SERVICE PROVISION FOR THE HYDROCARBONS (CRUDE OIL) EXPLORATION AND EXPLOITATION CONTRACT, IN THE BLOCK …… OF THE ECUADORIAN AMAZON REGION

MISTER NOTARY:

Please incorporate in the public deeds protocol at your charge, one that contains the following Service Provision for the Hydrocarbons (Crude Oil) Exploration and Exploitation Contract, in the Block…… of the Ecuadorian Amazon Region which is contained in the following clauses:

APPEARANCES.- For the subscription of this Contract appear: for one Party the Ecuadorian State through the Hydrocarbons Secretary, hereinafter referred to the "Secretary," represented by Ab. Andres Donoso Fabara, according to the appointment in the Ministerial Agreement No. 331 dated April 23rd, 2012, published in Official Register No. 706 of May 18th, 2012, and for the other Party, the companies…….., represented by Mr. …….., of …………. Nationality, respectively on their qualities of General Proxies, and as such Legal Representatives of the companies………, members of the Crude Oil Consortium……., Block´s Contractor……, according to the Powers of Attorney that are incorporated as appointment.

FIRST CLAUSE
BACKGROUNDS

1.1. Articles 1, 317 and 408 of the Constitution of the Republic of Ecuador establish that the nonrenewable natural resources in the territory of the State belong to the inalienable, indefeasible, undeniable, and non-lapsable patrimony.

1.2. Numeral 11 of article 261 of the Magna Carta points out that the Ecuadorian State will have exclusive competency over the hydrocarbons resources

1.3. Article 313 of the Magna Carta prescribes that the nonrenewable resources have a strategic character over which the State reserves the right of administer, rule, control, and manage them according to the principles of environmental sustainability, precaution, prevention, and efficiency

1.4. Article 6-A of the Hydrocarbons Law determines that the Hydrocarbons Secretary, entity assigned to the Sectorial Minister, a Legal Entity, own patrimony, administrative, technical, economical, financial and operational autonomy that administers the management of the hydrocarbons nonrenewable natural resources and the substances that accompanied them; it is in charge of executing activities of subscription, management, and modification of the crude oil areas and contracts.

1.5. In Article 6-A of the Hydrocarbons Law, the attributions of the Hydrocarbons Secretary are detailed among which there are the capacity of subscribing on behalf of the Ecuadorian State, the exploration and exploitation, industrialization and transportation contracts, prior the adjudication by the Sectorial Minister.

1.6. Article 16 of the Hydrocarbons Law defines the provision of services contract for the hydrocarbons exploration and/or exploitation, being those in which legal persons, previously and duly qualified, national or foreigners, are obliged to carry out with their own economic resources, hydrocarbons exploration or exploitation services.

1.7. Article 19 of the Hydrocarbons Law prescribes that the adjudication of contracts which articles 1, 2, and 3 of this Law refers to, it will be executed by the Sectorial Ministry through a tender; for the adjudications the Sectorial Ministry will form a Tender Committee which will be integrated and will function according to the Regulations. The basis, requisites, and procedures for the tenders will be determined by the Tender Committee according to the Constitution and the Law. For the tenders the Sectorial Minister will promote the concurrence of the highest number of bidders of proven experience and technical and economic capacity. The resolutions of the Tender Committee cause execution according to the law.

1.8. Through calling published in the media dated …………., 2012, the Hydrocarbons Tender Committee (COLH) called to participate in the Ecuador Sur Oriente Round, the national or foreign, state or private companies.

1.9. On ……………….., 2013, the Hydrocarbons Tender Committee (COLH), received offers for the Tender No. ….-COLH-SH-BLQ-2012 of the Block……….

1.10. With Resolution No. COLH-……., dated …….., 2013, the Hydrocarbons Tender Committee approved the negotiation report and minute with …….. bidder for the Block…….., according the Negotiation Team recommendation constant in Memorandum No. ………., dated …………., 2013, and it resolved to recommend to the Nonrenewable Natural Resources Ministry to adjudicate the Service Provision for the Hydrocarbons (Crude Oil) Exploration and Exploitation Contract, in the Block……., of the Ecuadorian Amazon Region to the Consortium or Enterprise………. corresponding to Tender No. ….-COLH-SH-BLQ-2012.

1.11. The Nonrenewable Natural Resources Ministry through resolutions No. …….-20213, dated …………., 2013, adjudicated the Service Provision for the Hydrocarbons (Crude Oil) Exploration and Exploitation Contract, in the Block……., of the Ecuadorian Amazon Region to the Consortium or Enterprise………; and, authorized the Hydrocarbons Secretary, the subscription of this Contract.

SECOND CLAUSE
DOCUMENTS OF THIS CONTRACT

2.1. Enabling Documents.- The enabling documents of this Contract and are docketed as such, are the following:

2.1.1. Certified copy of the Ministerial Agreement No. 331, dated on April 23rd, 2012, published of Official Register No. 706 of May 18th, 2012 that contains the appointment of the Hydrocarbons Secretary;

2.1.2. Certified copy of the powers of attorney that accredit the legal representation of the companies that integrate the Contractor;

2.1.3. Certified that accredits the legal existence of the companies members of the Contractor, and its domicile in Ecuador;

2.1.4. (Background of the tender process).

2.1.4.1. Resolution No. COLH-…….., dated……….., 2013 with which the Hydrocarbons Tender Committee (COLH) approved the negotiation report and minute with …………….. bidder for the Block …………… and recommended to the Nonrenewable Natural Resources Minister, the adjudication;

2.1.4.2. Resolution No. …………, dated on …………., 2013 with which the Nonrenewable Natural Resources Minister adjudicated the Service Provision for the Hydrocarbons (Crude Oil) Exploration and Exploitation Contract, in the Block……., of the Ecuadorian Amazon Region; and authorized the Hydrocarbons Secretary the subscription of this Contract.

2.2. Attached Documents.- The following attachments are part of this Contract:

Attachment A	The area and plain coordinates of the vertexes of the Contracted Block.
Attachment B	Exploratory Program.
Attachment C	Formula for the correction of the Crude Oil Quality.
Attachment D	Accounting, Control, and Audit of the Service Provision for the Hydrocarbons Exploration and Exploitation Contracts Regulation
Attachment E	Solidarity Warranty from the Headquarters and exploration and exploitation periods warranties.
Attachment F	Supervision Committee Functioning Rules
Attachment G	Detail of the insurance policies provided in this Contract.
Attachment H	Training Program.
Attachment I	Lifting Procedure.
Attachment J	List of possible Consulting Companies.

Attachment K	State´s Attorney favorable pronouncement through which the Ecuadorian State is authorized through the Hydrocarbons Secretary to submit the controversies originated in the present contract to the international arbitration and to reach a settlement.
Attachment L	Contracting Bases.
Attachment M	Fee Calculation Example.

THIRD CLAUSE
CONTRACTING LEGAL FRAME (APPLICABLE LEGISLATION)

3.1. The applicable law to this Contract is the Constitution of the Republic of Ecuador, international treaties of which Ecuador is part of, laws, regulations, decrees, contracting bases, ordinances, as much as any other norm issued or that is issued in accordance to the Ecuadorian legislation (hereinafter, the "Applicable Law").

3.2. The rights and duties of the Parties according to this Contract, including any Attachment will be executed according to the Applicable Law.

3.3. The Contractor expressly declares that has full knowledge of the Ecuadorian legislation applicable to the crude oil contracts current at the moment of the celebration of this Contract.

FOURTH CLAUSE
INTERPRETATION OF THIS CONTRACT

4.1. Interpretation.- This Contract is an administrative contract, regulated by the Applicable Law, the Parties agree in that they will interpret this Contract according to the Applicable Law, including the dispositions of the Thirteenth (XIII) Title, Fourth Book (IV), of the Civil Code, establishing that titles and the order of the clauses and sub-clauses have the sole purpose of identification and reference.

4.1.1. Any tolerance of the Parties referred to the lack of compliance of the duties established in this Contract, in any case it will imply change or alteration of its stipulations, and such fact will not constitute precedence for the interpretation of this Contract or source of rights in favor of the Party that did not comply of the duties.

4.1.2. In the case that exist contradictions or conflicts between the dispositions of this Contract and its attachments o between each one of them, the Parties agree in the following precedence order, being the first of them the one that will prevail over the others and so on: (i) the terms and conditions of this Contract and (ii) the mentioned attachments in the Clause 2.2 of this Contract.

4.1.3. The Parties expressly accept that in case that the stipulations contained in this Contract contravene the legal or regulatory dispositions will be the last ones that will prevail over this Contract.

4.2. Language.-

4.2.1. This Contract has been drafted and subscribed by the Parties in Spanish and such version will be considered for all the effects as the only valid.

4.2.2. The communications that the Parties issue to each other, as much as the required information for the Applicable Law will be drafted in Spanish, except those reports of technical nature that due to its highly specialized nature, they must be presented in another language, in which case if it is considered indispensable by the Hydrocarbons Secretary, they must be accompanied with a Spanish translation prepared according to the Applicable Law, at the Contractor´s cost.

4.3. Definitions.- Except in the case it is stipulated otherwise in this Contract, the following terms with the initial capitalized will have the following meaning. The singular will include the plural and vice versa, in the measure that this Contract requires it.

4.3.1. Exploration Activities: These are the group of geologic, geochemical, geophysics, wells perforation research activities and any other accepted operation by the crude oil industry for the exploration with the objective to research the area and to evaluate the existing structural or stratigraphic entrapments or those that are discovered; including those that are in the Exploratory Program.

4.3.2. Additional Exploration Activities: These are the Exploration Activities that the Contractor executes during the Exploitation Period.

4.3.3. Production Activities: These are the group of activities that allow putting in production the Crude Oil from the subsoil up to the surface, its collection, treatment, processing in the field and transportation up to the Supervising and Delivery Center.

4.3.4. Improve Recovery Activities: These are the group of activities (technical and pilot plan) that can be proposed by the Contractor in the Exploitation Period, agreed and approved by the Hydrocarbons Secretary in an Additional Activities Program with the objective of implementing new techniques for the improved recovery of the existing reserves.

4.3.5. Fixed Asset: It is any non-fungible good of real and personal property acquired, built or provided by the Contractor for the foreseen activities in this Contract, with a useful life that exceeds a year and higher than one thousand dollars (USD 1,000) according to what is establish by the Accounting Regulation.

4.3.6. Hydrocarbons Regulation and Control Agency (ARCH): It is an organism technical-administrative in charge of regulating technical and operational activities in the different phases of the hydrocarbons industry that are carried out by the public and private companies, state, foreign, mixed companies, consortiums, associations and other contractual forms, and other kind of natural and legal persons, national or foreigners that execute hydrocarbon activities in the Ecuador.

4.3.7. Fiscal Year: In the period of twelve (12) months comprehended between the January, first (1) until December, thirty first (31) of each year,

4.3.8. Contracted Block Area: It is the terrestrial surface and its projection in the subsoil located within the block in which the Contractor it is committed to provide the service object of this Contractor according to the Attachment A.

4.3.9 Socio-environmental Audit: Group of methods that has as objective the determination of the compliances and conformities and not compliances or not conformities of the elements of the applicable environmental normative and the respective environmental license, based upon the terms of reference defined and previously approved, carried out in the frame of the applicable environmental legislation.

4.3.10. Environmental Authority: It is the Environment Ministry or its technical-administrative dependency that will control, supervise, and audit the socio-environmental management; it will perform the evaluation, approval of the environmental licensing and follow up of the hydrocarbons activities in all the Ecuadorian territory according to the Applicable Law.

4.3.11. Barrel: It is the Crude Oil production unit, equivalent in volume to forty two (42) gallons on the United States of America measured at standard conditions.

4.3.12. Block: It is the Block……. of the Crude Oil Blocks Map certified by the Army Geographical Institute which delimitations and coordinates are detailed in Attachment A.

4.3.13. Change of Control: It is any direct or indirect change in the Control of the Contractor, in the understanding that after such Change of Control is operated, (i) it does not control the Contractor and/or (ii) direct or indirectly it possess at least fifty percent (50%) of its shares that form its capital or other kind of patrimonial participation.

4.3.14. Headquarters: It is the company …………. (In case of consortium or association, it will establish one headquarter per each one of the members) that form parts of the Contractor are: …….

4.3.15. Supervision and Delivery Center: It is the place where the volumes in net produced Crude Oil barrels of the Contracted Block Area are measured and supervised, and delivered by the Contractor to the State, place where the Contractor´s responsibility ends.

This center is located at ………….. within the Block, the closest to one of its limits and close to the secondary or main duct.

4.3.16. Related Companies: For the effects of this Contract, the Related Companies are considered as: Headquarters: It is the company or entity that direct or indirectly controls the Affiliate, Branch, or the Subsidiary; Affiliate of Branch: It is a company or entity that is directly controlled by the Headquarters; and, Subsidiary: It is a company or entity that is directly controlled by the Affiliate and indirectly by the Headquarters. This definition will not limit at all the application of the revenue legislation in what is related to the related parties and transfer prices.

4.3.17. Condensate Gas: It is a mixture of hydrocarbons coming from the Free Natural Gas Fields or of Condensate Gas Fields that in surface pressure and temperature conditions become into liquid state.

4.3.18. Standard Conditions: They correspond to an absolute pressure of 14.7 pounds per square inch and temperature of 60 Fahrenheit degrees.

4.3.19. Consultant: It is the natural or legal person, national or foreigner, independent and with a recognize prestige respect to the subject matter of the consultation for the provided ends in this Contract, according to Clause 31.3.

4.3.20. Consumer Price Index (CPI): It is the consumer price index provided in the "Consumer Price Index" of the Bureau of Labor Statistics of the United States Department of Labor.

4.3.21. Contractor: It is the company or consortium or association …………….. formed by ………. organized and constituted according to the laws of ……….., respectively with headquarters in ………., and domiciled in Ecuador.

4.3.22. Contract: It is this document including its qualifying documents, and attachments.

4.3.23. Control: It means when it is used in relation to a legal person, the faculty to direct the management or the policies of such legal person, direct or indirectly, even if it is through the ownership of shares or other valuable titles. To the effects of this Contract, when a legal person has direct or indirectly more than 50% of the voting power from the other legal person, it is considered that it has the Control of that legal person. "That Controls" and "Controlled" have correspondent meanings.

4.3.24. Commercialization Costs: These are the reasonable, supported, directly attributable, and effectively costs incurred by the State for the commercialization of the Crude Oil, as much in the internal as the external market, including the expenses that are originated for the storage needed for such operations of commercialization and other indispensable for the perfection of such commercialization operations

4.3.25. Transportation Costs of the State: These are the reasonable, supported, directly attributable, and effectively costs incurred by the State for the transportation by the Main Ducts of Crude Oil produced in the Contracted Block Area from the Supervising and Delivery Centers to the exportation terminals or industrialization centers.

4.3.26. Contractor´s Costs and Expenses: These are the non capitalizable, reasonable and needed, directly incurred costs by the Contractor through its Related Companies within or outside of Ecuador, including those pointed out in the Annual Programs and Budgets, and accounted according to the Accounting Regulations, and will include the operations of transport by the Secondary Ducts and those carried out in the execution of the technical and administrative training programs performed by the Contractor.

4.3.27. Environmental Damages: It is all the significant lost, reduction, detriment or lessening of the pre-existing conditions in the environment or one of its components. Affecting the functioning of the ecosystem or the renewability of its resources.

4.3.28. Social Damages: These are the ones caused to the human health, landscape, public calm, and of the public or private assets, directly affected due to its contaminating activity.

4.3.29. Dollar: It is the currency of the United States of America, and it is abbreviated as (USD).

4.3.30. Main Ducts: These are the Trans-Ecuadorian Crude Oil Pipeline SOTE, Heavy Crude Oil Pipeline OCP, Non Peruvian Crude Oil Pipeline ONP, and other ducts and other concomitant storage facilities that are required to evacuate the Crude Oil from the Supervising and Delivery Centers to the exportation terminals or industrialization centers.

4.3.31. Secondary Ducts: These are the required ducts to transport the Crude Oil from the fields in production within the Block to the Supervising and Delivery Centers.

4.3.32. Ecuador / State: It is the Republic of Ecuador.

4.3.33. EP Petroecuador: It is the Hydrocarbons Public Company of Ecuador, PETROECUADOR, with legal status, own patrimony, administrative, economic, financial, and operative autonomy; with principal domicile in the city of Quito, that has as objective the development of activities that are assigned by the Organic Law of Public Companies and the Executive Decree 315 of 2010, published in the R.O. Supplement No. 171 of April 14th, 2010.

4.3.34. International Oil Industry Standards: These are those practices and procedures generally used in the oil industry by operators worldwide, backed up in technical criteria, similar conditions and circumstances to those experimented in relation with the relevant aspects of the Project.

4.3.35. Anticipated Exploitation: These are the activities of development and production that the Contractor can perform prior authorization of the Secretary within the Exploration Period.

4.3.36. Environmental Impact Study: These are the technical studies that provide the background for the prediction and identification of the environmental impacts. Other than that they describe the measures to prevent, control, mitigate, and compensate the significant environmental activities.

4.3.37. Insolvency event: This means when: (a) a Person commence in a voluntary manner a bankrupt, insolvency, dissolution, liquidation state or a similar procedure; (b) it has been initiated against it one of those procedures, and such procedure has given place an order or a measure that has not been revoked, resolved, suspend or appealed within sixty (60) days after its declaration; or (c) a Person that performs a transfer in benefit of the creditors or it admits by written it insolvency or general incapacity to comply with its duties in the measure they are due.

4.3.38. Validity Date: It is the date of the inscription of this Contract in the Hydrocarbons Register of the Secretary from which the validity starts in this Contract, and the period of the same starts to run.

