

## **NOTE:**

### **DISCLAIMER:**

THE HEREIN BELOW ENGLISH VERSION OF THE ORIGINAL TENDER TERMS AND CONDITIONS (“*PLIEGO DE BASES Y CONDICIONES*”) IN SPANISH IS BY NO MEANS TO BE CONSIDERED A CERTIFIED PUBLIC TRANSLATION; THEREFORE IN THE EVENT OF ANY MISUNDERSTANDING OR CONTROVERSY IN THIS ENGLISH VERSION REGARDING ITS WORDING OR INTERPRETATION, THE ORIGINAL SPANISH VERSION SHALL PREVAIL FOR ANY DISPUTE RESOLUTION AND/OR ALL LEGAL ACTIONS

## ANNEX II

### **TENDER TERMS AND CONDITIONS FOR SELECTING THE COMPANIES THAT WILL BE IN CHARGE OF THE EXPLORATION AND EVENTUAL EXPLOITATION AND DEVELOPMENT OF HYDROCARBONS IN OFFSHORE AREAS OF THE ARGENTINE CONTINENTAL SHELF.**

#### **SECTION 1 - OBJECT:**

1.1. This is the Terms and Conditions of the International Offshore Public Tender No. 1 to select companies in order to be awarded exclusive rights for exploration within the perimeter of each of the AREAS, and in case of commercially exploitable discovery of HYDROCARBONS, to grant exploitation concessions, all in accordance with the provisions of Law No. 17.319 and the conditions stipulated in this Terms and Conditions and Decree No. 872 of October 1, 2018.

1.2. Those interested in participating in this International Offshore Public Tender No. 1 may acquire access codes to the Digital Database of AREAS, the value of which is set at FIFTY THOUSAND U.S. DOLLARS (USD 50,000), which must be paid through the mechanism and to the official account informed through the webpage enabled within the website of the GOVERNMENT SECRETARIAT OF ENERGY (<<<www.minem.gob.ar>>).

#### **SECTION 2 - DEFINITIONS:**

2.1. AREA OR AREAS: The area(s) and location of which are determined in ANNEX I (IF-2018-47654899-APN-SSLMEN#MHA).

2.2. APPLICATION AUTHORITY: The GOVERNMENT SECRETARIAT OF ENERGY of the MINISTRY OF FINANCES.

2.3. ENTRY BOND: It is, in case it is appropriate according to the provisions of this TENDER and ANNEX I, the sum of U.S Dollars, without cents, that the OFFERERS undertake to pay to the APPLICATION AUTHORITY, for each AREA in which they are awarded, and that they must include in their OFFER, discriminated by AREA. The method of payment of the ENTRY BOND will be as follows:

- (a) FIFTY PERCENT (50%) of its amount within TEN (10) business days of the PERMIT EFFECTIVE DATE, under the resolutive condition of the PERMIT.
- (b) FIFTY PERCENT (50%) of its amount within TEN (10) business days from the date on which THREE (3) years elapse from the PERMIT EFFECTIVE DATE, under the resolutive condition of the PERMIT.

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However, the PERMISSIONARY shall have the right, by notice given in a reliable manner to the APPLICATION AUTHORITY, to compensate in whole or in part the payments to be made under the terms of paragraph (b) above with WORKING UNITS that it has executed in the respective AREA in excess of the WORKING UNITS included in the OFFER before the due date provided for in paragraph (b) herein above.

FIFTY PERCENT (50%) of the amount of the ENTRY BOND that, at any given moment, is pending payment must be guaranteed by the COMPLIANCE GUARANTEE in the terms established by SECTION 12.1 herein.

2.4. FORTUITOUS CASE or FORCE MAJEURE: Its definition, scope and effects are those provided for in Sections 1730 and concordants of the Argentine Civil and Commercial Code.

2.5. CONCESSIONARY: THE PERMISSIONARY who is granted an EXPLOITATION CONCESSION.

2.6. CONCESSION OF EXPLOITATION or CONCESSION: Set of rights and obligations arising from sections 27, those thereafter and concordant of Law No. 17.319 and this TENDER, according to the model accompanied as ANNEX 3 hereof.

