables, products, spare parts, pipes, general service systems, lubricants, facilities, as well as the constitution and variation of the stock of Materials which may represent costs or credits related to Oil Operations.
- (ii) Planning, production, control, measurement and transport of the flow of Hydrocarbons, as well as the treatment, storage and transfer of the Hydrocarbons from the reservoirs to the Delivery Point.

## **8. Income Account**

8.1. The following will be recognized as income and will be recorded in the Income Tax Income Account:

- (i) The valuation of the Gross Income generated by the sale of the Production of Net Hydrocarbons at the Delivery Point, as stipulated in Article 34 and Article 35 of the Contract.
- (ii) Disposal of assets that were acquired by the Contractor for the Contract Operations, and whose cost was recorded in the Expense Account.
- (iii) Services provided to third parties in which personnel whose remunerations and benefits are recorded in the Expense Account participate, and / or in which goods whose acquisition cost has been recorded in the Expense Account are used.
- (iv) Rental of property owned by the Contractor whose acquisition cost was recorded in the Expense Account, or subletting of assets whose rent is charged to the Expense Account.

- (v) Compensation obtained from insurance taken in relation to the activities of the Contract and to damaged assets, including insurance compensation for lost profits. The income obtained as a result of price hedging contracts is not considered.
  
- (vi) Other income representing credits applicable to charges made to the Expense Account.

### **Section 3 Recoverable Costs**

#### **9. General Provisions**

- 9.1. The Recoverable Costs will be charged according to the terms and conditions of the Contract and this Accounting Procedure. Any cost that is not described in this appendix must be approved by MEM.
- 9.2. In the areas of the contract on which production Fields and exploratory areas exist, the exploration costs will be considered Recoverable Costs with the production of said Field. In the areas of the contract that only have exploratory areas, the exploration costs can only be considered Recoverable Costs once the Commerciality of the Field is declared and Commercial Production begins.
- 9.3. Except as specifically provided otherwise under this Appendix J, deductions or Recoverable Costs against gross income will be allowed under Article 287 of the Tax Code for expenses that are directly related to the performance of the Exploration and Exploitation of Hydrocarbons Activities. The concepts and items described in Article 288 of the aforementioned Code will not be considered deductible expenses, without the list being limitative.
- 9.4. The allowed deductions will take into consideration the following clarifications, additions, deletions and modifications.

#### **10. Easements, Indemnity, Compensation**

- 10.1. All costs and / or expenses incurred foreseen in Article 29 of the Contract are considered Recoverable Costs.

#### **11. Environmental Protection and Industrial Security**



11.1. Under the Contract and the applicable regulations, all costs and / or expenses incurred by the Contractor for the purpose of avoiding pollution, deterioration of the environment and guaranteeing the safety and protection of the persons rendering services and / or forming part of the Contractor are considered as Recoverable Costs.

## **12. Legal Costs**

12.1. The amounts paid by the Contractor for attorneys' fees and incurred in favour of the Oil Operations will be Recoverable Costs, but those referred to costs derived from an arbitration process between the Parties or at the request of an expert opinion to support an arbitration process between the Parties will not be included as such.

## **13. Fixed Asset Depreciation**

13.1. From the start of Commercial Production, fixed assets will be amortized according to the following criteria:

13.2. Investments during the Exploration phase in one (1) aliquot.

13.3. Investments during the Production phase without including facilities, storage and transportation in five (5) aliquots.

13.4. Investments during the Production phase for production, storage and transportation facilities in ten (10) aliquots

13.5. Other investments in accordance with the provisions of the Dominican Tax Code and its complementary laws. The amounts of the investments to be recognized and amortized in accordance with the provisions of paragraphs (i) (ii) and (iii) of the previous article 13.1 must be approved jointly by the Ministry of Energy and Mines and the Ministry of Finance.

## **14. Charges Linked to Related Entities of the Operator**

14.1. The costs of general direction, supervision, control, scientific support, used to achieve the knowledge applied in oil operations, provided by Related Entities of the

Operator during the periods of exploration, development and production of this contract are considered general assistance costs.