4.3.39. Effective Date: It is the Validity Date.

4.3.40. Force Majeure or Act of God: For the effects of this Contract, an event of Force Majeure or Act of God will mean any event or circumstance, that (i) is impossible to resist, or if it is controlled by the Party bound to comply with whatever duty, (ii) it is unforeseeable by such Party or that even if it is foreseeable by it, it cannot be avoided, as a whole or as a part, through the exercise of due diligence of such Party, (iii) that occurs after the Effective Date of this Contract, and (iv) that causes the total or partial obstruction or delay of the compliance of the obligations of some Party according to the stipulations of this Contract.. This definition comprehends, but it is not limited to what is established in the Ecuadorian Civil Code, and including earthquakes, tsunamis, flooding, landslides, storms, fire, explosions, strikes, social disturbance, war acts (declared or not), sabotage acts, terrorism acts, actions or omissions by any authority, dependence, or state entity. It is understood and agreed, however, that the Secretary can invoke as constitutive acts of Force Majeure, any act or omission of any agency, organism or Ecuadorian State authority when such acts or omissions are caused by other facts or circumstances that at the same time constitute Force Majeure. For effects of this Contract, the term Act of God will have the same meaning as Force Majeure.

4.3.41. Associated Natural Gas: It is a mixture of hydrocarbons coming from Crude Oil Fields that at surface pressure and temperature conditions become into the gaseous state.

4.3.42. Free Natural Gas: It is a mixture of hydrocarbons coming from Crude Oil Fields that at surface pressure and temperature conditions stays in the gaseous state.

4.3.43. Condensate Liquid Hydrocarbons from Associated Natural Gas: It means ethane and any other hydrocarbons of higher molecular weight than ethane, separated from Associated Natural Gas through compression, extraction or other process.

4.3.44. Increase of Commercially Exploitable Reserves: It is the increase of the reserve volume (recoverable) coming from Improved Recovery Activities or new discoveries for Additional Exploration Activities carried out by the Secretary and approved by the Secretary.

4.3.45. Contract Gross Income (YB): It is the amount in Dollars that results by multiplying the Supervised Production delivered by the Contractor by the Monthly Average Price, corrected according to the equivalent quality to the produced by the Contractor in the Contracted Block Area. The correction by the Crude Oil quality will be carried out according to the Attachment C. The Crude Oil of the Contracted Block Area destined to the internal consumption of the State or other ends will be valued with the Monthly Average Price.

4.3.46. Contractor Gross Income: It is the amount in Dollars that the Contractor will receive for the provision of services over the base of the agreed fee in this Contract per each net Barrel produced and delivered to the State, according to the established formula in the Fourteenth Clause.

4.3.47. Available Income (YD): It is the amount in Dollars resulting from the difference between Contract Gross Income and the sum of the following concepts: (i) Sovereignty Margin, (ii) Transportation Cost that the State incurs; (iii) Commercialization Costs that the State incurs; and, (iv) the Tax established in the Codification of the Amazon Regional Eco-development Fund Law and Law of

Substitutive Revenue Creation for the Provinces of Napo, Esmeraldas and Sucumbíos, if they are applicable.

4.3.48. Investments: These are the cost directly carried out by the Contractor and indirectly through the Related Companies within or outside of Ecuador, including those pointed out in Annual Plans, Programs and Budgets and its reforms, and accounted according to the Accounting Regulations, that are: (i) susceptible of capitalization, and (ii) reasonable and needed to explore, discover, develop, produce, obtain, transport, maintain, and increase the Crude Oil production in the Contracted Block Area.

4.3.49. Environmental License: It is the authorization that the Environmental Authority grants to a legal or natural person prior the execution of a project, work or activity according to the Applicable Law in which it is established the requisites, duties and conditions that the beneficiary must comply to prevent, mitigate or correct the unforeseen effects that the authorized project, work, or activity can cause to the environment.

4.3.50. Sovereignty Margin: It is twenty five (25) percent of the gross income coming from the supervised production that the Ecuadorian State reserves according to article 16 of the Hydrocarbons Law.

4.3.51. Sectorial Ministry / Ministry: It is the Nonrenewable Natural Resources Ministry of Ecuador or the one that substitutes it.

4.3.52. Sectorial Minister: It is the titular of the Sectorial Ministry.

4.3.53. Economic Model: Mathematical formulation of variables that is applied for the estimation of the Contractor Payment.

4.3.54. Operator: It is the company …….. that will execute all the operations object of this Contract by account of the Contractor.

4.3.55. Contractor Payment: It is the amount that the Contractor receives, in Dollars, in Crude Oil, or in mixed form, it is convenient to the Interest of the State, for its provided services according to the Fourteenth Clause.

4.3.56. Party or Parties: It refers to the Ecuadorian State represented by the Secretary or the Contractor individually according to the case, or it refers to the Ecuadorian State represented by the Secretary and the Contractor jointly.

4.3.57. Environmental Passive: These are those environmental damages and/or environmental negative impacts not repaired or restored respectively, or those that have been previously intervened, but in a non-adequate or incomplete manner, and they are still being part of the environment, constituting a risk for any of the components, generated by a work, project or productive or economic activity in general.

4.3.58. Exploration Period: It is the period that starts with the Effective Date and ends with the approval of the Development Plan, in this period the Exploration Activities will be carried out, including those detailed in the Exploratory Program of mandatory compliance.

4.3.59. Exploitation Period: It is the period that starts with the approval of the Development Plan and ends with the termination of the Contract.

4.3.60. Person: It refers to the natural person, corporation, society, consortium, trust or any other legal entity, Headquarters, Affiliate, Subsidiary or any other agency, authority or political subdivision of it or any international organization.

4.3.61. Crude Oil: It is the mixed of hydrocarbons in liquid state at surface pressure and temperature.

4.3.62. Development Plan: It is the group of activities and investment estimated that the Contractor is committed to perform to develop the oilfields commercially exploitable, discovered in the Exploration Period.

4.3.63. Additional Development Plan: It is the group of activities and investment estimated that the Contractor is committed to perform to develop the oilfields commercially exploitable, product of the Additional Exploration or the implementation of new techniques of improved recovery of the existing reserves, carried out in the Exploitation Period.

4.3.64. Development Plan for the Anticipated Exploitation: It is the group of activities and investment estimated that the Contractor is committed to perform to put into production the hydrocarbons reserves in the Exploration Period.

4.3.65. Quinquennial Plan: It is the group projected plan and estimated investments, including its reforms, proposed by the Contractor during the Exploitation Period for five (5) Fiscal Years after the year of presentation of such Plan, to comply with the contractual object. This Quinquennial Plan will be updated annually.

4.3.66. Plans: It refers to the Development Plan, Additional Development Plan, and Development Plan for the Anticipated Exploitation, and the Quinquennial Plan.

4.3.67. Exploratory Program: These are the committed Exploration Activities, of mandatory compliance and estimated investments of exploration to be executed by the Contractor on its account and risk providing technology, capital, and the required equipment, goods, machinery.

4.3.68. Period: When this Contract refers to "period", these will be computed in a continuous form, and in calendar days; and, when it refers to "term," they will solely computed the working days, excluding the holidays with national and local ambit, and of mandatory rest. In all the cases in which the period expire in non-working days, these will be understood as prorogated until the following first working day.

4.3.69. Validity Period: It is the stipulated in the Sixth Clause of this Contract.

4.3.70. Producer's Price Index (PPI): This is the price index to the producer provided in the "Producer's Price Index for Industrial Commodities" of the "Bureau of Labor Statistics of the United States Department of Labor" (Code PCU213112213112 "support activities for oil and gas operations").

4.3.71. Monthly Average Price: It refers to the weighted average price on a determined month of Crude Oil external sales during the same period, performed by EP PETROECUADOR. These prices will be expressed in FOB terms, shipment port (main terminal of exportation and in Dollars) per Barrel. In case that EP PETROECUADOR has not performed the external sale in such month, the Monthly Average Price will be established according to what is stipulated in the clause 14.8.8.

4.3.72. Supervised Production: It is the net volume of Crude Oil produced in the Contracted Block Area supervised by the ARCH in the Supervision and Delivery Center.

4.3.73. Program and Annual Environmental Budget: It refers to the annual program of environmental activities derived of the respective environmental management plan and the environmental budget of the following year for its evaluation and approval by the Environmental Authority which will form part of the Annual Programs and Budgets that must include the operational aspects, of Investments on its different disaggregated according to the Applicable Law, and the administrative expenses, items that at the same time must be clearly identified.

4.3.74. Annual Programs and Budgets: These are the group of activities that the Contractor commits to perform in the respective Fiscal Year, and the Investment Budget, Costs and Expenses estimated for the execution of such activities, including its reforms. The Annual Programs and Budgets kept direct relation with the Exploratory Program and Plan. The approval of these Annual Programs and Budgets will be carried out according to the Twelfth Clause.

4.3.75. Intellectual Property: It means the joint reference to all the rights, priorities and privileges related to the intellectual property, either if they arise from any Applicable Law, community or foreign law or any other way, including author rights, author licenses, patents, patent licenses, trademarks, licenses over trademarks, technology, know-how, and procedure, and all the rights to try some action under right or equity for any violation or impediment of the same, including the right to receive any benefit, compensation for damages and similar to them.

4.3.76. Accounting Regulations: It is the Accounting, Control, and Audit of the Service Provision for the Hydrocarbons Exploration and Exploitation Contracts Regulation that regulates the costs, expenses and investment accounting carried out by the Contractor for the execution of the activities object of this Contract which is incorporated as Attachment D.

4.3.77. Integral Reparation: It is the group of actions, processes, and measures that are integrally applied, they tend to revert the damages and environmental damages through the reestablishment of the dynamic quality, ecological equilibrium, vital cycles, and structure, evolutionary functioning and process of the affected ecosystems; such as measures or actions that facilitate the restitution of the rights of the affected persons and communities, of compensation and indemnities to the victims, of rehabilitation of the affected, measures and actions that assure the no repetition of the facts, and that they dignify the affected people and communities.

4.3.78. Proven Residual Reserves: It is the hydrocarbons volume that according the analysis of the geological information and of the reservoirs, it present a reasonable certainty of being recovered during the validity of the Contract under the current economical and operative conditions. The official figures of the reserves will be established by the Secretary.

4.3.79. Emergency Situations: For the effects of this Contract, an event that constitutes an emergency situation, is the one that for technical, mechanical and security reasons duly justified by the Contractor and accepted by the Secretary, it causes that the Parties are bound to totally or partially interrupt the compliance of its activities and obligations stipulated in this Contract, understanding that such event: (a) does not constitute a Force Majeure event; (ii) it was not caused by guilt or fraud of the Parties; and (iii) obliges the Parties to adopt immediate necessary actions to avoid loses that affect or can affect the Contractor operations according to the Contract or the Persons that provide services to any of the Parties or goods of any of the Parties or third parties or their goods.

4.3.80. Sub-contractor: It refers to any Person that executes for the Contractor some part of the activities or that supplies the goods for the compliance the object of the Contract.

4.3.81. Fee per Barrel: It is the amount in Dollars agreed by the Parties according to the Fourteenth Clause.

4.3.82. Maximum Production Rate: It is the maximum of the Crude Oil produced by time unit, per Oilfield, field or well according to the Applicable Law, International Industry Standards, and what is provided in this Contract.

4.3.83. Prime Rate: It is the interest rate, denominated Prime published by the Central Bank of Ecuador in the pertinent printed or electronic media, current per each valuation journey. In case that the Central Bank of Ecuador leaves such Prime Rate will be the annual interest rate, in decimal fraction, determined over the base of the average prime rate set by the following banks of the United States of America: Citibank N.A. and Morgan Guaranty Trust Company of New York, valid for each valuation journey.

4.3.84. Taxes: These are the taxes, rates, contributions, custom rights, and other rights and taxes that must be paid to the national authorities, state or county in virtue of the applicable tax legislation.

4.3.85. Trimester: It is the period of three (3) consecutive months that start January, 1st, April 1st, July 1st, and October 1st, of each Fiscal Year.

4.3.86. Oilfield: It is the rock body in which the accumulated Crude Oil, Natural Gas or both, and that they behave as an independent unit as to a production mechanism, it refers.

4.3.87. Condensate Gas Fields: These are those Gas Fields that if they are exploited, will produce gas and liquids in a relation that exceeds one hundred (100) thousand cubic feet of gas per each barrel of liquid hydrocarbons according to the measures made in the surface under Standard Conditions.

4.3.88. Gas Fields: These are those hydrocarbons Fields that in reservoir pressure and temperature conditions contain hydrocarbons just in gaseous state.

4.3.89. Commercially Exploitable Crude Oil Fields: These are those fields included in the Development Plan or other approved Plans by the Secretary.

4.3.90. Crude Oil Fields: These are those fields that contain hydrocarbons in liquid state at reservoir conditions.

4.4. Other Definitions.- Any other necessary definitions for the application of this Contract will be established in the Applicable Law.

4.5. No Discrimination.- The Secretary in the interpretation and execution of this Contract, considering the particularities of each case, it will guarantee a non-discriminatory treatment to all the contractors of service provision for the hydrocarbons exploration and exploitation that would have subscribed its respective contracts according to article 16 of the Hydrocarbons Law.

FIFTH CLAUSE
OBJECT

5.1. Service Provision.- The object of the contract is the service provision by the contractor that on its own resources and its sole risk, to execute Activities of Hydrocarbon Exploration and Exploitation in the Contracted Block Area, according to the terms and conditions stipulated in this Contract, and established in the Applicable Law.

For the compliance with contractual object, the Contractor is bound with the Secretary to execute at least the Exploration Activities of the Exploratory Program within the Exploration Period, and at least the development and production activities committed in the Plans within the Exploitation Period, providing the technology, capital, and equipment, goods, and machinery needed for the compliance of the obligations established in this Contract.

5.2. Service Counter-provision.- The Contractor will receive in change of its services the provision of the payable Fee in money, in kinds or a mixed form, according to what is established in article 16 of the Hydrocarbons Law and the Fourteenth Clause of this Contract. The counter-provision that corresponds to the Contractor will be limited to the right to receive the Contractor´s Payment provided in this Contract according to the agreed Fee.

5.3. If it is agreed by the Parties, it can be an additional fee to privilege the productions coming from the additional activities committed by the Contractor, with the finality to promote the discovery of new reserves or the implementation of new techniques for the improved recovery of the existing reserves.

5.4. The parties agree that in the event of discovering Free Natural Gas, substances associated to Crude Oil or Crude Oil Fields of gravity minor than 15º API in the Contracted Block Area, it will be proceeded according to what is provided in the Hydrocarbons Law, and what is stipulated in this Contract.

SIXTH CLAUSE
DEADLINES AND PERIODS

This Contract comprehends two (2) periods: the Exploration Period and the Exploitation Period.

6.1. Exploration Period.- This period will last four (4) years, extendable up to two (2) years, prior to a contractor´s justification and authorization from the Hydrocarbons Secretary.

The exploration activities must start and continue in the terrain within the first six (6) months, starting at the inscription of the contract at the Hydrocarbons Record, this inscription must be done within thirty (30) days from the subscription of the contract.

In this period, at least the Exploration Activities contemplated in the Exploratory Program will be carried out, that is part of this Contract as Attachment B.

The Contractor will present within the first three (3) years of the Exploration Period, an aerophotogrametric mosaic of the contracted terrestrial zone, using the scale and the specifications that the Army Geographic Institute determines. The aerophotogrametric lifting, if it is not done, will be done through or under the control of the Army Geographic Institute, and the negatives will be property of the State.

6.2. Annual Programs and Budgets.- The Contractor will present for the knowledge and approval of the Secretary, the exploration Annual Programs and Budgets which must be according to the Exploratory Program.

6.2.1. The Annual Programs and Budgets to which the previous numeral refers to, will be presented by the Contractor to the Secretary until October, thirty first (31st) prior to the Fiscal Year in which the mentioned Annual Programs and Budgets must be executed. In the same manner, within the first thirty (30) days of the following Fiscal Year, the contractor will present a report of the carried out activities with its corresponding budget execution.

6.2.2. The Secretary will know and approved the Annual Programs and Budgets within the period of sixty (60) days after the presentation. The Secretary cannot demand from the Contractor more than what is contemplated in the Exploratory Program.

6.2.3. In the event that in the first year of the Exploration Period, the Annual Programs and Budgets will be presented in the period that is left from the Fiscal Year; and if in the first year starts on October, first, the Annual Programs and Budgets corresponding the immediate following Fiscal Year, it will presented until thirty (30) days after the Effective Date, they must follow the rest of the procedure as indicated in previous numerals.

6.2.4. The Contractor will present to the Secretary the reform of the Annual Programs and Budgets of the Exploration Period, the reforms cannot decrease the commitment acquired in the Exploratory Program.

6.2.5. If the Contractor discovers hydrocarbons in Contracted Block Area, it will immediately notify to the Secretary, with the pertinent technical information.

6.2.6. Within the period of thirty (30) days counted from the completion of a discoverable well, the Contractor will send to the Secretary all the pertinent technical information.

6.2.7. If the Contractor considers that the discovery must be evaluated, it will include in the information the evaluation program.

6.2.8 The evaluation activities and works of the discoveries performed during the Exploration Period must be performed within this Period.

6.3. Extension of the Exploration Period.- The exploration period can be extended through a motivated request from the Contractor, and prior acceptation from the Secretary up to a period of two (2) years in the following cases:

a) If any discovery would occur in the fourth (4) year of the Exploration Period, without previously having made discoveries that could be considered commercial. During the extension, the discoveries evaluation will be carried out.

b) If the contractor is bound to execute a new exploratory program, as long as all the Exploratory Program duties have been complied with, in which will be included the drilling and evaluation of the new exploratory well. In this case, it will present a new warranty for twenty (20) percent of the investments that it is committed to carry out during the extension.

c) Due to delays not attributable to the contractor in obtaining the Environmental Licenses and permissions or due to force majeure or an act of God or an emergency situation duly proved that interrupts the development of the exploratory activities, as long as this situation does not exceed two (2) years. In this case, the validity of the Warranty must be extended for the period of the extension. In the case, that the Force Majeure event or Act of God or Emergency Situation exceeds two (2) years the contract will be terminated, without any recognition or payment to the Contractor from the Secretary.

6.4. <u>Exploration Period Extension in case of Anticipated Exploitation</u>: The Contractor will not have the right to an extension of the Exploration Period in case of being in anticipated exploitation.

6.5. <u>Finalization of the Exploration Period</u>.- This period will end at the expiration of the period or before that, if all the duties provided for this period have been complied with, and the Contractor presents de Development Plan.