2.7. SCHEDULE: It is the schedule accompanied in ANNEX 1 hereof.

2.8. OPENING DAY: That date determined in the SCHEDULE accompanied in ANNEX 1 hereof.

2.9. DATE OF EFFECTIVENESS OF THE PERMIT: the day following the date of publication in the Official Gazette of the ARGENTINE REPUBLIC of the resolution of the GOVERNMENT SECRETARIAT OF ENERGY granting the EXPLORATION PERMIT to the PERMISSIONARY, according to the model resolution attached hereto as ANNEX 2.

2.10. OFFER MAINTENANCE GUARANTEE: It has the meaning foreseen in SECTION 5.6. hereof.

2.11. GUARANTEE OF FULFILLMENT: Has the meaning set out in SECTION 12 hereof.

2.12. NATURAL GAS: Mixture of HYDROCARBONS in a gaseous state at surface conditions (760 mm Hg and 15°C) after the separation of CRUDE PETROLEUM and the eventual extraction of LIQUEFIED GASES. It includes, therefore, processed or unprocessed natural gas, or any mixture of these gases in a gaseous state, and consisting primarily of methane, in accordance with the provisions of Decree No. 1,738 of September 18, 1992.

2.13. LIQUEFIED GASES: A mixture of HYDROCARBONS composed mainly of propane and butane gases.

2.14. HYDROCARBONS: CRUDE OIL, NATURAL GAS AND LIQUEFIED GAS, in any of the conditions and relationships in which they are linked.

2.15. EQUALITY OF OFFERS: This is the situation that arises when, with respect to the same AREA, OFFERS have been submitted, the amount of which, calculated in accordance with the provisions of SECTION 6, is the same.

2.16. LIST: It is the list of interested parties qualified to participate in the International Offshore Public Tender No. 1 according to the provisions of SECTION 3 herein.

2.17. EXPLOITATION LOTS: Those defined in sections 33 and the subsequent sections of Law No. 17.319.

2.18. NON-OPERATOR: Is the Company that integrates the OFFERER without being an OPERATOR, or the one that replaces it during the term of the PERMIT or CONCESSION, at the proposal of the PERMISSIONARY/S or CONCESSIONARY/S and with authorization by the APPLICATION AUTHORITY, who at all times must have a participation of at least FIVE PERCENT (5%) in the PERMIT or CONCESSION.

2.19. OFFERER: Company or consortium of Companies that submit an OFFER, under the terms and conditions established in this TENDER.

2.20 OFFER: The technical and economic proposal presented by an OFFERER in accordance with the provisions of SECTION 5 and in the "Form for the Presentation of Offers" accompanied as ANNEX 4 herein.

2.21. OPERATOR: Is the Company that the OFFERER has proposed as such in its OFFER for the operation of an AREA, or that replaces it during the term of the PERMIT or CONCESSION, at the proposal of the PERMISSIONARY(S) or CONCESSIONARY(S) and with the authorization of the APPLICATION AUTHORITY, who at all times must hold a share of at least THIRTY PERCENT (30%) in the PERMIT or CONCESSION.

2.22. PERMISSIONARY: The OFFERER to whom the PERMIT has been granted.

2.23. EXPLORATION PERMISSIONARY OR PERMIT: The one granted to the PERMISSIONARY by resolution of the GOVERNMENT SECRETARIAT OF ENERGY, on the AREA of which it is awarded, according to the Resolution model that is APPENDIX 2 herein.

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2.24. EXPLORATION PERIOD/S: It is the term for the exploration of each AREA, foreseen in SECTION 10.1 of this TENDER and ANNEX I, in accordance with the parameters established in section 23 of Law No. 17.319, as amended.

2.25. CRUDE OIL: Mixture of liquid HYDROCARBONS, in their natural state and those obtained by condensation or extraction of NATURAL GAS and which remain liquid under normal conditions of pressure and temperature (760 mm Hg and 15°C). The HYDROCARBONS obtained from the gaseous phase, after the first separation of the oil (gas condensates) are included.

2.26. TENDER: It is the Terms and Conditions of the International Offshore Public Tender No. 1.

2.27. EXPLORATION WELL: A well drilled in a separate trap in which no discovery well has previously been declared. 2.26. TENDER: It is the present Terms and Conditions of the International Offshore Public Tender No. 1.