14.2. This general assistance will be considered as Recoverable Costs in the corresponding periods applying the following approved percentages:

- (i) During the Exploration Operations, 1% on the costs and / or annual expenses of this phase will be considered.
- (ii) During the Development operations, 0.5% on the costs or annual expenses of this phase will be considered.
- (iii) During the production operations, 0.1% on the costs or annual expenses of this phase will be considered.
- (iv) The portion not considered Recoverable Costs in a fiscal year will not be transferable to subsequent fiscal years.
- (v) All of the foregoing, without prejudice to the terms and conditions applicable in the Dominican Republic regarding transfer prices on the occasion of current legislation and regulations. When there is some type of contradiction between this article and said regulation, the terms that are most favourable to the Dominican State will apply. Additionally, verification of the calculation and correct application of the general assistance formula provided for in this Article 24 will be subject to audits.

## **15. Credits to the Recoverable Costs Account Under the Contract**

15.1. The net income of the following transactions must be credited to the Recoverable Costs account:

- (i) Net income from any insurance or claim related to Oil Operations or any asset charged to the Recoverable Costs account;
- (ii) Income received from third parties for use of the property or assets charged to the Recoverable Costs account;

- (iii) Any compensation received by the Contractor, from the suppliers or manufacturers or their agents in relation to services, defective Materials, whose Cost has been previously charged to the Recoverable Costs account;
- (iv) Payments for leases, refunds or other credits received by the Holder applicable to any charge that has been made to the Recoverable Costs account;
- (v) Income from sales of surplus materials or assets charged to the Recoverable Costs accounts, from which the net amount has been received.

## **16. Non-doubling of Charges nor Credits**

16.1. However, other provisions provided in this Appendix: Accounting Procedure, Costs, Expenses and Investment Registry, it is the contractual intention that there is no duplication of charges or credits in the Recoverable Costs account. The costs debited to these accounts and related to goods not used will be credited and, after being registered as a credit, the Contractor will be able to freely dispose of said assets.

## **17. Costs Considered Non-recoverable**

17.1. The following are considered Non-recoverable Costs:

- (i) General expenses and overheads of the parent company or subsidiaries that are not directly related to this Contract.
- (ii) The expenses foreseen in Article 6.3 paragraph (xxix) of the Contract.
- (iii) Abandonment costs sent to the Abandonment Fund provided for in Article 40 of the Contract;
- (iv) The investments, expenses and costs incurred by the Contractor prior to the Signature Date of the Contract;
- (v) The costs incurred in the taking of inventories in the event of any transfer of rights of the Contractor under the Contract;

- (vi) Amounts paid as a result of breach of Contract obligations, as well as fines, sanctions and indemnities imposed by the authorities, including those imposed as results of lawsuits;
- (vii) Fines, surcharges and readjustments derived from the breach in the timely payment of taxes in force in the country;
- (viii) Donations in general, except those previously approved by MEM;
- (ix) Advertising expenses, except those previously approved by MEM;
- (x) The costs and expenses of transportation and commercialization of the Hydrocarbons beyond the Delivery Point of the Production of Net Hydrocarbons;
- (xi) Investments in facilities for the transportation and storage of the Hydrocarbons Produced in the Contract Area, after the Production Delivery Point, except those that are contemplated in Appendix I: Shared Use of Infrastructure and approved in a Work Program approved by MEM;
- (xii) Other expenses and investments not linked to the Contract Operations;
- (xiii) Payments made as a result of "hedging" price coverage contracts.
- (xiv) Losses obtained as a result of contracts for price coverage or "hedging".
- (xv) As well as any other contemplated in the Tax Code of the Dominican Republic.

#### **Section 4 Others**

### **18. Supporting Documentation**

18.1. The Contractor shall keep in its files the original documentation to support the charges made to the Income and Expenses accounts.