6.6. If there is no Development Plan within the established periods, it will cause the termination of the Contract with the extinction of the Contractor´s rights.

6.6.1. Development Plan.- At least ninety (90) days before the termination of the Exploration Period, the Contractor will present the Development Plan for the Exploitation Period, in which there must be the activities schedule with its respective budget, the plane coordinates of the exploitation area, as much as the technical economic and financial analysis of the discovered Fields.

6.6.2. In the Development Plan, the Contractor will determine the exploitation areas with Commercially Exploitable Oilfields. The exploitation areas must be formed by rectangular lots with two of its sides oriented in north south direction, except when the natural limits or of other reserved or contracted areas. The areas will be formed by lots with two thousand five hundred (2500) continuous hectares by one side or a vertex that includes the limits of the projected Oilfields in surface.

6.6.3. The Development Plan must comprehend among others, the following:

6.6.3.1. Schedule of activities and investments, exploitation area and if it is the case, additional exploration area; geological – geophysical interpretation of the adjusted structures per data; closure and extension of the productive area, proven through advance wells; intervals and depths of the saturated zones with crude oil; initial production data of the wells and prediction of the behavior of the Oilfields production; natural production mechanisms of the Oilfields, artificial lifting methods applied to the Crude Oil; mathematical simulation of the behavior of the Oilfields; other activities discussed and agreed among the Parties; development wells; recover factor; and, recoverable factors.

6.6.3.2. The Development Plan at least will have:

TECHNICAL ASPECTS

a. GEOLOGY AND GEOPHYSICS:
- Geological and Geophysical studies.
- Electric records interpretation.
- Maps and structural-stratigraphic, planimetric, isobaric and isopach iso-porosities, iso-salinities, and water percentages of oilfields.
- POES and reserves calculations.

b. OILFIELDS:
- Fluids and oilfields study.
- Pressure and production behavior.
- Proposal of maximum efficiency tax production, per well, oilfield, and field with the due technical sustentation.

- Mathematical models of field behavior and reserves recovery.

c. PERFORATION:
- Development wells.
- Wells completion programs.

d. PRODUCTION:
- Environmental preservation investments and programs
- Production facilities and infrastructure works.
- Supervision and delivery center.

e. SCHEDULE:
- Activities schedule for the whole period of the contract.

ECONOMICAL ASPECTS

a. Technical-economical study for marketability of the wells.
b. Economic Model
c. Determination of the investments to be carried out.
d. Determination of the costs to be incurred.

6.6.3.3. Production profile executed and audited investments of the Exploration Period, estimated investments for the Exploitation Period; infrastructure works; production costs; Crude Oil sale price expressed in constant amounts in the Exploitation Period; investments and programs to preserve the environment; and the estimated financial statements.

6.6.3.4. Marketability.- In the Development Plan there must be included a technical – economical study of the marketability of the discovered Oilfields.

6.6.3.5. The Secretary will make observations, if it is the case, to the proposed Development Plan.

6.6.3.6. The Secretary can propose reform to the proposed Development Plan when a specific and alternative development can be applied which being technically as efficient as the proposed can result cheaper and the same or economically more beneficial for the Parties.

6.6.3.7. If within ninety (90) days after, counted starting from the presentation of the Development Plan, the Contractor does not receive a response from the Secretary, it is tacitly understood as approved.

6.6.3.8. The Development Plan once approved can be reformed by the Secretary at Contractor´s request.

6.6.3.9. The approval of the Development Plan will start, without any other requisite, the Exploitation Period.

6.7. **Exploitation Period**.- The Exploitation Period ………. (up to twenty (20) extendable years) according to the Applicable Law, for the following causes:

a) When the Contracted Block Area is far away from the existing oil infrastructure, for a period of five (5) years;

b) When due to the effect of the additional exploration new fields are discovered of commercially exploitable crude oil.

c) When the Contractor proposes new significant activities and investments in the last five (5) years of the Exploitation Period, as long as and when they require adequate amortization periods for such investments, and,

d). To promote the discovery of new reserves or the implementation of new techniques for the improved recovery of the existing reserves in the exploitation.

6.7.1. Additional Development Plans.- The Contractor must present for the approval from the Secretary, the respective Additional Development Plans, with the objective to put into production the new discovered reserves or the implementation of new techniques for the improved recovery of the existing reserves.

6.8 The Contractor will definitely limit the contracted area and it will deliver the corresponding cartographic document, within the first five years of the exploitation period, following the geodesic methods or other scientific methods. It there is such cartographic document, the Contractor has the duty to update it.

6.9. Quinquennial Plans.- The Contractor will update and present within the first month of each Fiscal Year of the Exploitation Period, the Quinquennial Plan, provided in the literal k) of article 31 of the Hydrocarbons Law. The Secretary within the period of thirty (30) days will analyze, make observations, and approve if it is the case, such Quinquennial Plan.

6.10. Minimum Investment.- The Contractor must include in the Development Plan for the first three years of the Exploitation Period, at least the minimum investments established in the first paragraph of article 25 of the Hydrocarbons Law. The investments in the following years must be agreed between the Parties.

SEVENTH CLAUSE
CONTRACTED BLOCK AREA

7.1 The Contracted Block Area has been limited to determine the surface where the Contractor will execute the activities and provisions object of this Contract and its specifications or limits are established in Attachment A.

EIGHTH CLAUSE
RIGHTS AND DUTIES OF THE PARTIES

8.1 Rights over Hydrocarbons.- They are the inalienable, indefeasible, undeniable, and non-lapsable property of the Ecuadorian State, the Hydrocarbons Fields and substances that accompanied them, in any physical state in which they are located in the Ecuadorian Territory. Therefore, it is also the owner of the extracted hydrocarbons with occasion of the provided services by the Contractor.

8.1.1 3The celebration of this Contract does not concede to the Contractor, other than the rights established in this Contract, other rights of any nature over the soil, subsoil or over any other natural resource or not, existing there or over the areas that would be expropriated in favor of the Secretary for the execution of this Contract or over the rights of way, or over any works that would be done there.

8.1.2. The limits of the Contracted Block Area has as sole objective to determine the surface in which the Contractor is bound to provide the services object of this Contract.

8.1.3. The Contractor will have the exclusive right of executing the services object of this Contract within the Contracted Block Area. In any case, the exercise of such rights by the Contractor will imply the cession of the ownership of the rights that correspond to the State over the natural resources located in these areas by the Secretary.

8.1.4. The Contractor in virtue of this Contract does not have the right to exploit the renewable or nonrenewable natural resources other than the Crude Oil existing in the Contracted Block Area even if those resources were discovered by it; except in the cases that additional contracts are celebrated provided in this Contract according to the Applicable Law and what is stipulated in this Contract.

8.1.5. The Contractor can execute the rights established in this Contract only in relation with the referred activities referred to the contracted services and it cannot execute them with any other end or transfer them or dispose of them in any other form, without the previous approval of the Secretary.

8.1.6. The Contractor, any of its members or its Related Companies can intervene in new tenders or participate in other contracts for the hydrocarbons exploration and/or exploitation in Ecuador according to the Applicable Law.

8.1.7. The Contractor can use without any cost for it, the Crude Oil or other hydrocarbons coming from the Contracted Block Area that are required for the operations, including but not limited to, the electric energy generation, and in the case of Natural Gas, it can use it without any cost, prior authorization of the Secretary which once granted only can be revoked in a justified manner and following the due process. The referred utilization of hydrocarbons will not imply any transfer of domain in favor of the Contractor. The Contractor will tend to the optimization of the Natural Gas for the generation of the required electric energy for the project.

8.1.8. The Contractor assumes the custody, well use, maintenance, and reposition of the existing hydrocarbons infrastructure, if it is the case, thus, in the finalization of the Contract, it returns to the Secretary, the received infrastructure and fix assets in similar conditions than those when they were delivered, except of the natural wear due to the normal use.

8.2. <u>Contractor´s Duties</u>.- These are the duties of the Contractor, other than the duties stipulated in this Contract, and in the Applicable Law are the following:

8.2.1. To comply with the object of this Contract.

8.2.2. To execute the described activities in the Exploration Program, Plans, and its reforms, according to the Parties with its own technical, economical, and administrative resources being able of subcontracting the works, goods, and required according to the Twenty Second Clause; for such effect it will invest the required capital using equipment, machinery, and technology that would be necessary.

8.2.3. To build civil works and oil facilities according to the Exploratory Program, Plans and its reforms; and to acquire and install at its own cost, the equipment that will serve to make the measurement and the volumetric determinations, adjustment by temperature, water and sediment content, and other measurements that are needed in order to determine the net Crude Oil volume in the Supervision and Delivery Center.

8.2.4. To build and to expand at its own cost, all the ducts and facilities of transportation and storage from the fields of the Contracted Block Area or those incorporated in the future, to the Supervision and Delivery Center according to the Development Plan or other Plans.

8.2.5. To deliver the production of net Crude Oil produced in the Supervision and Delivery Center, place to where the Contractor´s responsibility reaches. According to this Contract the transportation facilities from the Supervision and Delivery Center are responsibility of the State.

8.2.6. To execute the activities object of this Contract according with the International Oil Industry Standards.

8.2.7. To carry out the technical and administrative activities for the evaluation, development, and production of Commercially Exploitable Crude Oil Fields.

8.2.8. To comply with the activities established in the Exploratory Program and Plans that are of obligatory compliance and estimated investments, according with the schedules and budgets; as much as the Annual Programs and Budgets and its reforms, activities that are of mandatory execution and its amounts of investments are estimated.

8.2.9. To comply at its own cost the technical Training Program according to the Applicable Law, and according to what is established in the Attachment H. The technical and administrative foreign personnel of the Contractor will provide training to the national personnel and will promote the technology transfer.

8.2.10. To employ in the execution of the services a minimum of Ecuadorians of: ninety five (95) percent in the personnel of workers, ninety five (95) percent in the personnel of administrative employees, and seventy five (75) percent in the technical personnel, at least there were not available national technical personnel, according to what is provided in the Applicable Law.

8.2.11. To keep permanently informed the Secretary about the development of the services performed during the validity of this Contract.

8.2.12. Present to the ARCH the daily reports of perforation and other required reports according to the Substitutive Regulations of the Hydrocarbons Operations Regulations, as much as the complete report at the end of each activity that under the International Oil Industry Standards, it is considered important and significant.

8.2.13. To inscribe this Contract in the Hydrocarbons Register within the first thirty (30) days starting from the subscription date.

8.2.14. To deliver to the Secretary and to the Environmental Authority, according to its competence, in the prior periods, copy of the technical, environmental, and research information related to the activities of the Contractor that refers to the execution of this Contract, according to the legal and statutory dispositions, including geological, geophysical, petro physical, engineering, records and reports of completion of wells, and any other data that the Contractor would have originated and compiled during the execution of this Contract.

8.2.15. To present to the Secretary and Environmental Authority, annually the Annual Environmental Program and Budget that will form part of the Annual Programs and Budgets.

8.2.16. To deliver to the Secretary and the Environmental Authority a copy of the Environmental Studies that is performed and support documents, in the provided period in the Applicable Law.

8.2.17. To present in the first month of each year to the Secretary and the ARCH, the detailed report about the Investments, Costs and Expenses of the Contractor, and the budgeted activities under this Contract.

8.2.18. To present until April, 30th of each year to the Secretary and the ARCH, a copy of the financial balances duly audited.

8.2.19. To obtain from the competent Environmental Authority and according to the Applicable Law, the respective environmental license for the execution of the programmed activities, and a copy must be delivered to the Secretary.

8.2.20. To supply to the Ministry´s authorized officials, Armed Force personnel related to security affairs and other public officials authorized by the Secretary or the ARCH, the needed information for the compliance of its duties and obligations that have relation with this Contract; and to provide temporal and occasionally, when the circumstances require it, and a reasonable number, in the field installations, the transportation, lodging, and catering facilities in the same conditions as those provided to the Contractor´s personnel with the same hierarchy, without assuming any responsibility for the damages and losses that such officials, their goods and their equipment can suffer while performing their job.

8.2.21. To keep the accounting records according the Accounting Regulations in Spanish of all its technical, economic, administrative, and environmental activities in a way that they can validate in an exact and reliable form, the Investments, Costs and Expenses of the Contractor. The documents that for its technical nature are presented in other languages, they will include the respective translations, if they were required by the Secretary or other control units.

8.2.22. According to the Applicable Law, the Contractor must provide to the Secretary and the ARCH within the ambit of its competences, all the information, data, interpretations related with activities carried out by the Contractor in the execution of this Contract, including those of the scientific and technical character obtained in reason of its works, such as: electrical, sonic, radioactive and other profiles; field tapes of the seismic record, copy of the tapes with the last processing, copies of the seismic line in analogical and digital, maps, sections, topographic, geological, geophysical, geochemical, and perforation reports; geological and geophysical interpretations; technical and economical evaluation reports of the found fields; and in general any other similar relevant information. This information will be delivered online, in digital and/or analogical format documental, according to what is required by the Secretary and the ARCH.

8.2.23. To respect the rights related to the third parties industrial property, keeping the Secretary safe from claims and payments of compensations resulting from the non-compliance of such obligation.

8.2.24. To supervise and to watch in a permanent manner the execution of the services object of this Contract; to celebrate with the Subcontractors, according to the Applicable Law; the contracts that were necessary, assuming the commitment to answer for the execution of its Programs and Plans.

8.2.25. To contract and keep valid the guarantees and the insurances provided by the Applicable Law and in this Contract.

8.2.26. To receive students or graduates from superior technical education related to the hydrocarbons industry, without assuming responsibility for its risks, so they can make practices and studies in the operation field and/or the Contractor´s offices in Ecuador, the Contractor will assume the expenses of transportation, lodging, catering, and minor health attention and of emergency. The previously indicated transportation, lodging, catering, and minor health attention and of emergency will be provided on equal conditions than those provided to the Contractor´s personnel in Ecuador. The time of such practices and studies, and the number of persons that are carried out will be set in such manner that they do not interfere with the efficient execution of the services, and that represent a total time in month of the internship equivalent to four (4) percent of the total number of employees per year. The Contractor will not have any work relation with who perform such internships and studies. Copies of the reports about such practices and studies will be presented by the Contractor to the Secretary.

8.2.27. To present to the Secretary and the ARCH on a monthly basis, an activities, Investments, Costs and Expenses report of the Contractor executed during the validity of the Contract.

8.2.28. To include in their budgets, the required budgets for the closure, termination and partial or total abandonment of the operations, and for the environmental remediation of the affected area by the hydrocarbons activities.

8.2.29. To present to the Supervision Committees, the Annual Programs and Budgets elaborated until September 30^{th} previous to the Fiscal year in which the refer program must be executed and later on with the recommendation of the

Supervision Committee, according to what is indicated in the clause 12.3, and to process the approval by the Secretary according to what is established in the Applicable Law.

8.2.30 To present to the Supervision Committee, the Quinquennial Plan, and later on the recommendation of the Supervision Committee according to what is indicated in the clause 12.3, and to process the approval by the Secretary according to what is established in the Applicable Law.

8.2.31. To comply with the concordant legal and statutory dispositions, as much the International Oil Industry Standards in what is related to the occupational security and hygiene, for the personal at charge of the Contractor.

8.2.32. To apply and to incorporate the accepted technologies in the international oil industry that is compatible with the Ecuadorian Amazon Region.

8.2.33. To collaborate with the state organisms in charge of the sustainable development of the zone where the Contractor operates, in compliance of its community programs and the Applicable Law.

8.2.34. To deliver to the Secretary at the termination of this Contract for any reason, without any cost and in good state, according to article 29 of the Hydrocarbons Law, except for the normal use wear of the wells, goods, installations, and equipment and infrastructure works existing at that date, in the understood that starting from its delivery, the Secretary will exclusively assume all the responsibility over such wells, goods. Installations, equipment and infrastructure works.

8.2.35. To propose for the approval of the Secretary, with the recommendation of the Supervision Committee, the Maximum Production Rate over the base of conventional technical studies or simulation studies of the Oilfields according to what is stipulated in the Applicable Law. The discrepancies between the proposed Maximum Production Rate and the Maximum Production Rate approved by the Secretary can be subjected by the Contractor to a Consultant according to clause 31.3. The Consultant´s ruling will be binding.

8.2.36. To invest at least ten (10) percent of its net profits during the validity of this Contract, according to what is established in (letter or) article thirty one (31) of the Hydrocarbons Law.

8.2.37. To obtain from third parties any permit and/or rights of pass and/or right of way that are necessary to arrive to the Contracted Block Area or within the same, as much as other areas that are required for the development of their activities.

8.2.38. To lift the reserves over the bank transfers that the Contractor directly performs or its headquarters, or any Ecuadorian natural or legal person when it is required for this Secretary by request of the competent authority.

8.3. Obligations of the Secretary.- The obligations of the Secretary are, other than the others stipulated in this Contract and the Applicable Law the following:

8.3.1. To pay the contractor a Fee for the provided services according to what is determine in the Fourteenth Clause of this Contract:

8.3.2. To request the public utility declaration of the needed goods for the execution of the activities or the constitutions of the right of way of any nature, prior request of the Contractor, according to the Applicable Law.

8.3.3. To opportunely attend the requests, proposals, and requirements that corresponds. The Secretary must make a pronouncement about the requests, proposals or requirements within the terms and periods established for each case in this Contract or when they have not been specified, within the term of fifteen (15) days starting from the date when the Secretary receives the respective request, proposal or requirement from the Contractor. In the case of Emergency Situations, the Secretary must make a pronouncement within the term of two (2) days after the notification of the Contractor. If the Secretary does not make a pronouncement within the respective terms and periods, it will be understood that the Secretary has approved the corresponding request, proposal or requirement.

8.3.4. To provide information and documentation that is necessary for obtaining visas for the Contractor´s foreign nationality personnel that has to perform activities in the country related with the execution of this Contract in the understanding that the Contractor will carry out the corresponding administrative procedures.

8.3.5. To grant to the Contractor the preferential option to purchase Crude Oil from the Contracted Block Area in the terms pointed out in articles 16 fourth paragraph and 71 of the Hydrocarbons Law, as much as this Contract.

8.3.6. To provide the Contractor without any cost new information, technical and technological data that were obtained by the Secretary starting from the Validity Date, if it were the case that can be used in direct support of the activities of exploration and exploitation, only covering the reproduction costs, if it is the case.