2.28. MINIMUM DEPTH: This is the minimum depth of the EXPLORATION WELL committed by the PERMISSIONARIES, defined for each AREA in ANNEX I. In the event that the PERMISSIONARY accredits to the APPLICATION AUTHORITY technical justifications that determine that drilling up to the levels referred to above is not necessary and/or convenient, the APPLICATION AUTHORITY may modify those levels to adapt them to the operational reality of the AREA in question.

2.29. EXTENSION: Is the EXPLORATION PERIOD, subsequent to the Second EXPLORATION PERIOD, referred to in SECTION 10.8 of this TENDER and defined in ANNEX I of this Resolution in accordance with the parameters established in section 23 of Law No. 17.319, as amended.

2.30. REPROCESSING: Seismic reprocessing is considered to be the processing of data from seismic acquisition (primary data) carried out by applying current techniques to obtain a better seismic image than that obtained in previous processing, as well as the obtaining of new seismic products.

2.31. DEFINITIVE TITLE: The instrument granted pursuant to Section 55 of Law No. 17,319, according to the procedures of Section 9 of this TENDER.

2.32. 2.32. PROVISIONAL TITLE: Authenticated copy of the resolution of the GOVERNMENT SECRETARIAT OF ENERGY granted by the PERMIT.

2.33. WORKING UNIT(S): Conventional economic unit(s) that will allow to compare, measure and add works and services of different nature (drilling meters, kilometers of seismic lines and other geophysical works) and whose valorization(s) will allow to obtain a total representative value of the various items of the exploration program offered. The value of each WORKING UNIT will be US DOLLARS FIVE THOUSAND (USD 5,000).

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2.34. BASIC WORKING UNITS: Those established, in such character, for each AREA for the First PERIOD OF EXPLORATION in ANNEX I of this TENDER. In order to be entitled to offer an ENTRY BOND, the OFFERER must have offered, as a minimum, the BASIC WORKING UNITS.

2.35. OFFERED WORKING UNITS: are those offered and committed by the OFFERER for the FIRST PERIOD OF EXPLORATION and that the OFFERER undertakes to execute in accordance with the terms and conditions of this TENDER which must always be expressed in whole numbers, without decimals.

2.36. MINIMUM WORKING UNITS: Those established, in such a character, for each AREA for the First PERIOD OF EXPLORATION in ANNEX I of this TENDER. In no case shall the OFFERED WORKING UNITS be less than the MINIMUM WORKING UNITS.

2.37. REMAINING WORKING UNITS: The difference, at a given date, between the WORKING UNITS committed for a given EXPLORATION PERIOD and the WORKING UNITS effectively carried out in order to fulfil that commitment.

### **SECTION 3 - PRESENTATION OF COMMERCIAL BACKGROUND OF THOSE PARTIES INTERESTED IN PARTICIPATING IN THE TENDER:**

3.1. On the webpage of the International Offshore Public Tender No. 1, which will be available on the website of the GOVERNMENT SECRETARIAT OF ENERGY (<[www.minem.gob.ar](http://www.minem.gob.ar)>>), a "List of Interested Parties entitled to participate in the International Offshore Public Tender No. 1" (the "LIST") will be published. The LIST will have an opening per class according to the classification of the type of qualification foreseen in SECTION 3.5.2 hereof; namely: Operator A, Operator B, Operator C, and Non-Operator A, B or C.

3.2. It is an essential condition for participating in the International Offshore Public Tender No. 1 that all companies acting as OFFERERS are included in the LIST at least THIRTY (30) calendar days before the OPENING DAY of the OFFERS. In case the OFFERER is a consortium, each one of the companies that integrate it, will have to appear in the LIST.

3.3. The certificates of inclusion in the LIST will be issued by the APPLICATION AUTHORITY, by itself or through its dependencies, and will determine the aptitude of the interested party to offer as OPERATOR one of the classes identified in SECTIONS 3.5.2 and 3.5.3. or as NON-OPERATOR, and to act in this capacity, in the event of being awarded an AREA. The interested parties included in the LIST assume the obligation to update all relevant information that has undergone modifications, as well as to maintain a financial solvency similar to that required until the OPENING DAY, and in the event of being awarded any AREA, until the granting of the PERMIT.