### **19. Audit**

- 19.1. MEM, covering all the corresponding costs, will have the right to carry out a complete audit of the Recoverable Costs account, as well as of the records and originals of the primary supporting documents directly related to that account, in the course of any Year or part thereof, within the period of twenty four (24) Months counted from the last day of said Year. The auditor's report shall be submitted to the Contractor for consideration within a period of sixty (60) days after the termination thereof.
- 19.2. The Contractor shall have a term of sixty (60) Days, counted from the receipt of the auditor's report, to answer on any clarification requested by MEM.
- 19.3. The Recoverable Costs account will be considered approved by MEM after the terms established in this Article 29.1, except for any repeated discrepancy indicated in the auditor's report.
- 19.4. During the course of the audit, MEM may verify and examine all the Contractor's charges and credits related to Oil Operations, including accounting books, accounting entries, inventories, inventory invoices and any other document such as letters and records necessary for the audit and verification of all charges and credits.
- 19.5. Additionally, auditors shall have the right to visit and inspect, as long as it is related to the audit and at reasonable times, all the places, plants, facilities, warehouses and offices of the Contractor in the Dominican Republic that provide direct service to the Oil Operations in compliance with the terms of the Contract.
- 19.6. Any adjustment agreed between the Contractor and MEM that results from the audit must be recorded immediately in the Recoverable Costs account. Any unresolved discrepancy arising from the audit must be resolved in accordance with the provisions of Section X Dispute Resolution Procedures established in the Contract.

## **20. Payments**

- 20.1. Under the terms of this Contract, all payments owed to MEM by the Contractor and the Subcontractors in the Dominican Republic will be invoiced and paid in US Dollars and must be made to the competent tax authorities.

## 21. Mechanism for Estimating Quarterly Payments of Income Tax

21.1. FIRST FISCAL QUARTER: The estimated payment of income tax corresponding to the fiscal quarter ending on March 31<sup>st</sup>, (first fiscal quarter), will be calculated as twenty-five percent (25%) of the net taxable income of the previous year (as established in Article 25 of this Contract), multiplied by the income tax rate of twenty-five percent (25%),

$$ISRt1 = (25\% * RNli-1) * 25\%$$

21.2. SECOND FISCAL QUARTER: The estimated income tax payment for the fiscal quarter ending on June 30<sup>th</sup> (second fiscal quarter), will be calculated as two (2) times the net taxable income of the previous fiscal quarter (as established in Article 25), multiplied by the income tax rate of twenty-five percent (25%), minus the amount of income tax paid in the first fiscal quarter.

$$ISRt2 = ((2 * RNIt1) * 25\%) - ISRt1$$

21.3. THIRD FISCAL QUARTER: The estimated payment of the income tax corresponding to the fiscal quarter ending on September 30<sup>th</sup> (fiscal third quarter), will be calculated as three halves (3/2) of the sum of the net taxable income of the first and second fiscal quarters (as established in Article 25), multiplied by the income tax rate of twenty-five percent (25%); minus the sum of the amounts of income tax paid in the first and second fiscal quarters.

$$ISRt3 = ((3/2 * (RNIt1 + RNIt2)) * 25\%) - (ISRt1 + ISRt2)$$

21.4. FOURTH FISCAL QUARTER: The estimated payment of income tax for the fiscal quarter ending on December 31<sup>st</sup> (fourth fiscal quarter), will be calculated as four thirds (4/3) of the net taxable income of the first, second and third fiscal quarters (as established in Article 25), multiplied by the income tax rate of twenty-five percent (25%); minus the sum of the amounts of income tax paid in the first, second and third fiscal quarters.

$$ISRt4 = ((4/3 * (RNIt1 + RNIt2 + RNIt3)) * 25\%) - (ISRt1 + ISRt2 + ISRt3)$$

21.5. When determining the net taxable income of the fiscal quarter, the Participating Company may consider any net operating loss, tax or attributed credit or similar tax

asset that are available to reduce the income tax calculated for said quarter, as established in the Tax Code and this Contract.

21.6. For the purposes of this appendix, the specified variables will have the following meaning:

ISRt1 = First fiscal quarter income tax

ISRt 2 = Second fiscal quarter income tax

ISRt 3 = Third fiscal quarter income tax

ISR t4 = Fourth fiscal quarter income tax  
RNli-1 = net taxable income of the previous fiscal year, calculated according to the Code and the terms of the Contract.

RNI<sub>t1</sub> = net taxable income for the first fiscal quarter calculated in accordance with the Code and the terms of the Contract.

RNI<sub>t2</sub> = net taxable income for the second fiscal quarter, calculated according to the Code and the terms of the Contract.

RNI<sub>t3</sub> = net taxable income for the third fiscal quarter, calculated according to the Code and the terms of the Contract.

RNI<sub>t4</sub> = net taxable income for the fourth fiscal quarter, calculated according to the Code and the terms of the Contract.