8.3.7. To communicate the Contractor over any claim or legal procedure that can affect the Contractor´s right according this Contract, thus the Contractor can adopt the measures that are estimated as convenient for the defense of its interests.

8.3.8. To allow the Contractor, the utilization without any cost for it, of Crude Oil or Associated Natural Gas, coming from the Contracted Block Area which is required for its operations according the norms and procedures that to this respect would be notified by the Secretary, and what is stipulated to this is respect in this Contract. The referred hydrocarbons utilization will not imply any transfer in favor of the Contractor. Any increase in the hydrocarbons utilization for the operations by the Contractor must be previously approved by the Secretary. The Contractor will tend to the optimization of the Natural Gas of the Contracted Block Area for the generation of electric energy required for the object of the Contract.

8.3.9. To provide the Contractor and coordinate with them the reasonable conditions of security for the performance of activities of this Contract, and in case of that is necessary, through the public force.

8.3.10. To obtain from the entities of the public sector, the cooperation and help that the Contractor requires for the prompt attention of the several procedures that must perform before them, as much as to procure obtaining any license or permit needed for the compliance of this Contract, in special those related to surface estates according to what is provided in article 91 of the Hydrocarbons Law.

8.3.11. To receive the Supervised Production of the Contracted Block Area, and to be responsible of it, once it has been delivered by the Contractor in the Supervision and Delivery Center.

8.3.12. To subscribe if it is pertinent, at Contractor´s request, the additional and modification contracts provided in the Hydrocarbons Law, and in this Contract with subjection to what is stipulated in the thirtieth Clause of this Contract.

8.3.13. To request to the Sectorial Ministry, at request of the Contractor, the authorization for the exploitation of the heavy Crude Oil Field less than fifteen (15) API degrees.

8.3.14. To facilitate to the Contractor, according to the Applicable Law and the stipulations of this Contract, the right of way, existing or to be built communication and transportation means and the combustibles required for the operations, as much as for obtaining any needed license and permit for the compliance of this Contract.

8.3.15. To support the sustainable development of the communities that will be assumed by the State through the entities and institutions within the ambit of its attributions.

NINTH CLAUSE

FORCE MAJEURE OR ACTS OF GOD AND EMERGENCY SITUATIONS

9.1 In General.-

9.1.1. None of the Parties will be responsible for the non-compliance, suspension or delay in the execution of the obligations in this Contract or will be bound to compensate the other Party for the losses that can be caused when the non-compliance, suspension or delay is a direct necessary consequence of an event of Force Majeure or Act of Gods or Situation of Emergency duly proven.

9.1.2. The Party that alleged Force Majeure or Act of God must notify with the required justification to the other Party in a period maximum of ten (10) days from the occurrence of the event, according to the numeral 4 of article 74 of the Hydrocarbons Law. This notification will contain the details about the cause and nature of the event, the foreseen duration and effect that can have over the compliance of the corresponding duties to the Party according to this Contract.

9.1.3. The affected Party will continue executing, without delay or modification all the other duties that has not been affected for the event of Force Majeure or Act of God or Emergency Situation.

9.1.4. If the Force Majeure or the Act of God is denied by the Secretary which can only do it, duly motivated, the Contractor will have the right to refute this negative which also has to be duly motivated, using the resources provided in this Contract and the Applicable Law.

9.1.5. The proof of Force Majeure or Act of God corresponds to who alleges, and the diligence and care to whom must have employed them.

9.1.6. The Contractor is bound to notify to the Secretary the occurrence of an event that constitutes an Emergency Situation within the following three (3) days from the date in which it had knowledge of the occurrence of the event. The non-compliance of this duty will cause that the event will not be considered as an Emergency Situation for effects of this Contract.

9.1.7. If the Emergency Situation is denied by the Secretary that can only do it only duly motivated, the Contractor will have the right to refute this negative which also will have to be duly motivated, using the resources provided in this Contract and the Applicable Law.

9.2 Mitigation Resources.- The affected party by the event of Force Majeure or Emergency Situation are bound to take all the measures that are on their hands to mitigate and correct its consequences.

9.2.1. If the event requires and immediate action from the Contractor, it must take all the actions and will carry out all the expenses that are required or adequate according to the International Oil Industry Standards to protect the Contractor and Secretary interest, as much as of their respective workers even if such expenses have not been included in the Annual Program and Budget valid in the corresponding Fiscal Year. The taken actions must be notified to the Secretary within the term of ten (10) days after at the taking of the action.

9.2.2. If within the reasonable period after being confirmed, the event of Force Majeure or Act of God or Emergency Situation that causes the suspension and the delay in the execution of the obligations according to this Contract, the affected Party have not proceeded to adopt the measures that reasonably and legally could start to eliminate or mitigate such event of Force Majeure or Act of God or Emergency Situation or its direct or indirect effects, the other Party can on its sole discretion and within the term of two (2) days after have sent the corresponding notification to the affected Party, to adopt and start the execution of any reasonable measure that is deemed necessary or convenient to eliminate or mitigate the occurrence of the event of Force Majeure or Act of God or Emergency Situation in question or its direct or indirect effect. The affected Party will be responsible of all the occasioned costs that have the duly support by the measures that other Party takes according to this Clause. Starting from that moment, the non-affected Party could demand from the affected Party to totally or partially restart the execution of the service, as much as the compliance of any obligation which compliance would have been affected by the event of Force Majeure or Act of God or Emergency Situation.

9.3. Termination of the Event.- When the Party affected by the event of Force Majeure or Act of God or Emergency Situation, is in capacity to restart the compliance of its obligations according to this Contract, such Party will promptly notify to the other Party no later than two (2) working days after the date in which the event Force Majeure or Act of God or Emergency Situation have ceased. If the affected Party were the Contractor once this notification is received, the Secretary will lift the declaration of Force majeure or Act of God or Emergency Situation.

9.4. Termination of the Contract.- If the effect of an event of Force Majeure or Act of God or Emergency Situation interrupt the development of the exploratory activities for more than two (2) years, the Contract will be terminated without any payment to the Contractor from the Secretary; as long as the event Force Majeure or Act of God or Emergency Situation would have not been generated by the action of the State.

If the effects of an event of Force Majeure or Act of God or Emergency Situation affects more than fifty (50) percent of the production of crude oil in the Contracted Block Area and it lasts a period superior to six (6) months, to the option of any of the Parties, the termination procedure of this Contract of mutual agreement can be followed.

9.5. Fee Payment.- Even in the case of Force Majeure or Act of God or Emergency Situation if there is Supervised Production coming from the Contracted Block Area, the Contractor will have the right to receive the Fee Payment according to what is provided in this Contract.

9.6. Compensation of Periods.- The occurrence of an event of Force Majeure or Act of God or Emergency Situation can give place to the revision of the work schedules proposed by the Contractor, without prejudice to restart the compliance of its duties as soon as possible, after the impediment has ceased. The Contractor will be recognized with the time that the suspension of operations last due to the event of Force Majeure or Act of God or Emergency Situation when it causes a stop of more than 50% of the activities of production; and, in consequence, the termination date of the Validity Period of this Contract will be postponed for a period equal to the time such stop lasts.

TENTH CLAUSE

WARRANTIES AND INSURANCES

10.1. Warranties.- The Contractor will render in favor of the Secretary, the warranties provided in the Applicable Law, as much as in this Contract which will be approved and registered according to the pertinent norms and procedures.

10.1.1. Supportive Warranty: Prior the subscription of the Contract each one of the companies that are part of the Contractor will present a Supportive Warranty from its headquarters according to the warranty model in Attachment E.

10.1.1.1 Execution Causes: Without prejudice to the rights and duties in the Applicable Law and this Contract, the Secretary will have the right to make effective the Supportive Warranties to cover the non-compliance of the duties of the Contractor in virtue of this Contract, leaving expressly agreed that there is no precedence for the execution of the Warranties, and that any of them can be indistinctly executed. Other than covering the non-compliances, the Secretary can make the effective the Supportive Warranties to collect (i) damages and losses declared in arbitral judgment or executed sentence, (ii) restitution of amounts paid by the Secretary in excess, as much as any other obligation in relation to this Contract, and (iii) compensations owed by the Contractor to the Secretary according to this Contract, declared in arbitral judgment and executed sentence. Without prejudice to what have been previously said, for all these cases the

Secretary will notify the Contractor over the respective non-compliance over the damages and losses or the amounts paid in excess or other obligations of payment or compensations owed in favor of the Secretary, granting a period of thirty (30) days to justify the event or to adopt the measures needed to overcome it.

10.1.2 Exploration and Exploitation Period Warranties: The Contractor according to articles 27 and 28 of the Hydrocarbons Law will present the corresponding warranties on each Period.

10.1.2.1. Exploration Period Warranty: Prior inscribing the contract in the Hydrocarbons Register, the Contractor will render in favor of the Secretary an unconditional, irrevocable, and of immediate payment bank warranty equivalent to twenty (20) percent of the estimated investments of the Exploratory Program that is committed to perform during the Exploration Period. The warranty will be returned to the Contractor while passing to the Exploitation Period, and once they would have demonstrated that have complied with all the activities of the Exploratory Program or when the Contract is terminated, prior justification accepted by the Secretary for not having favorable results in the Exploration Period. This warranty will be effective in case of non-compliance of the obligations of the Exploratory Program. In case of an extension, this warranty will be substituted by a new warranty with the same text and conditions of the prior which amount will be twenty (20) percent of the estimated investments during the extension. This warranty will be returned once all the committed obligations are complied.

10.1.2.2. Exploitation Period Warranties: Within the period of thirty (30) days after the initiation of the Exploitation Period, the Contractor will render in favor of the Secretary, an unconditional, irrevocable, and of immediate payment bank warranty for an amount equivalent to twenty (20) percent of the committed investments to carry out in the first three (3) years of the Exploration Period. This warranty will be annually reduced in direct proportion to the compliance of the activities of the first (3) years of the Exploration period. The Secretary at the end of the third year will execute the totality of the reduced balance of the warranty of the first three years of the Exploitation Period, according to what corresponds, if the Contractor would not have complied the obligations contemplated in the first three (3) years of the Exploitation Period.

10.2. Insurance Policy.- The Contractor will be exclusively responsible to contract all the insurance policies required by the Applicable Law, as much as the indicated in clause 10.2.2 to comply with this Contract, either such policies are available in the national and international market or they are obtain through the reinsurance. These insurance policies will be subjected to the Ecuadorian legislation and they are based upon the International Oil Industry Standards. The insurances to cover the goods localized in Ecuador will be controlled with an insurance company duly authorized by the Banks and Insurance Superintendence.

10.2.1. In the case that the Contractor or its subcontractors would have not hired insurance policies or that the Contractor would have failed to comply with the payment of the primes that correspond to such policies or were insufficient to cover the damages and the losses that can produce, they will be of its exclusive responsibility and the Contractor must cover them immediately, without being able to allege the right to claim to the Secretary any kind of reimbursement.

(a) The Contractor will designate the Secretary as the beneficiary or additional insured and will endorse on its favor the insurance policies that are established in the Applicable Law and in this Contract.

(b) The Contractor will keep insured the goods and other fixed assets required for the service provision that this Contract refers to until they are delivered to the Secretary. In the same manner, the Contractor will have insured the Crude Oil that is within the storage and transportation facilities until it is delivered to the Supervision and Delivery Center.

(c) In the event of fire, the compensations paid by the insurance companies will be received by the Contractor, and they will serve as base to immediately replace or repair the damaged, destroyed or stolen goods and installations. If any insurance company stops paying any claim for losses or damages of insured goods as result of damages caused by the imprudence, negligence, or personal guilt if the Contractor, the reparation or reposition costs will be at Contractor´s cost.

(d) The Contractor will demand to its insurers to include an express clause in all the policies, in virtue of which they renounce to its right of subrogation against the Secretary. In the same manner, the Contractor will demand from its insurers to include a clause saying that the policies will not be modified, in the measure that they restrict, diminish, or limit the existing coverage or cancelled without notification to the Secretary with thirty (30) days in advance.

(e) If the Contractor does not maintain the validity of the insurance policies which is bound to contract according to this Contract, the Secretary can, but it will not be bound to it, to contract insurance policies and to deduct the costs of them from any amount owed to the Contractor according to this Contract; this without prejudice of the other dispositions over damages and losses and consequences of the non-compliance of the obligations of the Contractor according to this Contract.

(f) The Contractor must provide proof to the Secretary that the insurance companies which grant the insurance policies are enough backup for the reinsurances that are needed, this document must be issued by the reinsurer.

(g) The Contractor will deliver to the Secretary, certified copies of the contracted insurance companies.

(h) The Compensations and restitutions of goods derived of the fires that are not duly insured by the Contractor will be of its exclusive responsibility, and they must be covered immediately by the Contractor.

10.2.2. The Contractor will keep valid the insurance policies that cover at least the following risks, with the opportunity that each risk requires:

a) All the oil risk, including and not limited to the perforation, completion and reconditioning of the wells. This policy must include the following coverage:

- Fire and allied lines.
- Machinery ruptures.
- Sabotage and terrorism.
- Robbery.

b) General Civil Responsibility which must include the following coverage:

- Employer.
- Sudden and accidental contamination and pollution. The Contractor must contract this coverage for risks of contamination and affectation to the ecosystem,, during the operations of the Contractor according to the International Oil Industry Standards which will cover the risks until the subscription of the final report of the audit of the Contracted Block Area.

- Civil responsibility of owned or not owned vehicles.

c) Equipment and Machinery to cover all the equipment to be used in the Contractor´s operations.

d) Transportation and importation that will cover merchandise or equipment imported by the Contractor.

e) Internal transportation that will cover mobilization within the country of the Contractor´s merchandise.

f) Personal accidents that will cover the Contractor´s personnel and must include wide flight coverage.

g) All Construction/Mounting Risk, the Contractor must present to the Secretary these insurances at the beginning of the construction or mounting works that have to be done during the execution of the Contract except that it will opt for a permanent coverage.

10.2.3. The Parties can agree in the future to insure other risks that are needed for the execution of this Contract.

10.2.4. The Contractor can additionally keep at its criteria other insurance policies that considers convenient for its activities.

10.2.5. The Contractor must demand to all its Subcontractors or suppliers of goods and services to contract insurance policies that the Contractor deems necessary.

ELEVENTH CLAUSE
EXPLORATORY PROGRAM AND EXPLOITATION ACTIVITIES

11.1. <u>Exploratory Program</u>: The Contractor is committed and bound to comply with the Exploratory Program (Attachment B); the activities are of mandatory program, and its investments are estimated and at the Contractor own cost and risk which are covered for the Exploration Period Bank Warranty. The activities of the Exploratory Program that are of mandatory compliance are not susceptible of being modified, except in situation of Force Majeure or Act of God or Situations of Emergency with the due technical support and acceptation from the Secretary.

Once the exploration activities are complied, and once the Commercially Exploitable Crude Oil Fields are discovered, the Contractor must present ninety (90) days before ending the Exploration Period the respective Development Plan.

In the event of there has not been a discovery, during the Exploration Period, Commercially Exploitable Hydrocarbons Reserves, the Contractor must obtain the authorization of the Hydrocarbons Secretary to terminate the Contract, in this case, the State will not owe anything to the Contractor; and the Contractor will deliver to the Hydrocarbons Secretary, without any cost and in good conditions, the wells, encampments, and infrastructure works.

11.2. <u>Development Plan</u>: If it is the case, the established in the scheduled of the Development Plan can be rescheduled with the due technical support and acceptation of the Secretary, until the following year to the originally established in the Development Plan. In case of discrepancies between the Parties, the Contractor can request the intervention of a Consultant according to the procedures established in the Clause 31.3.

11.3. The activities established in the Development Plan or other Plans can, prior technical justification accepted by the Secretary, be substitute by other similar activities and that keep the same objective within the same year. The Secretary can justifiably deny the request the rescheduling or substitution performed by the Contractor. In case of discrepancies between the Parties, the Contractor can request the intervention of a Consultant according to the procedures established in the Clause 31.3.

11.4. To effects of executing the activities of the Development Plan during the Exploitation Period, the Contractor will detail in the Annual Programs and Budgets and in the Quinquennial Plan, including its reforms, the activities and Investments that are projected to execute in the corresponding period. The Contractor will guarantee and commits to execute the committed activities in such Plans and Annual Programs and Budgets for which it will make the corresponding estimated Investments once they have been approved by the Secretary.

11.5. The Contract will perform the provided activities in the Exploratory Program, Development Plan or other Plans, if it is the case, under its responsibility in a diligent and opportune manner, according to the International Oil Industry Standards, solid principles of engineering and in strict compliance of the terms of this Contract.

TWELFTH CLAUSE
ANNUAL PROGRAMS AND BUDGETS

12.1. The Contractor will submit to consideration to the Supervision Committee, the Annual Programs and Budgets, for the following Fiscal Year until September thirtieth (30th) prior to the Fiscal Year in which the mentioned Annual Programs of Activities and Budgets of the Estimated Investments will be executed. The Annual Programs and Budgets will be directly related with the respective Programs and Plans.

12.2. In the case of the first year of validity of this Contract, the Annual Program and Budget for the period that is left from the Fiscal Year will be presented until within the period of thirty (30) days after the Effective Date.

12.3. The Supervision Committee will know the Annual Program and Budget presented by the Contractor and, within the period of thirty (30) days after to its presentation, will issue a recommendation according to the eighteenth clause, the Contractor will send to the Secretary, the Annual Program and Budget for the corresponding approval.

12.4 The Secretary will know and approve the Program and Budget within the period of sixty (60) days, starting from the date of presentation, if it is otherwise it will proceed according to the Clause 8.3.3.

12.5. It is understood that for the recommendation and approval of theses Annual Programs and Budgets, neither the Supervision Committee nor the Secretary respectively can demand from the Contractor more than what is stipulated in the Exploratory Program, Development Plan or other Plans.

12.6. The Contractor can present to the Supervision Committee, the reform to the current Annual Program and Budget. The proposed reform by the Contractor must be supported in technical reasons that justify a revision of the activities included in the current Annual Program and Budget. The reforms to an Annual Program and

Budget can be presented, also, as consequence of the rescheduling and substitution of the activities.