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3.4. Inclusion in the LIST implies for the interested parties the acceptance that the process of inclusion in the LIST and adjudication of AREAS will be governed exclusively by the terms of the TENDER, the clarifying circulars that may be issued by the APPLICATION AUTHORITY, by itself or through its dependencies, and the modifying and/or complementary resolutions that may be issued by the APPLICATION AUTHORITY, renouncing to make claims in this respect. All information presented by the interested party has the character of an affidavit including the documentation that it contains and accompanies.

3.5. For purposes of inclusion in the LIST, interested parties shall submit the following information and documentation to the APPLICATION AUTHORITY:

3.5.1. LEGAL INFORMATION:

- a. Authenticated documentation that accredits the existence of the legal person in the jurisdiction to which it belongs and the legal representation of its representatives, that is to say, Articles of Association or Social Contract, articles or Memorandum of Incorporation, Minutes of the Administrative or Government Bodies designating authorities and/or Powers in force of their representatives, duly registered. The corporate purpose of the legal entity must include the development of exploration and exploitation activities of HYDROCARBONS. If documentation is submitted in a language other than Spanish, it must be translated and legalized.
- b. In the event that the present legal entity is not duly constituted in the ARGENTINE REPUBLIC, it must present a Sworn Declaration signed by its legal representative where it assumes the commitment to initiate the registration procedures of a branch or a local company controlled by the interested party, within THIRTY (30) calendar days of being awarded an AREA and to diligently perform all acts that were reasonably necessary to obtain the registration of the branch or local company controlled as quickly as possible. In this case, he must also present the guarantee of technical and/or economic-financial support for the local company or branch to be incorporated provided in SECTION 3.6 below and ratify it at the time of incorporation of the local controlled company or branch.
- c. Control structure of the business group to which it belongs.

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- d. Incorporation of domicile in the Autonomous City of Buenos Aires and express acceptance of the clause of solution of controversies foreseen in the present TENDER to all the effects derived from the contest and of the eventual PERMIT that is granted.
- e. Affidavit of non-existence of incompatibility and inability to submit OFFERS, and in particular not to comply with any of the prohibitions set forth in Law No. 26,659 which establishes conditions for the exploration and exploitation of HYDROCARBONS on the Argentine Continental Shelf.
- f. Proof of payment of access codes to the Digital Database in accordance with the provisions of SECTION 1.2 hereof.
- g. Affidavit of Interest provided for in Decree No. 202 of March 21, 2017.



3.5.2. ECONOMIC-FINANCIAL INFORMATION:

Authorization Type	Operator A	Operator B	Operator C	Non Operator A, B or C
Requirements	Operation in all the AREAS	Operation in all the AREAS	Operación in the AREA of shallow waters, as indicated in ANNEX I	Participation as investment partner in the type of corresponding operation.
	a. Equity of last fiscal period in excess of a sum TWO HUNDRED FIFTY MILLION MILLION US DOLLARS (250.000.000 USD) or, indistinctly;	a. Equity of last fiscal period in excess of a sum ONE HUNDRED MILLION US DOLLARS (USD 100.000.000) or, indistinctly;	a. Equity of last fiscal period in excess of a sum THIRTY MILLION US DOLLARS (USD 30.000.000) or, indistinctly;	a. Equity of last fiscal period in excess of a sum of FIFTY PERCENT (50%) of amount required for each Operator, according to type of authorization; or, indistinctly
	b. The average of capital investments of last 3 fiscal periods in excess of SEVEN HUNDRED MILLION U.S. DOLLARS (700.000.000 USD)	b. The average of capital investments of last 3 fiscal periods in excess of THREE HUNDRED MILLION US DOLLARS (300.000.000 USD)	b. The average of capital investments of last 3 fiscal periods in excess of ONE HUNDRED MILLION US DOLLARS (USD 100.000.000)	b. The average of capital investments of the last 3 fiscal periods in excess of a sum of FIFTY PERCENT (50%) of amount required for each Operator, according to type of authorization

Audited Financial Statements for the last three closed fiscal years.