12.7. The Supervision Committee will recommend the mentioned reforms in the Clause 12.6 and the Secretary will study and approved such reforms within the period of thirty (30) days after the date of deliver-reception of them. If the Contractor does not agree with the decision of the Secretary, adopted within the indicated period, the matter will be submitted to a Consultant according to clause 31.3. The judgment of the Consultant will be binding. If within such period, the Secretary would not declare anything to the matter; it will proceed according to Clause 8.3.3.

THIRTEENTH CLAUSE

UNIFIED EXPLOITATION OF THE COMMON OILFIELDS

13.1. According to what is proposed in articles 85 of the Hydrocarbons Law and 51 of the Substitutive Regulations of the Hydrocarbons Operations of the Regulations, the exploitation of common oilfields of two or more contracted block areas, it will be mandatory for the Contractors, Hydrocarbons Public Companies to celebrate operational agreements of unified exploitation with the object to reach more efficiency and economy in the exploitation of the common Oilfields. Such agreements will be approved by the Secretary.

13.2. They will be considered as common, and therefore, subject to the unified exploitation regime, the Oilfields qualified upon the technical basis as such, by the Secretary, at request of the involved Contractor or Public Companies.

13.3. For such effect, the Parties which corresponds according to this Contract and the Applicable Law, the unified exploitation of the common Oilfields, they will negotiate with the Secretary, an operation agreement of unified exploitation, subject to the contractual regime of this Contract in which there will have to establish the conditions for the development of such Oilfield.

13.4. The Anticipated Exploitation can be also done in case of common oilfields for which it will observe the procedures established for the Anticipated Exploitation in this Contractor.

13.4.1 The Contractor will have the preferential option of acting as initial operator of the common Oilfield, in the following cases:
a) If it would have made the discovery of the Oilfield;
b) If in the Contracted Block Area there would be a significant part of recoverable reserves of the common oilfield; and,

c) If the Development Plan for the common Oilfield shows that can develop and put into production such oilfield as soon as possible with the major efficiency and economy.

13.5. In the period of ninety (90) days starting from the date in which it is declared the unification of the common Oilfield, the Contractor will present the Development Plan in which there will be the technical-economic terms that show that the common Crude Oil Fields is commercial.

From the date in which the Secretary approved the Development Plan of the common Oilfield, in a period of ninety (90) days, the involved contractors or operators, among them must agree in the terms and conditions of the agreement of the unified exploitation of the common oilfield and to designate the operator.

13.6. If at the end of the mentioned period of ninety (90) days, the involved parties do not agree, any of them can request that the Secretary to determine which will be the Oilfield operator upon the bases of the recoverable reserves according to the generally accepted the international crude oil practices, and they will agree the Development Plan.

13.7. This agreement of unified operation will have, among other aspects, the following:

a) Spacing of wells, production rates, control pressure frequency and level of production, and estimated recoverable reserves;
b) Economic participation of the involved parties for the development and put into production of the oilfield;
c) Periodical revision of the behavior of the oilfield of the recoverable reserves and other conditions of operation of the common oilfield;
d) Investment adjustment procedures; Costs and Expenses, in consideration of the periodical revision established in literal c) that antecedes;
e) The procedure for the option of changing of the common Oilfield operator company, as long as such change negatively affects the continuity of the operations with the maximum efficiency and economy, according to article 85 of the Hydrocarbons Law;
f) The obligations that will be responsibility of the Contractor and its operator of the common Oilfield;
g) The constitution and functions of the committee of unification that supervise the related operation with common Oilfield, that will be form by representatives of the involved parties; and
h) Those other aspects generally accepted in international crude oil operation practices that are applicable.

13.8. During the time in which the Contractor is not the operator of the common oilfield respect to this oilfield will observe:

a) That, under this Contract, its rights will not be diminished; and,

b) That, it will not be responsible of the obligations that according the unified exploitation operational agreement are responsibilities of whom, at that moment, is the operator of the common Oilfield.

13.9. In the case of binational common Oilfields, the Secretary, in coordination with the equivalent entity that is in charge of the administration of crude oil areas, it will perform it biggest efforts to arrange an agreement that allow to exploit such discovery, according to the legal normative of each country, and respecting the sovereignty and property of the hydrocarbons resources of each country.

FOURTEENTH CLAUSE
PAYMENT TO THE CONTRACTOR

14.1. Sovereignty Margin.- The State will reserve twenty five (25) percent of the Gross Income of the Contract as Sovereignty Margin, before any distribution.

14.2. Available Income (YD).- From the residual amount after deducting the Contract´s Gross Income, the Sovereignty Margin, it will cover the Transportation Costs of the State and the Commercialization Costs in which the State incurs. Once these deductions are performed and the established Taxes in the Codification of the Amazon Regional Eco-development Law and Law of Creation of Revenues for the Provinces of Napo, Esmeraldas and Sucumbíos are covered, if they are applicable, meaning that, with the Available Income, the Secretary will pay the Fee per Barrel. The Secretary will communicate to the Contractor, the Available Income per each month, and if it is the case, a detail of the amounts that will be accumulated according to Clause 14.5.

14.2.1. In the event that the tax charge in increased, contemplated in the Amazon Regional Eco-development Law and Law of Creation of Revenues for the Provinces of Napo, Esmeraldas and Sucumbíos, or the taxes of any nature created that have as effect, the increase of the State´s Transportation Cost or the Commercialization Cost and as result of such increments, the Available Income would not be sufficient to cover the respective Contractor´s Payment, the amounts corresponding to such increases will be covered after making the Contractor´s Payment. Any additional amount that is required to cover such payments or taxes will come from the State´s General Budget.

14.3. Fee System**.-** The Parties agree that the contractor will have the right to the payment of a fee per net crude oil barrel produced and delivered to the State in the supervision and delivery center.

The fee per barrel will take into account an estimated of the amortization of the investments, costs and expenses, and a reasonable profit that take into consideration the incurred risk.

For the calculation of the fee per barrel, two (2) limits and three (3) production intervals have been established:

Limit 1 (L1): 10.000 BPD barrels of production supervised as a daily average per month.

Limit 2 (L2): 30.000 BPD barrels of production supervised as a daily average per month.

Interval 1 (Q1): The interval comprehended between zero (0) and the inferior limit L1 (included)

Interval 2 (Q2): The interval comprehended between the inferior limit L1 (bigger than 10.000 BPD) and the limit L2 (included).

Interval3 3 (Q3): The interval comprehended between the inferior limit L2 (bigger than 30.000 BPD) and the superior production at L2 (included).

At the same time, per each production interval the Parties have established the following amounts:

T1: US$ XX,XX, that applies to the interval Q1 daily average per month.
T2: US$ XX,XX, that applies to the interval Q2 daily average per month.
T3: US$ XX,XX, that applies to the interval Q3 daily average per month.

The calculation of the fee per barrel (TP) will be given for the application the following formula:

TP = (T1 x Q1 + T2 x Q2 + T3 x Q3) / (Q1+Q2+Q3)

In Attachment M, there is a calculation example of the Fee per Barrel.

TP = (T1 x Q1 + T2 x Q2 + T3 x Q3) / (Q1+Q2+Q3)

14.4. Contractor´s Payment.- The amounts corresponding to the fee per barrel calculated in compliance with Clause 14.4.1 will be the only payments that the Hydrocarbons Secretary will made; without prejudice of the payment or reimbursement that corresponds to the correction factors.

14.4.1. The contractor´s payment will be ruled by the following formula

PC_t = [TP x Q_t] x FA_t.

PC_t = Contractor´s payment in the period t.

TP = $ US XX,XX (XX dollars with XX cents) / barrel (Fee per Barrel).

Q_t = Supervised production in the period t, measured in barrels (Q1 + Q2 + Q3).

FA_t = Adjustment factor for inflation of the operative costs.

$FA_t = FA_{t-1} \times [\Delta PPI_i \times X + \Delta CPI_i \times Y + Z]$.

ΔPPI_i = Variation of the costs indicator PPI_t / $PPI_{t-1.}$ (Code PCU213112213112 “support activities for oil and gas operations”).

X = 0,175. Variable operative costs factor over the Fee per Barrel (It does not include either depreciation or amortization).

ΔCPI_i = Variation of the costs indicator CPI_t / $CPI_{t-1.}$ (Consumer Price Index).

Y = 0,325. Fixed operative costs factor over the Fee per Barrel (It does not include either depreciation or amortization).

Z = 1 – X - Y.

The factors X and Y of the precedent formula are average estimations of the costs with relation to the fee, during the validity of the contract, they must remain unalterable during the validity of the contract.

Period t, for the contractor´s payment (PCt) has a monthly periodicity; however, the factor Fat will be adjusted annually in January of each fiscal year, considering the indexes in December of the prior fiscal year. The adjustment factor for the first year will be equal to one (1). The adjustment factor for the second year of production will be calculated taking into account the variation of the corresponding month at the date of the first volume of net crude oil production supervised, and in December of the first production year. The adjustment factor for the third year of production and from then on will be calculated taking into account the variation from December to December.

14.5. Accumulation**.-** In the case that the available income is not enough to cover the contractor´s payment, the missing balance will be accumulated during the pertinent fiscal month or year. The difference between the paid amounts for concepts of the fee per barrel and the available income of the same fiscal month or year will be transfer to the next fiscal month or year without interests, and in the case that it could not have been able to be covered during the respective or subsequent year, it will successively accumulate during the validity of the contract. Any transferred difference, originated due to the insufficiency of the available income that has not been paid by the Hydrocarbons Secretary at the termination of the contract will be extinguished, and will not be paid to the contractor, leaving the Hydrocarbons Secretary automatically released of this duty of payment at that moment.

14.6. Exploitation Period Warranty.- The Contractor will warranty the realization of the activities of mandatory compliance and estimated Investments for the Exploitation Period.

14.7. Form of Payment.- The contractor will issue on a monthly basis, and for the service provided on the immediate prior month an invoice in dollars equivalent to the payment to the contractor in compliance to the precedent formula.

14.7.1. The invoice must add to the amount of the contractor´s payment the percentage corresponding to the Value Added Tax (VAT) which will be paid by the Hydrocarbons Secretary in dollars or in crude oil according to the form of payment of the main amount. The invoice must be in accordance to the Applicable Law.

14.7.2. The invoice must be issued to the name of the Hydrocarbons Secretary which can object the payment on a period of fifteen (15) days from the moment when the invoice is delivered. The invoice could be objected on a motivated manner only when calculation errors are detected.

14.7.3. The contractor will void the objected invoice and will present a new one to the Hydrocarbons Secretary.

14.7.4. The objection made by the Secretary to an invoice will not impede the Contractor to keep presenting invoices and to charge the pertinent amounts to the provided services in the subsequent months.

14.7.5. If the Secretary would have not objected the invoice within fifteen (15) days after the date of presentation, it is understood that this has been approved, thus the Secretary must pay it in its totality deducting the corresponding retentions to the tax source established in the Applicable Law, in a period of forty five (45) days from the date of presentation, observing what is providing in the Accounting Regulations.

14.7.6. If in the period of sixty (60) days from the expressed or tacit approval of any invoice issued by the Contractor, the Secretary would have not done the pertinent payment, the Contractor can use the credit pending of payment from the Secretary to cancel its duties with Secretary. There is no place for such credit for accumulated balances according to Clause 14.5.

14.8. Payment in kinds or mixed.- If it is convenient to the interest of the State, and only after covering the internal consumption needs of the country, the payment to the contractor will be made in………….. (Crude Oil or Dollars and Crude Oil in a mixed form).

14.8.1. When there is lack of Crude Oil, the Contractor´s Payment will be done in a mixed form, meaning with Crude Oil, as much as it is available and the difference in Dollars. In case that there is no Crude Oil volume available for the Contractor´s Payment, the payment will be done in Dollars, for the reasons provided in Clause 14.8.

14.8.2. The Crude Oil price for the case of payment in kind, meaning that in place of Dollars, the Contractor will receive Crude Oil, or in mixed form, meaning a combination of Dollars and Crude Oil, it will be set according to the last monthly average price of equivalent quality Crude Oil external sales carried out by EP PETROECUADOR (previous month).

14.8.3. To determine the volume of crude oil that per each month corresponds to the payment in kind, the following formula will apply:

VL pc = TCn-1 / PM

Where:

VL pc = Volume of orient or napo or any other crude oil barrels to rise in the month.

TC n-1 = Balance in dollars for the contractor´s payment at the last day of the immediate prior month to the rising.

PM = Last monthly average price of external sales of orient or napo crude oil of equivalent quality, carried out by EP PETROECUADOR (prior month) of orient or napo crude oil.

14.8.4. The State will deliver crude oil for payment in kind to the contractor in the exportation terminal.

14.8.5. The Property and risk of the Crude Oil will pass from the Secretary to the Contractor when in the exportation terminal such Crude Oil crosses the connection between the hose of the pipe of the cargo port and the entrance multiple ("manifold") of the transporter ship, moment in which it is operated the domain tradition of Crude Oil in favor of the Contractor. This tradition is just a consequence of the agreed payment in kind.

14.8.6. The volume and quality of the Crude Oil to be delivered by the Secretary to the Contractor for the payment in kind will be determined by mutual agreement of the Parties. When there is lack of an agreement, it will be determined by an independent inspector nominated by the Contractor and accepted by the Secretary who in a period no longer than five (5) days, set the volume and quality. The quality will be determined in land and the amount to be delivered to the Contractor will be determined through a measuring calibrated system in the terminal. However, any loss of Crude Oil occurred between the measuring system and the entrance multiple ("manifold") of the transporter ship will be of exclusive responsibility and account of the Secretary.

14.8.7. In the case that the crude oil price with which the Hydrocarbons Secretary makes the payments in kind to the contractor is different to the reference price of EP PETROECUADOR current at the date in which the Hydrocarbons Secretary is bound to make such payments, the corresponding adjustment will be made in the amount of crude oil effectively delivered to the contractor, in a manner that the contractor receives an amount of crude oil equivalent to the contractor´s payment. The exception is when the Hydrocarbons Secretary would have put in disposition of the contractor the crude oil in the due amounts and period, and the contractor would have not made the corresponding lifting, according to the Lifting Procedures, Attachment I, according to clause 14.9.

14.8.8. In the case that EP PETROECUADOR has not made external sales in a determined month, the PM referential price of the precedent formula will be established based upon the international basket of crude oil agreed by the parties. The prices of the component of the basket will be obtained from specialized international publications with recognized prestige, such as PLATTS or similar to two (2) days of the immediately prior publication to the date of the delivery of the crude oil and two (2) days immediately after the date of delivery in the port of the Crude Oil. In case that the crude oil delivery is done on Sunday or Monday when there is no publications, the publications to be taken into account will be those of the three (3) days of publication immediately before of the crude oil delivery. In case that the crude oil delivery is done on a Saturday or on a day that there is no publications (except Sunday and Monday), the publications to be taken into account will be those of the three (3) days of publication immediately before and those of two (2) days immediately after the date of crude oil delivery.

14.8.9. Given the nature of the payments in kind, the contractor can freely dispose of crude oil that is assigned as payment in kind, and it can retain overseas the currencies produced from its corresponding sales, without obligation of selling or delivering these currencies to the Central Bank of Ecuador, without prejudice of the payment of the applicable tributary duties.

14.9. Lifting Procedures.- For the case of payment in kind, the Parties will observe, the Lifting Procedure that is in Attachment I.

14.9.1. The payments in kind will be done through shipments of Crude Oil that must be programmed in a manner that it is assured the regularity and optimization of the use of the load capacity of the tankers, taking into account the storage capacity in land, the availability of tankers and the characteristics of the shipment and destination ports. The Parties will procure to coordinate the shipments when it is possible, according to the program of payment from the Secretary to the Contractor, according to this Contractor.

14.9.2. The Secretary will notify the Contractor, with at least ninety (90) days in advance, the date of Crude Oil availability for the payment in kind, according to the Lifting Procedure, Attachment I.

14.10. Revision of the Form of Payment.- At any time, the parties can revise and modify the form of payment, by a mutual agreement for which the interested party will notify the other one. If an agreement is reached over this particular, constancy will be left in the subscribed document by the parties, specifically establishing the date from which the signaled modification will apply. The revision of the form of payment will not constitute a reform or modification of the Contract.

14.10.1. The revision of the form of payment in dollars, crude oil or mixed can be done, for other reasons such as for majeure force or Acts of God that have modified the availability of dollars, crude oil o both of them, respectively, and that they impossible for the Hydrocarbons Secretary to carry out the payments in the originally agreed form.

14.10.2. In the case of revision of form of payment due to Force Majeure or Act of God, the Secretary will previously notify the Contractor its decision to modify the form of payment, justifying the events of Force Majeure or Act of God that has made change the availability of Crude Oil or Dollars, and the form in which the payments have been done while the Force Majeure or the Act of God subsists, the Parties must agree the details upon this particular. When the Force Majeure or Act of God has been overcome it will return to the original form of payment.

14.10.3. In the case that any of the owed payments to the Contractor cannot be done in the agreed form by the Parties, due to lack of Dollars or insufficiency of Crude Oil, such lack or insufficiency will be paid to the Contractor in another form of payment; for example, in Crude Oil if the form of payment previously agreed is in Dollars; or, in Dollars if the form of payment previously agreed is in Crude Oil. However, if the Contractor does not receive such payments in the other form of payment, in the agreed periods and terms, and the Secretary meanwhile prepares the Crude Oil or Dollars coming from the production of the Contracted Block Area, according to the case, the Secretary, prior notification of the Contractor will make such payments in the originally agreed form of payment.

14.11 Interests.- As long as, the available income has been generated for the payment to the contractor, and that in a period of sixty (60) days from the expressed or tacit approval of any invoice issued by the contractor, the Hydrocarbons Secretary would have not made the pertinent payment, the Hydrocarbons Secretary must pay interests to the contractor in the non-paid amount, calculated at a Prime Rate, and starting at the next day after the referred period of sixty (60) days and until the payment is received by the contractor. For the case of payment in kinds, the interest will be calculated from the date in which the crude oil delivery must be done according to the Lifting Procedure, Attachment I and until the date that the Crude Oil is available for the Contractor.

FIFTEENTH CLAUSE

TRIBUTES, TAXES, WORKERS PARTICIPATION AND CONTRIBUTIONS

15.1. Income Tax.- The Contractor will pay the income tax with a fee of twenty two (22) percent.

15.2. Workers Participation and deliver of twelve (12) percent to the State.- In compliance with article 94 of the Hydrocarbons Law, the contractor will recognize in benefit of the workers that by the applicable law corresponds three (3) percent of the profits, and the remaining twelve percent will be delivered to the State

15.3. Contribution for the Utilization of Waters and Natural Construction Materials.- The contractor will pay in accordance to the article 52 of the Hydrocarbons Law, by concept of the utilization of waters and natural construction materials that are found in the contracted block area that belong to the State, the minimum amount of twenty four thousand dollars (USD 24,000) during the exploration period, and sixty thousand dollars (USD 60,000) during the exploitation period. Such contributions will be paid in advanced in January of each Fiscal Year through a deposit in the Central Bank of Ecuador to be credited in the account of the Sectorial Ministry.

15.4. Contribution for the Technological Research**.-** The contractor will pay to the state, in compliance with the article 54 of the Hydrocarbons Law, the contribution equivalent to one (1) percent of the amount paid for the services prior to the workers participation and income tax deduction which will be destined to promote research, development and scientific and technological development by the Sectorial Ministry.

15.4.1. Contribution for National Technical Education Development and Scholarships**.-** During the exploration process and its extension, the Contractor will contribute for the development of National Technical Education and for granting scholarships, the amount of one hundred dollars (USD 100.000,00) annually which will be paid in advanced on January of each Fiscal Year through a deposit in the

Central Bank of Ecuador to be credited into the account of the Ecuadorian Institute of Educational Credit IECE.

15.5. Contribution for the Companies´ Superintendence**.-** The companies that integrate the contractor will pay an annual contribution provided in article 449 of the Companies Law, according to the norms that are ruled by the Companies Superintendence.

15.6. Proportional Payment.- In the case that the first or last payment of the annual contributions determines in this Clause will not correspond to the complete Fiscal Year that is part of the exploration or exploitation periods. When the exploration and exploitation periods do no start on January 1st, the first payment will be performed within the period of thirty days from the Validity Date.

15.7. Total Assets Tax**.-**The contractor will pay as soon as it corresponds to the tax destined to the Municipalities in accordance to the provided in the Applicable Law.

15.8. Exemptions**.-** According to articles 49 and 54 of the Hydrocarbons Law, the contractor is exempt of paying primes of entrance, Surface rights, royalties and contributions to compensation works.

15.9 Law 2006-42**.-** The contractor is not subjected to the payment of participation established in the Law 2006-042 published in the Official Register No. 257 – Supplement of the April 26th, 2006.

15.10 Tributary Equity Law**.-** The contractor is not subject to the payment of the Tax provided in article 164 of the Reforming Law for the Tributary Equity in Ecuador published in the Official Register No. 242 – Third Supplement of December 29th, 2007.

15.11 Law 122**.-** The tax provided in the Law 122 published in the Official Record No. 676 of May 3rd, 1991 and its reforms, it is no applicable to this Contract.

15.13. Notary Expenses.- The Contractor will pay all the notary expenses and 10 certified copies of this Contract which it commits to deliver to the Secretary.

15.14. Value Added Tax VAT**.-** The contractor will invoice for provided services to the Hydrocarbons Secretary adding the amount that corresponds to the VAT. Due to the paid VAT in its local purchases and importation of goods and services, the Contractor will have the right of a tributary credit.

15.15. Retention Agent**.-** The contractor will act as income tax retention agent over the payments that the contractor would make to its subcontractors and its workers, as much as any other tax according to the Applicable Law.

SIXTEENTH CLAUSE
ACCOUNTING, INSPECTION, CONTROLS, AND AUDIT

16.1. Accounting.- The Contractor will have the accounting of its investments, Costs and Expenses, and other concepts related with this Contracts, subjected to the Applicable Law, the Accounting, Control, and Audit of the Service Provision for the Hydrocarbons Exploration and Exploitation Contracts Regulation, and the accounting principles generally accepted in Ecuador. The Contractor´s accounting will be in Spanish.

16.2. Inspections.- During the validity of this Contract, the Secretary will have the right to inspection the activities of the Contractor with finality to ensure the faithful compliance of the assumed duties for the execution of the contractual object. For the effect, the Secretary will have access to work places, information, documents, technical and accounting records, that the Contractor keeps.

16.3. Control, Supervision and Audit.- The operations that the Contractor performs will be object of technical control, supervision and audits by the ARCH. The control, supervision, and audits will be executed directly or through the hiring of audit companies duly qualified and approved by the Ministry.

16.4. Tax Audits and Supervisions.- It corresponds to the Internal Revenue Service to perform the audits and supervisions related with the payment of the income tax and other Taxes of its competency.

SEVENTEENTH CLAUSE
CORRECTION FACTORS

17.1. In case that any of the events that are described next would be present, after the subscription date of the contract, by motivated request of any of the Parties, it will include a correction factor that absorbs the increase or decrease of the economic load, if as a direct effect of such event an economical unbalance would have occur for the requesting Party:

17.1.1. Modification of the percentages of the applicable Taxes, creation of new Taxes, elimination of Taxes;

17.1.2. Modifications to the taxable base for the calculation of the income tax, as consequence of the legal or statutory changes;

17.1.3. Modification to the provided tax credit in article 66 of the Internal Tributes Regime Law;

17.1.4. Modification of the worker´s participation percentage over the net profit;

17.1.5. Modification to the Hydrocarbons legislation;

17.1.6. Modification to the Environmental legislation;

17.1.7. Imposition, elimination or modification of taxes, royalties, entrance primes, surface rights, compensation payments and/or any other kind of taxes, contributions, and non tributary participations; and,

17.1.8. Reduction of the maximum production rate.

This correction factor will have as sole purpose compensate the economic unbalance presented.

17.2. The applicable monetary regime to this Contract is subjected to what is provided in the Monetary Regime and Bank of the State Law, according to what the Contractor has full right to:

17.2.1. Receive the Payment in Dollars and to use the received Dollars per concept of payment of the Fee per Barrel.

17.2.2. To maintain, control, and operate the bank accounts in Dollars, as much as in Ecuador as overseas, and to keep the deposited amounts overseas in such accounts without any restrictions.

17.2.3. To freely use, distribute, remit, or retain overseas, without any restriction, its net annual profits after all the duties, legal and tributary deduction established in the Applicable Law.

17.3. If the monetary regime is modified or other law in a way that any of the rights of the Contractor referred in Clause 17.2 is modified, the Contractor will have the right to:

17.3.1. If the exchange regime is modified: To keep receiving the payment in Dollars.

17.3.2. If any of the other rights referred in the Clause 17.2: to include the correction factor that absorbs the economic impact that such modification would have.

17.4. In the same manner, if there would be a modification to the exchange fee or other law that results in an economic unbalance in favor of the Secretary, it will include a correction factor that absorbs the economic impact that such modification would have.

17.5. In the event that the Sovereignty Margin of the Parties is increased, by mutual agreement, they must identify the possible affectation of the economic balance of this Contract, as much as the contractual modification and/or correction factors must be applied.

17.6. In case of discrepancies among the Parties with respect to the calculations and/or the amount of the respective correction factor, the Contractor will be able to request the intervention of a Consultant according to Clause 31.3.

EIGHTEENTH CLAUSE
ADMINISTRATION AND SUPERVISION

18.1. Administration.- The administration of this Contract will be of exclusive responsibility of the Contractor as to its own rights and duties.

18.2. Supervision Committee.- This Contract will have a Supervision Committee which will be regulated according to this clause and rules contained in Attachment F.

18.3. Supervision Committee Attributions.- The attributions of the Supervision Committee are, other than those defined in Attachment F, the following:

18.3.1. To coordinate the relations coming from the execution of this Contract between the Parties, with the finality to reach more efficiency and agility in the execution of this Contract and the administrative procedures.

18.3.2. Without prejudice to other required approvals according to the Applicable Law, and this Contract, analyze and recommend the approvals of Annual Plans, Programs and Budgets, and perforation requests and reconditioning of wells, and any other activity contemplated in the Substitutive Regulation to the Hydrocarbons Operations Regulations.

18.3.3. Without prejudice to other required approvals according to the Applicable Law and this Contract, to know and to recommend the approval of the presented modifications, changes and/or alternatives by the Contractor respect to the Annual Plans, Programs, and Budgets.

18.3.4. Without prejudice to the other required approval according to the Applicable Law and this Contract, to know and recommend the Maximum Production Rates of each Oilfield.

18.3.5. To watch that the Contractor complies, for the subcontracts, with the preference to the national industry, in the terms of this Contract.

18.3.6. To watch the compliance of the Training Program, Attachment H.

NINETEENTH CLAUSE
ENVIRONMENT

19.1. The Contractor will be responsible, within the Contracted Block Area, of the compliance of the environmental obligations, commitments, and conditions provided in the Applicable Law, and the International Crude Oil Industry Standards, and must respond, according to the Applicable Law and this Contract for the as much Social Damages as the Environment Damages that can cause for the service provision object of this Contract.

19.2. The Contractor will conduct the operations close to the guidelines of sustainable development, of conservation and environmental protection, according to the Applicable Law. The Contractor will take the needed precautions to minimize the environmental and societal impact.

19.3. The Contractor will use the available techniques and economically applicable and the International Crude Oil Industry Standards, applying the principles of prevention, precaution, and observing the Applicable Law about prevention and control of the environmental contamination, biological diversity preservation, of the natural resources, and preservation of the safety and health of the population and the personnel.

19.4. In the cases as much Social Damages as the Environment Damages that arises, are originated, or are caused by the Contractor and/or the Subcontractors in the execution of this Contract, the Contractor must immediately make the works to control the contaminant effects, as much for the reparation and restoration of the affected areas, without prejudice to its responsibility against third parties according to the Applicable Law and this Contract.

19.5. The Contractor must keep informed the Secretary through the Supervision Committee and the Environmental Authority about the development of all the activities performed during the validity of this Contract, for which it must present annual reports and others that are required, according to what is established in the Applicable Law in environmental matters which rules the hydrocarbons operations in Ecuador, and the stipulations of this Contract.

19.6. It is the responsibility of the Contractor to make sure that its personnel and its Subcontractors know and comply with Applicable Law in environmental matter.

19.7. To ensure the commitments and obligations of the Contractor in relation to the environmental protection, the Contractor will contract the respective insurances and warranties established in the Applicable Law and in this Contract, at satisfaction of the national environmental authority, and for the knowledge of the Secretary and with subjection to the applicable legal and statutory dispositions.

19.8. The environmental impact studies and is respective management plans, as much the hired audits hired by the Contractor, with its specialized, qualified signatures by the Environment Ministry will be executed according to the Applicable Law in Environmental matter that rules for the hydrocarbons operations in Ecuador.

19.9. The Contractor will strictly comply with what is established in the environmental management plans, prioritizing its management towards prevention, mitigation, minimization, and compensation of the environmental, cultural, economic, and social impact in the Contracted Block Area. The plan of community relations and community projects must be framed in the corresponding local development plans according to the applicable regulations.

19.10. The environmental management plans approved will serve as base for the Socio-environmental Audits that will be ordered by the Environmental Ministry according to the applicable environmental regulation for the hydrocarbons sector, to protect the Contractor´s operations that are performed without affecting the populations and influence area and environmental.

19.11. Socio - Environmental Audits.- According to the Substitutive Regulation of the Environmental Hydrocarbons Operations Regulation, the Contractor will perform at least every two years the Socio – Environmental Audits, prior approval of the corresponding Reference Terms by the Environmental Ministry and will present the corresponding audit report to such Ministry for its acceptation, In its execution there will be the concurrent supervision of the Secretary. The results of such Socio – Environmental Audit will be communicated to the Secretary.

19.12. In case that this Contract terminates for any cause before the stipulated period in the Sixth Clause, and before the finalization of this Contract, if it is the case, the Contractor, under the supervision of the Secretary will contract a Socio – Environmental Audit of the Contracted Block Area, in order to proceed to apply the corresponding plans of reparation for the abandonment of the Contracted Block Area if it is the case which cost will be assumed by the Contractor. The report of this Socio – Environmental Audit will be presented to the Environment Ministry for its approval. In its execution there will be the concurrent supervision of the Secretary. The results of such Socio – Environmental Audit will be communicated to the Secretary.

19.13. In the case of changing the Operator, the Contractor will be previously bound to perform a Socio – Environmental Audit that will also serve to establish eventual responsibilities and/or environmental passives, at Contractor´s costs, for the execution of all the corrective actions that are pertinent, to elaborate and execute all the reparation and rehabilitation programs.

19.14. Two (2) years before the finalization of this Contract, the Contractor must contract an integral Socio – Environmental Audit of the Contracted Block Area, that must conclude six (6) months before the termination of this Contract, and it will serve for the Contractor at its own cost executes all the corrective actions, that are pertinent, elaborates and executes the reparation and rehabilitation programs of the areas, according to what is established in the Applicable Law, and in this Contract. The report of this Socio – Environmental Audit will be presented to the Environmental Ministry for its approval. The results of such Socio – Environmental Audit will be communicated to the Secretary.

19.15. The consulting companies that perform the Socio – Environmental Audit will be different than those that have done the Environmental Studies of the areas or associated works, directly to environmental impact of the Contracted Block Area.

19.15.1 The costs of the Socio – Environmental Audit contemplated in the previous numerals will be assumed by the Contractor.

19.16. The Contractor will perform an internal environmental monitoring of its operations according to what is provided in the Applicable Law in environmental matters for the hydrocarbons operations in Ecuador.

19.17. Integral Environmental Protection.- If there are Environmental Damages or Environmental Passives, the Contractor will be responsible to elaborate an Environmental Reparation Program in which the it will determine the scope and contents of the reparations works and actions that were necessary, as much as the cost of this works that will be at the Contractor´s costs which will be sent to the Environment Ministry for its approval. The non-compliance of this obligation will be sanctioned according to what is provided in the Applicable Law.

19.18. The State through the competent entities will assume the implementation of the sustainable development plans of responsibility of the Ecuadorian State.

TWENTIETH CLAUSE
THE GOODS

20.1. The Contractor is bound with the Secretary to acquire and preserve the materials, equipment, and other goods that are required for the service provision, object of this Contract, according to the Annual Plans, Programs and Budgets approved and according to the Applicable Law.

20.1.1. In case of availability of them in the national market, the national production will have the preference, and it will observe what is established in the Applicable Law to this respect. As long as the national industry offers goods of national production in quality, opportunity and availability conditions comparable to those offered by foreign companies, it will have preference, even when the prices are higher up to 15%. For the objectives of this Contract, the Secretary in coordination with the competent entities will establish the national production criteria.

20.2. The importations of the needed goods for the execution of this Contract will be carried out according to the Applicable Law.

20.3. The Contractor cannot alienate, tax, or retire during the validity of this Contract, the equipment, tools, machinery, facilities and other real and estate property exclusively destined to be used in the service provision object of this Contract without the express authorization of the ARCH prior an favorable report of the Secretary. The exceptions to this prohibition of alienate or tax, those goods that the Secretary expressly and by written has authorized to the Contractor to imported under the custom regime of temporal importation according to the Applicable Law.

20.4. At the end of this Contract, due to expiration of the Validity Period or for any other reason occurred during the Exploitation Period, the Contractor must deliver to the Secretary without any cost, and in good state of production, the wells that in such moment were in activity; and, in good conditions, except the normal wear, all the equipment, tools, machinery, facilities and other real and personal property that would have been acquired for the objectives of this Contract, as much as transfer those that the Secretary points out to the places that it determines. If the termination of the Contract would be performed in the Exploration Period, the Contractor will deliver to the Secretary, without any cost and in good conditions, except the normal wear, the wells, encampments, and infrastructure works that would have been destined for the ends of this Contract.

20.5. One hundred and eighty (180) days before the termination of this Contract, or before if it is the case, a commission will be formed, integrated by officials of the Secretary and representatives of the Contractor, for the unique delivery-reception of the goods to which the clause 20.1 of this Contract refers to, according to the Applicable Law, as much as to verify the compliance of the contractual obligations, the commission that must subscribe the unique delivery-reception minute in the date of finalization of this Contract. If from the inspection would result observations by the Secretary that show the existence of the imputable deficiencies to the Contractor, those deficiencies will be in the minute, and the unique reception will extended for the time that the Secretary grants, so the Contractor solves the observed defects.

20.6 At the termination of this Contract, in case that the assets and equipment used by the Contractor to provide its services have been rented, meaning that they are object to a financial rental or “Leasing,” it will proceed in the following manner:

20.6.1 The Contractor will make its best effort to include in these contracts, the option of transferring the rights of such contracts. To that effect, the Contractor must communicate beforehand to the Secretary, the terms to carry out the transfer of rights, and it must grant to the Secretary the right to exercise the option unilaterally, in the case of having reach the stipulation of the indicated option.

20.6.2 When it is about indispensable equipment to keep operative the Contracted Block Area, in the mercantile rental contracts or leasing it will be stipulated that the Secretary could exercise in name of the Contractor, the purchase option at the finalization of the respective contract, or at the termination of this Contract. In both assumptions, the Contractor will be the sole responsible of paying the lessor any amount that could correspond with the occasion of the exercise of the purchase option.

20.7. In those contracts for the usage of perforation equipment, the Contractor must make its best effort to negotiate an option of renewing or extend the contracting period, as much as the right to transfer such option to the Secretary under the same terms and conditions that are applied to the Contractor.

20.8. During the validity of this Contract, the Contractor will keep all the materials, fixed assets, and the installations used in the service provision in good working state according to the International Crude Oil Industry Standards and the recommendations of the manufacturer of the equipment.

20.9. The goods entered in Ecuador by the Contractor, under the regime of temporal admission, will not be subject to delivery to the Secretary, and they can be re-exported prior notice to the Supervision Committee, and in compliance to what is provided by the Applicable Law.

20.10. According to the Applicable Law, the competent authority, prior report favorable from the Secretary will concede the custom tax liberations corresponding to the importation of the required needs for the execution of this Contract, according to article 87 of the Hydrocarbons Law.

20.11. The goods of the Subcontractors of specific works and services, according to the disposition contained in the last paragraph of article 29 of the Hydrocarbons Law will not be subjected to the disposition in that article.

TWENTY FIRST CLAUSE
CONTRACTOR´S PERSONNEL

21.1. The Contractor will employ the national and foreign personnel that considers necessary for the compliance of the object of this Contract, according to the International Crude Oil Industry Standards and in subjection of what is prescribed in the Hydrocarbons Law, and in the Applicable Law.

21.2. The Contractor and its subcontractors as autonomous natural or legal persons will employ its personnel by its exclusive cost and risk, being the sole responsible for the compliance of the work obligations, thus, the Secretary will not be responsible not even in a supportive manner.

21.3. The Contractor will have at its charge the direction, supervision, control and sole and exclusive responsibility of its personnel. Neither the Contractor nor any hired person or used by it as consequence of this Contract will be considered as agent, worker, or dependent of the Secretary. Therefore, the Contractor will be the one who solely and exclusively will answer for the obligations imposed by the Applicable Law, especially those legal and contractual dispositions of work character related to the services and/or with the personnel that it used for the compliance of this Contract.

21.4. The Contractor will be sole responsible and will safeguard and compensate the Secretary for any claim that can arise from such reasons against the Secretary. In special, the Contractor will compensate, protect, defend, and keep unharmed the Secretary, the Ministry, the State, and related entities, as much as its respective officials against any work claim that can be attempted by any employee, worker, representative or Subcontractor of the Contractor, and against any injury, death, damage or loss of any kind or character that arises, direct or indirectly related with the execution of the service or that has been caused by a violation from the Contractor of any of the obligations that it assumes according to this Contract.

TWENTY SECOND CLAUSE
SUB-CONTRACTS

22.1. Subcontracting.- The Contractor can subcontract, under its responsibility and risk, the activities, works or services needed to comply with the object of this Contract. Such activities, works and services will be executed at the name of the Contractor which will keep its direct responsibility for all the established in the subcontract and derived from it, from which it cannot be exonerated in reason of subcontracts. The Secretary will not assume any responsibility for this concept, not even as solidarity.

22.2. Responsibility for Payments.- With respect to any celebrated subcontract, it is understood that (i) the Contractor will be the sole responsible for the payment to all its Subcontractors; (ii) the Contractor will be exclusively responsible before the Secretary for all the acts, errors, omissions, and passives of its Subcontractors in any degree. The Contractor must include a clause in this sense in each subcontract. No Subcontractor will consider a third beneficiary for the activities, works, service, equipment, materials, or supplies in relation with the object of the Contract. The Contractor will be responsible for the execution of the activities carried out by its Subcontractors and nothing in this Contract exempt the Contractor from the compliance of its obligations.

22.3. Ecuadorian Companies.- The Contractor in obliged to select its Subcontractor among suitable companies, giving preference to the Ecuadorian industry, with the objective to stimulate the national companies, as long as they offer quality, opportunity, and availability conditions comparable to those offered by foreign companies. It will give preference to Ecuadorian companies according to the Applicable Law, even when the prices are higher than foreign companies up to fifteen (15) percent. For the ends of this Contract, the Secretary in coordination with the competent entities will establish the criteria of national company.

22.4. Selection and Negotiation of Contracts.- The selection of the Subcontractors, the negotiation of the terms and conditions of the subcontracts, its adjudication and subscription will be of exclusive responsibility of the Contractor.

22.5. The subcontracts that the Contractor celebrates must not include terms and conditions incompatible with that is established in this Contract.

TWENTY THIRD CLAUSE
CONFIDENCIALITY

23.1. Confidential Information.- For the effects of this Contract, the term "Confidential Information" means (i) the Protected Information defined in clause 24.1 and (ii) any other kind of information related to the contracted operations and services, or over affairs or matters related to this Contract, that has been identified by the Party which revealed as confidential. The Confidential Information will be considered and treated as confidential information by the party that receives such information (hereinafter the "Receiving Party"), and it cannot reveal it to any third party, unless that the party that has release such information, data or materials (the "Revealing Party") have granted its prior consent to this respect by written.

23.2. Internal Revelation by the Receiving Party.- Each Receiving party can reveal the Confidential Information to any of its officials, directors, employees or its Related Companies, agents, Subcontractors, and assessors, who (i) have the need to know it in relation with the execution of its obligations according to this Contract or the exercise of its rights according to this Contract; (ii) have been warned and agree to comply with the respective restrictions over the Confidential Information according to what is agreed in this Contract, in the same manner as if it were the Receiving Party. The Contractor will take all the needed to ensure that its workers, agents, representatives, and Subcontractors comply with the obligation of confidentiality, and it will be responsible for any incompliance with the requisites of this clause made by them.

23.3. Revelation by the Receiving Party to Third Parties.- Regardless that previously mentioned, the Receiving Party can reveal the Confidential Party to a third party, without previous authorization and by written from the Revealing Party as long as such information:

23.3.1. Either if it is of knowledge of the Receiving Party at the date in which it was revealed, as long as that knowledge have not been derived in an incompliance of this confidentiality clause;

23.3.2. Either if it is of public domain at the date in which it was revealed, or it becomes available to the public through a fact different to an act or omission by the Receiving Party; and/or its officials, directors, employees, agents, Subcontractors, and assessors;

23.3.3. If it is independently developed by the Receiving Party, without the usage of any party of the Confidential Information;

23.3.4. If it independently acquired by a third party, who, up to what the Receiving Party knows, it is not under any legal obligation that prohibits such revelation; or

23.3.5. Subject to the conditions of the following clause which divulgation is required according to the Applicable Law or an order from any competent activity, or as part of an arbitral process.

23.3.6. The Contractor will not have to request prior authorization to the Secretary to reveal the information to the auditors of reserves prior the subscription of the corresponding confidentiality agreements.

23.4. Mandatory Revelation.- In case that any Receiving Party is requested by mandate of the Applicable Law or an order issued by a competent authority or as part of an arbitral process to reveal the provided Confidential Information by any Revealing Party, the Receiving Party must immediately notify by written to the Revealing Party in a manner that this Party can take the proper legal measures and/or reveal to the Receiving Party the compliance of the requirements of confidentiality. In the case that the legal measure of protection or other similar action cannot be obtained, the Receiving Party will provide only that portion of such Confidential Information that is legally obliged to reveal.

23.5. Revelation by the Secretary according to the Applicable Law.- These dispositions will not be applied to the information that the Secretary must provide according to the Applicable Law.

23.6. Survival of the Confidentiality.- The effects of this clause will continue valid within five (5) years after the termination of this Contract.

TWENTY FOURTH CLAUSE
PROPERTY OF THE INFORMATION

24.1. Protected Information.- All the acquired or developed information during the execution of the activities related to the services object of this Contract, as much as all the drafts and final version of any draws, designs, engineering plots, and other plots, technical or scientific reports, models, data, perforation results, nuclei, records, reports, files, studies or other information, materials and elaborated documents or obtained during the course of the operations related with this Contract will be property of the Secretary ("Protected Information"). It is excluded from this Protected Information, those that the Contractor or its Related Companies or its Subcontractors have obtained a registered intellectual protection. The Contractor will keep such information protected and such materials and documents in good order, and previous request, it will promptly provide to the Secretary a copy of all the information on its possession.

24.2. Ownership and Intellectual and Industrial Property Rights.- The Contractor guarantees to the Secretary that it is the owner or has an authorized license of the Industrial and Intellectual Property rights over any work, document or information that is used for it for the provision of its services according to this Contract. The author´s right with respect to all the plots, drawings, specifications, calculations, attachments, reports, software (generated or not by computer) and other works prepared by the Contractor, or on its behalf, in relation with the execution of this Contract belong to the Contractor. However, at the termination of this Contract, the Contractor will grant to the Secretary an irrevocable, free of royalties license for its usage and to reproduce the previously mentioned material, for its exclusive use, except in the cases in which the Contractor has the sole authorized license.

24.3. Rights to Use Exclusive Information of the Contractor.- The Secretary at any time, including after the termination of this Contract, has the right to keep and use copies of draw details, designs, specifications, databases, and any other information of the Contractor that is related to the Project. At the termination of this Contract, the Contractor will grant the Secretary an irrevocable, free of royalties license to use and reproduce the previously mentioned material for its exclusive use. The license granted by the Contractor will be limited to the development, usage, operation, reparation, maintenance, modification, expansion (but not duplication),if it is necessary, reconstruction of the installation, and the Secretary will not use any Exclusive Information from the Contractor for other ends unless it is authorized by the Contractor by written.

24.4. Developed Intellectual Property.- Any invention, improvement, technologies and/or discoveries, patentable or not, protected or no by the author´s right, created, conceived, developed by the Contractor in the performance of its activities for the service provision object of this Contract ("Developed Intellectual Property") will pass to be joint property of the Secretary and the Contractor. It is excluded those registered Intellectual Property by the Contractor or its Related Companies. Therefore, each Party will have half of the participation indivisible in such Developed Intellectual Property for its own commercial ends without having to request an authorization for it to the other Party, in the understanding, other than each one of the Parties acknowledges and agrees that it must not use, reveal, sale or offer in sale, or for the benefit of any third party the Developed Intellectual Property.

TWENTY FIFTH CLAUSE
CONTRACTOR´S STATEMENTS

25.1. Authorization.- The Contractor declares and guarantees that is duly authorized to celebrate this Contract.

25.2. Knowledge of the Ecuadorian Legislation.- The Contractor expressly declares that at the Validity Date of this Contract has full knowledge of the Ecuadorian legislation applicable to this service provision for the hydrocarbons exploration and exploitation contracts.

25.3. Qualification and Conformity with the Requirements and Practices.- The Contractor guarantees and it is obliged to keep it permanently qualified and in capacity to execute the services object of this Contract, so it can comply with its duties according to the terms and conditions of this Contract. The Contractor guarantees and is committed to execute all the activities and to provide all the services requires in this Contract in compliance to the International Crude Oil Industry Standards.

25.4. Knowledge of this Contract- The Contractor declares that knows the Contracting Bases, requisites and procedures, that has fully examined this Contract, including all its attachments, and that it knows very good the terms and dispositions, and therefore, renounces to claims alleging ignorance or lack of comprehension of them.

25.5. Experiences and Qualifications.- The Contractor declares and guarantees that, for itself, and through its Subcontractors has all the adequate and required experience and qualifications to execute its obligations according to this Contract, according to the terms and conditions stipulated in it.

25.6. Declaration over Intellectual Property.- The Contractor declares and guarantees that is the owner or has the right of use, of all the patents, trademarks, service marks, commercial denominations, author rights, licenses, franchises, permits and intellectual property rights needed to comply with its contractual obligations, and that not infringe the rights of third parties with respect them.

25.7. Solvency Declaration.- The Contractor declares and guarantees that is financially solvent, in capacity of paying its debts according to is due date, and that it has enough working capital to comply the provided obligations in this Contract.

25.8. Declaration about Commercial and Professional Certifications.- The Contractor declares and assures that all the persons that carry out the contemplated works by this Contract have and will have all the commercial and professional certifications required by the Applicable Law for the provision of the respective services according to this Contract.

25.9. Compliance with the Law.- The Parties expressly declare that celebration and execution of this Contract will not result in a violation or incompliance with its statutes or what is provided in law, regulation, or sentence to which they were subjected, including the Applicable Law.

TWENTY SIXTH CLAUSE
RESPONSIBILITY OF THE CONTRACTOR

26.1 Risk of Damages or Losses.-

26.1.1. The Contractor will be responsible of the conservation of the Contracted Block Area during the execution of the services, as much as the safety of its personnel and of its Subcontractors, and the materials, equipment, and goods property of the Contractor and its Subcontractors located in the Contracted Block Area or for the execution of the services.

26.1.2. The Contractor will safeguard and keep safe the Secretary of any damages or losses that this one can suffer, and that it would be obliged to pay in virtue of an executed sentence by a competent authority, and that its derived from the incompliance by the Contractor of any obligation contained in this Contract, as consequence of criminal or culpable acts or omissions imputable to the Contractor´s personnel or any of its Subcontractors.

26.2. Obligation to Safeguard the Secretary.- The Contractor is obliged to safeguard and maintain the Secretary safe from economically responding for any loss, action, legal procedure, compensation, costs and expenses, of any nature, that it can suffer or is obliged to pay, in virtue of executed sentence by a competent authority, as consequence of criminal or culpable acts or omissions imputable to the Contractor´s personnel or any of its Subcontractors, including the following:

26.2.1. Any losses or damages of materials, equipment and goods;

26.2.2. Any personal injuries, illness or death;

26.2.3. The incompliance by the Contractor or its Subcontractors of the Applicable Law or any of the required permits;

26.2.4. The incompliance by the Contractor of any obligation that would have assumed respect to third parties, including, any Subcontractor with occasion to the execution of this Contract;

26.2.5. From any claim, procedure, demand or action, due to non-authorized use or divulgation of commercial secrets, property rights, author rights, rights subject to privileges, trademarks, or any other right of intellectual property, that would be attributable either directly or indirectly to: (a) design, construction, usage, operation, or property of any of the materials, equipment, and goods of the Contractor or Subcontractors; or (ii) the execution of this Contract by the Contractor or Subcontractors, including the usage of any tool, implement or construction by the Contractor or any of its Subcontractors;

26.2.6. From any contamination or environmental damage caused by the Contractor or Subcontractor, including unload of toxic waste and substances susceptible to degrade then environment;

26.2.7. From any tax to the Contractor;

26.2.8. From any invalidation of insurance policies, due to incompliance by the Contractor of any of the established requirements in the respective policy;

26.2.9. The claim of the competent authority from any Tax, including all the Taxes (i) which obligation of payment falls in the Contractor according to this Contract; or (ii) that are related with the received income from the executed activities or for which it must pay to the Contractor or its Subcontractors or to any of its respective assessors, agents, employees, or representatives.

26.3. Duty to Inform.- The Contractor will opportunely communicate to the Secretary about any legal procedure related with this Contract in which the Contractor intervenes or must intervene, or in which the Secretary must intervene, with the finality that the Secretary can adopt the measures that it estimates convenient for the defense of its interests. At the same time, the Secretary will participate to the Attorney General´s Office about such particulars for the pertinent effects.

26.4. Court Costs.- The recoverable costs according to this clause will include any dispute´s expenses and attorneys that the Secretary would incur with occasion to claims, demands, and actions previously indicated, they will be covered by the Contractor, without the Secretary having to reimburse them.

26.5. Defense.- Without detriment of the liberation of responsibility right provided here, the Contractor will have the obligation of assuming the defense of any claim, demand or action in virtue of which a compensation is requested, and the

Secretary will not have to compromise such claims, requirements or actions without the previous consent of the Contractor by written.

26.6. Survival of the Safeguard Obligations.- The established obligations in this clause will survive until the expiration of the prescription period provided in the Applicable Law.

TWENTY SEVENTH CLAUSE
NOTIFICATIONS AND COMMUNICATIONS

27.1. All the communications and notifications that the Parties must exchange between them, with relation to this Contract, including those that have requests, rulings, opinions, acceptations, renounces, consents, instructions, authorizations, reports, studies, balances, inventories, and more documents, or that are presented to any competent authority, for the same reason will be in written in Spanish and they must be sent through personal delivery, special mail (courier), by fax or by email.

27.2. The Parties point out as addresses for effects of the indicated communication in this clause the following:

Hydrocarbons Secretary
Av. Amazonas N 35-89 and Juan Pablo Sanz
Amazonas Building 4000, tenth floor.
Telephone.: 3955300
Fax:
Quito – Ecuador

Email: administrador@she.gob.ec

CONTRACTOR
XX
XX
Telephone.: XX
Fax: XX
Email: XX
Quito – Ecuador

With a copy to: XX

27.3. For all the effects of this Contract, it will be understood that a communication that was received by the other Party, when it is received by personal delivery or when there is constancy of reception of the notified Party.

27.4. The Parties can designate new addresses, opportunely notifying about this particular, according to the provided procedure in this Clause.

27.5. The Documents that the Contractor presents in virtue of this Contract to the Secretary will be subjected to what is provided in the Applicable Law.

TWENTY EIGTH CLAUSE
TRANSFER OR CESSION OF THIS CONTRACT

28.1. Transfer or cession just with previous Authorization.- The Contractor will not be able to transfer or cede the rights and obligations derived from this Contract, total or partially, without previous authorization of the Ministry. Any Transfer or Cession carried out in contravention to this clause will be considered void and such act constitutes a causal for the expiration, according to what is provided in the Applicable Law and in this Contract. The Nonrenewable Natural Resources Ministry will refrain from to grant authorizations to transfer or cession of the rights, during the two (2) first years of validity of the contract, unless the Contractor have complied the Exploratory Program.

28.2. It is expressly understood and agreed that in case of Transfer or Cession, it will be ruled by the conditions and requisites established in the Regulation for the Transfer and cession of Rights and Obligations of the Hydrocarbons Contracts, issued through Executive Decree No. 1363 published in the Official Register No. 293, on March 27th, 2001 which rules the article 79 of the Hydrocarbons Law.

28.3. Responsibility.- In the case that the Transfer and Cession would be partial, the assignor will keep being responsible before the Secretary of the obligations, warranties, and commitments transferred after any partial Transfer or Cession allowed according this clause.

28.4. Solvency and Capacity.- In any case the total and partial Transfer, of the rights and obligations derived of this Contract could originate the deterioration of the financial solvency or operative, administrative, financial, and technical capacity of the Contractor, or it could negatively affect the Plans and Programs contemplated in this Contract.

28.5. Workers and Tax Obligations.- If the Transfer or Cession would be total, the responsibility of who transfer or the assignor will survive respect to the obligations with workers and tax character that they would have contracted before the Transfer or Cession, with subjection of the Applicable Law. Also it will be responsibility of the assignor the Income Tax that would be generated as consequence of the profit obtained in such Transfer or Cession.

28.6. Change Of Control.- As much as it is possible, the Contractor and its Headquarters will assure that they are not object of a Change of Control, during the validity of the Contract, without the previous consent of the Secretary. Any change of control registered must be notified within the maximum period of 60 days of produced. What is provided in this point will be applicable to the Contractor and its Headquarters with independence of form in which it is organized, either through the constitution or legal persons, consortiums, contracts or associations without owned legal status.

TWENTY NINETH CLAUSE
TERMINATION AND EXPIRATION OF THIS CONTRACT

29.1. Termination.- This Contract will terminate, other than the causal provided in the Hydrocarbons Law and in this Contract, for the following causes:

29.1.1. Due to expiration of the Validity Period or by compliance of the object of this Contract.

29.1.2. Due to agreement between the Parties.

29.1.3. Due to expiration declaration issued by the Ministry according to the Hydrocarbons Law.

29.1.4. Due to a court declaration of bankruptcy of the Contractor.

29.1.5. Due to an event of Insolvency of the Contractor or its Headquarters, declared by the competent authority, at option of the Secretary.

29.1.6. For the extinction of the legal status of the Contractor and its Headquarters.

29.1.7. For the cession of goods of the Contractor or its Headquarters in benefit of its creditors, for having lost the control of its own affairs due to an order from a competent authority.

29.1.8. By an executed sentence or by an arbitral judgment that declares the termination of this Contract.

29.1.9. By option of any of the Parties, when the other Party would have not complied with its principal contractual obligations stipulated in this Contract, including the right of termination of this Contract by the Secretary due to incompliance by the Contractor of the activities contemplated in the Exploratory Program and in the Plans.

29.1.10. In case that any of the Parties would like to terminate this Contract by incompliance of any of the obligations stipulated in this Contract that not constitute causal of expiration, the Party that believes is being wronged will recur to the procedure for resolution of controversies provided in the Thirty First Clause of this Contract.

29.2. Expiration Procedure.- Previous the declaration of expiration of this Contract, the following procedure will be followed:

(a) The Secretary or the ARCH will notify the Contractor with the incompliance to the Applicable Law, Regulations or this Contract, granting a period of thirty (30) calendar days, counted from the date of notification, to answer, repair, correct, rectify, or dissipate the charges. However, if even having taken such actions, this period would be insufficient for the Contractor to repair, correct or rectify such lack or incompliance, and it is demonstrated as such, the Secretary or the ARCH can grant an additional period that, according each case, if it is necessary to comply with that is provided in this Clause.

(b) Once the period is concluded, with the answer or without it, in the case that corresponds, the Secretary or the ARCH will request, in a motivated form, the expiration of this Contract to the Sectorial Minister, who will process and resolve it according to the Applicable Law.

(c) The Sectorial Minister will open an expiration file, and will notify to the Contractor with the incompliance, granting a period of sixty (60) calendar days, to answer, repair, correct, or rectify the incompliance that originated the claim.

(d) Once the procedure referred in the previous literal is exhausted, the Sectorial Minister will issue a resolution that corresponds which must be duly motivated in the legal, technical, and economic reports. The declaration of expiration must be duly motivated using the criteria of objectives valuation, such as: seriousness of the infraction, negligence, produced damage, harm to the State, and other that are considered pertinent.

29.2.1. For the case of the causal provided in the numeral 14 of article 74 of the Hydrocarbons Law, the incompliance will be generated when as result of an Environmental Study carried out according to the Applicable Law, it would be the detection Environmental Damages (environmental passives) imputable to the Contractor, and if it would not start or would be unjustifiably interrupted, at any time, the remediation ordered by the Environment Ministry and/or the respective Environmental Study, In the Environmental Study will be specified the Environmental Damages, as much as the program and period of the respective remediation that will be executed by account of the Contractor. In all of the other, it will be observed the procedure established in the Clause 31.2.

29.3. Effects of the Declaration of Expiration.- The expiration of this Contract implies the immediate termination of this Contract and the delivery of all the equipment, tools, machinery, updated technical information and other elements, industrial or transportation and commercialization facilities, and other real and personal property, acquired to be used in the activities object of this Contract, without any cost for the Secretary and the Ecuadorian State, and it also entails the automatic execution of the granted warranties according to this Contract.

29.4. Sanctions for other Incompliance and Infractions.- The incompliance of the obligations stipulated in this Contract and/or the infraction of the Hydrocarbons Law and/or its Regulation that not produce expiration effects will be sanctioned according to what is established in the referred Law, its regulations and this Contract, as the case may be.

THIRTIETH CLAUSE
ADDITIONAL AND MODIFYING CONTRACTS

30.1. Free Natural Gas Fields, Condensate Gas Field, CO2 or associated substances.- In the case that the Contractor during the execution of this Contract would discover commercially exploitable Free Natural Gas Fields located in the Contracted Block Area, they can subscribe additional contracts for its exploitation, according to what is provided in article 32 of the Hydrocarbons Law. In the same manner, if they would discover Condensate Gas Fields which sole liquid production would result anti-economical, the Parties can celebrate an additional contract for its exploitation. If the Contractor would discover CO2 Fields or associated substances they can celebrate an additional contract to exploit these resources.

30.2. Reinjection and Burn of Associated Natural Gas.- Without prejudice to the prior clause, the Contractor can reinject the Oilfields or for its operations the Associated Natural Gas, and the natural gas coming from the Condensate Gas Fields in the amounts that are required for the exploitation operations and Crude Oil transportation. For such effects, as much as to burn or emit to the atmosphere the natural gas, the Contractor must have the approval of the Secretary, according to what is established in the Hydrocarbons Law which can be justifiably denied. The utilization of these gases will not have any cost for the Contractor.

30.3. Associated Natural Gas.- The Associated Natural Gas that are obtained from the exploitation of the Oilfields that is not exploited and utilized by the Contractor according to what is established in the clause 30.2 can be used by the Secretary for its industrialization and commercialization, prior agreement of the Parties.

30.3.1. In the case that the Associated Natural Gas cannot be used by the Contractor or the industrialization and/or commercialization is not convenient, the Secretary can authorize the burning, prior technical and economical justification.

30.4. Authorizations.- For the celebration of additional contracts referred in the clauses 30.1 and 30.2, it will be required the agreement of the Parties, in the understanding that they cannot refuse to come into an agreement without a fair cause, and they will be implemented through the additional or modifying contracts, with the procedures established in the Applicable Law.

30.5. The Recovery of Liquid Hydrocarbons Condensed from Associated Natural Gas.- When through the installation of a field processing plant it is possible to recover Liquid Hydrocarbons Condensed from Associated Natural Gas produced by the Contractor which are obtained after the field conventional separators, the Secretary will dispose of such Liquid Hydrocarbons Condensed from Associated Natural Gas for which it will perform all the needed investments and will pay all the expenses starting from the field conventional separators. The Secretary can request the Contractor the installation and operation of the equipment that will allow the recovery of the Liquid Hydrocarbons Condensed from Associated Natural Gas after the field conventional separators for which the Secretary must make the respective reimbursements and payments that would be agreed.

30.6. Modifying Contracts.- There will be place for the negotiation and subscription of modifying contracts to this Contract prior to an agreement of the Parties, according to what is provided in the Applicable Law.

THIRTY FIRST CLAUSE
CONTROVERSIES RESOLUTION

31.1. Mandatory Direct Negotiations.- In all the conflicts related to the application, interpretation, execution, incompliance, as much as the effects of an anticipated termination or any circumstances related with this Contract, the Parties must intent and direct arrangement among them. For this, the affected Party must present a direct negotiation request. For this effect, the affected Party must submit the disagreement to the legal representative of the other Party. If within the period of thirty (30) days from having referred the disagreement, or the period that the Parties agree, this has not been resolved, it will be observed the procedure provided in clause 31.2, 31.3 or in clause 31.4, as the case may be.

31.2. Optional Mediation.- When the Parties do not reach a direct arrangement according to clause 31.1, any of the Parties can render the difference to the mediation process (i) to any mediation center registered by the Judiciary Council or (ii) the arbitral procedure provided in clause 31.4.

31.3. Consultancy.- In the case technical or economic discrepancies provided in clauses 5.3, 8.2.35, 11.2, 11.3, 12.7, and 17.6 of this Contract that have not been amicably resolved among the Parties according to clause 31.1, the Contractor optionally can refer the differences to a Consultant. The Consultant cannot declare anything about the application of the tax law.

31.3.1. For these effects, the affected Party must notify to the Secretary, it decision to the render the disagreement to the judgment of a Consultant.

31.3.2. For the election of the Consultant, each Party must present to the other a list of three candidate names within the period of fifteen (15) days starting from the presentation of the request of the Contractor. If one or more of the proposed Consultants appeared in both lists, the Consultant will be selected among those who are in both lists. If there not were coincidental or there is no agreement in case of being two or more coincidental candidates, the Parties will make their best efforts to designate the Consultant. If there is no agreement among them for the designation within the period of seven (7) days, the Consultant will be designated, considering the matter to be dealt with, by draw among those who are in Attachment J. The draw will be performed by request of any of the Parties before a Public Notary, the Notary must notify to the other party with at least forty eight (48) hours in advance from the date of the draw.

31.3.3. The Consultant must be nominated and designated upon the base of the impartiality criteria and technical knowledge over the matter, object of the consultancy.

31.3.4. Once the procedure is started, there cannot be direct meetings between one of the Parties with the Consultant without the authorization of the other Party. The Parties will present their arguments to the Consultant within thirty (30) calendar days starting from the date of designation. The Parties will provide the Consultant all the information by written, or in oral audience with the evidence that they consider reasonably that it requires for reaching a judgment.

31.3.5. The designated Consultant must elaborate and deliver a judgment to the Parties in a period of sixty (60) days from the date of its designation.

31.3.6. If a difference would arise between the Parties about the sense, interpretation or scope of the judgment, any of them can request its correction or clarification through a communication addressed to the Consultant and the other Party, within the Period of fifteen (15) days from the notification of the judgment.

31.3.7. The judgment of the Consultant will have a binding effect and will be definitive for the Parties.

31.3.8. However, within the period of fifteen (15) days from the notification of the judgment or the correction or clarification, the Parties can request the revision of the decision, according to the arbitrage procedure provided in the clause 31.4, only in the following cases:

(a) If the Consultant would have exceeded the granted mandate;

(b) If corruption, correlation or conflict of interest of the Consultant in the matter object of the controversy; and,

(c) In case that any of the Parties would have been denied the right of defense, according to the provided periods in this clause.

31.3.9. The beginning of the arbitrage will suspend the decision of the Consultant.

31.3.10. The expenses and honoraries that the Consultant´s intervention demands will be at the account of the requesting Party, unless the Secretary decides that are for the account of both Parties on equal proportion. For these effects, the Contractor will request the statement related to the Secretary at the moment of notifying the intention of having a consultant according to clause 31.3.1.

31.4. Arbitrage.- In all the conflicts related to the application, interpretation, execution, incompliance, as much as the effects of an anticipated termination or any circumstances related with this Contract, that has not been resolved through direct negotiations according to clause 31.1, or in virtue of mediation according to clause 31.2, or that has not been rendered to the judgment of a Consultant according to clause 31.3 will be definitely resolve through an ad-hoc arbitrage under the protection of the Regulation of Arbitrage of the United Nations Commission for the International Commercial Right UNCITRAL of the year 1976. The arbitrage will be managed according the amount by (i) the Permanent Court of Arbitrage with seat in the Hague, in cases which amount would be undetermined or it exceeds ten (10) million Dollars; and (ii) the Arbitration and Mediation Center of the Commerce Chamber un Quito in the rest of the cases.

31.4.1. The place of arbitrage will be (a) Santiago de Chile, Chile, in the case of the clause 31.4 and (b) Quito, Ecuador in the case of the clause 31.4 (ii).

31.4.2. The language of the procedure will be Spanish. Any of the Parties can present testimonial or documentary proofs in a language different from Spanish, as long as that Party provides to the other Party a written translation in Spanish of such testimonial or documentary proof.

31.4.3. The arbitrage will be by Law and the normative applicable to the merits of the controversy will be the Ecuadorian law.

31.5. Constitution of the Arbitral Court.- The Arbitral Court will be formed by three (3) members. Each one of the Parties will designate an arbitrator, and the third one who will act as the President of the Arbitral Court will be designated in common agreement by the two (2) arbitrators designated. If one of the Parties refrains from designating an arbitrator within the forty five (45) calendar days counting from the start of the procedure, or of the two arbitrators do not agree as to the designation of the President of the Arbitral Court within forty five (45) days counted from the date of the designation of the first two (2) arbitrators, any of the Parties can request the designation to (a) the Secretary of the Permanent Court of Arbitrage with seat in the Hague in the case of clause 31.4(i), or (b) the Director of the Arbitrage and

Mediation of the Commerce Chamber of Quito in the case of clause 31.4(ii). The arbitrators for the arbitrage supplied by the Permanent Court of Arbitrage with seat in the Hague must not have the same nationality as the Parties, except through an agreement that states otherwise.

31.6. Election.- The arbitrage provided in this clause will be valid as election of via for the resolution of the disagreements derived of this Contract as much as it also will be the way for the resolution of controversies derived from any Treaty about Promotion and Protection of Investments that could be invoked by the Contractor.

31.7. Exclusion of certain matters of the arbitrage scope and attribution of jurisdiction to the national tribunal and courts.- All the controversies derived of a declaration of expiration or that have relation with its effects, cannot be resolved through arbitrage and must be resolved by the competent courts of the Ecuador.

The controversies over acts of the tax administration will be resolved by the competent courts of the Ecuador.

31.8. Costs.- The cost of the procedure will be covered on equal parts, unless that the Court, on its ruling, decides otherwise.

31.9. Execution of the Ruling.- The Ruling that is ordered by the Arbitral Court will be of mandatory compliance for the Parties, without prejudice to the provided resources by the law of the arbitrage place (*lex arbitri*).

THIRTY SECOND CLAUSE
ADDITIONAL COMMITMENTS AND DECLARATIONS

32.1. Technology Transfer.- The Contractor is committed to promote, facilitate and allow in reasonable terms its technical and technological expertise appropriate to be used for the service provision, including those technologies that better can increase the economical performance or the results of the developed and operated Oilfields according to this Contract. The Contractor is also committed to make effort so the Ecuadorian personnel that is hired or assigned to management or technical positions within the organization of the Contractor receives the training in the usage of such technologies when the Contractor use them in the execution of this Contract.

32.1.1. The Contractor is committed to promote, facilitate and allow the transfer of technology to the Secretary, and the national companies that participate in the execution of this Contract.

32.2. Resignation of Rights.- The fact that the Parties refrain from exercising all or any of its rights according to this Contract or according to any Applicable Law, or incur in any delay in exercising them, do not constitutes or cannot be interpreted as a resignation of those rights. If any of the Parties omits to notify the other Party about an incompliance of the terms and conditions of this Contract, such omission will constitute an exemption of such incompliance.

32.3. Independent Parties.- The Parties declares through this Contract, that this does not constitute an association or society among them. Neither Party will have authority or the right, nor did to be presented as it have it, of assuming, creating, modifying or extinguishing any obligation of any kind, expressed or implied, in the name or by account of any other Party. The Contractor will be considered at all moment as an independent contractor of services and will be responsible of its own actions.

32.4. Third Beneficiaries.- Except in the measure that it has been expressly agreed otherwise within the Contract, this Contract and all and each one of the stipulations are of exclusive benefit of the Parties, and its authorized assignees. Therefore, it is understood that this Contract has an *intuitu personae* character.

32.5. Divisibility.- If any court, arbitral court, arbitrator or competent jurisdiction considers illegal, invalid or unenforceable any of the dispositions or parts of this Contract or its application: (i) those dispositions or parts can be fully separated of the rest of the contractual dispositions; (ii) this Contract will be interpreted and will make valid as if such illegal, invalid or unenforceable dispositions or parts never would have been part of the Contract; and (iii) the other dispositions of this Contract will continue in full force and effect, and they will not be affected by the illegal, invalid or unenforceable disposition or part or by its separation of this Contract. In the same manner, instead of such illegal, invalid or unenforceable disposition or part, the Parties will negotiate in good faith the replacement of it as much as it is possible, and that they have legal, valid, and enforceable character.

32.6. Commitment against Corruption.- The Contractor declares and assures that has not done, offer, and that it commits not to make or offer payments, loans, or gifts of money or valuable objects, directly or indirectly to (i) an official of any competent public authority nor the employees of the Secretary or the Ministry; (ii) a political movement or party or a member of it; (iii) any other person, when the Party knows or has had reasons to know that any party of such payment, loan or gift will be delivered or paid directly or indirectly to any public official or employee, candidate, political party or member of it; or (iv) to any other Person or entity, when that payment could have violated the laws of any pertinent jurisdiction. The Secretary can terminate this Contract in the case of proving through the due process that the Contractor has failed to comply the applicable legislation in matters of corruption practices. The Contractor is obliged to take all the needed and reasonable measures to guarantee that its Subcontractors, agents or representatives involved in the execution of this Contract comply with all the

Applicable Laws, especially including those norms that regulate the administrative corruption.

32.7. Negotiation of this Contract.- The Parties declare and acknowledge that all the clauses, attachments, terms, conditions and in general all the content of this Contract have been fully agreed and accepted by both Parties in good faith, and in consequences, neither Party can alleged in own benefit the ignorance of this Contract or the authorship of some terms and conditions of this Contract to the other Party. In the same manner, the Parties specifically declare and guarantee having had the proper legal representation, in the course of the negotiation and drafting of this Contract.

THIRTY THIRD CLAUSE
RECORDS, AMOUNT AND EXPENSES.

33.1. Expenses.- The expenses that are caused by the celebration of this Contract and its record will be covered by the Contractor.

33.2. Amount.- Due to its nature, this Contract has an undetermined amount.

33.3. Record of this Contract.- Within the period of the following thirty (30) days counted from the date of subscription of this Contract, the Contractor must inscribed it in the Hydrocarbons Record.

33.4. Copies.- The Contractor will deliver ten (10) certified copies of this Contract to the Secretary which within the term of thirty (30) days, starting from the Validity Date will deliver to the National Audit Office, Attorney General´s Office, Finances Ministry, Environment Ministry, Internal Revenue Service, and Central Bank of Ecuador.

You, Mister Notary, please add the other clause of rigor for the full validity of this Contract.