**Documentation to be submitted**

3.5.3. TECHNICAL INFORMATION ON THE OPERATOR:

<b>Type of Authorization</b>	<b>Operator A</b> Operation in all the AREAS.	<b>Operator B</b> Operation in AREAS of Deep and Shallow waters, according to ANNEX I.	<b>Operator C</b> Operation in AREAS of Shallow Waters, according to ANNEX I.
<b>Requirements</b>	<p>Production: TWENTY THOUSAND (20.000) Barrels of Petroleum Equivalent (BPE) per day on Average for THREE (3) prior years to International Public Tender, or; prove to have operated at least THREE (3) exploratory offshore wells in more than FIVE HUNDRED METERS (500 m) of water depth in last FIFTEEN (15) years.</p> <p>Operation: Have operated at least once in waters of a depth greater than FIVE HUNDRED METERS (500 m) (in exploration or exploitation of HYDROCARBONS) in the last FIFTEEN (15) years.</p>	<p>Production: TEN THOUSAND (10.000) Barrels of Petroleum Equivalent (BPE) per day on average for THREE (3) prior years to International Public Tender or; prove to have operated at least THREE (3) exploratory offshore wells in more than ONE HUNDRED (100 m) of water depth in the last FIFTEEN (15) years.</p> <p>Operation: Have operated at least once in waters of a depth greater than ONE HUNDRED METERS (100m) (in exploration or exploitation of HYDROCARBONS) in the last FIFTEEN (15) años.</p>	<p>Producción: FIVE THOUSAND (5.000) Barrels of Petroleum Equivalent (BPE) per day on average for prior THREE (3) years to International Public Tender; or prove to have operated at least THREE (3) exploratory wells offshore wells in the last FIFTEEN (15) years.</p> <p>Operation: Have operated at least once in development of off shore exploration or exploitation of HYDROCARBONS in the last FIFTEEN (15) years</p>
<b>Documentation to present</b>	Documentation submitted to the Stock Exchanges, Securities Market, or regulatory entities, resulting in compliance with the established requirements, or that which accredits in a reliable manner, at the discretion of the APPLICATION AUTHORITY, such compliance.		

3.6. Those interested in being included in the LIST that by themselves do not meet the requirements established in SECTIONS 3.5.2. and 3.5.3. must present a guarantee of technical and/or economic-financial support, as appropriate, from their controlling companies that meet the qualification requirements set forth. When the guarantees of technical, economic or financial support come from foreign controlling companies, they must be drafted in terms that explicitly ensure the enforceability of the obligations set forth in this TENDER in accordance with the requirements established in Argentine Law. The controlling company that provides the guarantee must assume joint and several liability before the APPLICATION AUTHORITY for all purposes derived from the Contest, together with the company controlled by the one that provides the guarantee. Such guarantees shall be in force not only with respect to inclusion in the LIST, but also as support for the obligations of the local branch or the controlled that is the holder of a PERMIT and may not be substituted during the validity of the PERMIT without the prior express consent of the APPLICATION AUTHORITY. The companies providing the guarantee must comply with the delivery of the documentation referred to in SECTION 3.5.

3.7. Those companies interested in inclusion in the LIST and/or their controlling companies that provide the guarantee mentioned in the preceding article, that prove that they are included in the latest ranking published by "Energy Intelligence Top 100 and/or Top 50: Global NOC & IOC Rankings", may request their direct inclusion in the aforementioned LIST. In case of proving its inclusion in said ranking, the APPLICATION AUTHORITY shall consider the requirements established in SECTIONS 3.5.2 and 3.5.3 to be fulfilled. In such case, said companies shall be included as Operators A, and shall only present the documentation referred to in SECTION 3.5.1.

#### **SECTION 4 - CONSULTATIONS AND CLARIFICATIONS:**

The purchasers of the password to access the Digital Database in accordance with the provisions of SECTION 1.2 of this TENDER may make queries and/or clarifications regarding its content, through the webpage of the International Offshore Public Competition No. 1 enabled within the site of the GOVERNMENT SECRETARIAT OF ENERGY (<[www.minem.gob.ar](http://www.minem.gob.ar)>), until THIRTY (30) days before the OPENING DAY. The texts of the consultations and their answers will be made public on the aforementioned webpage.

#### **SECTION 5 - PRESENTATION AND OPENING OF THE OFFERS:**

5.1. The OFFERS will be received on the OPENING DAY, in a sealed envelope, with the following legend: GOVERNMENT SECRETARIAT OF ENERGY, INTERNATIONAL PUBLIC TENDER N° 1 and the identification of the Basin to which the AREA for which the OFFER is presented belongs. ONE (1) sealed envelope must be submitted for each AREA for which an OFFER is submitted. The

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place, time, procedure and order of presentation and opening of the OFFERS will be defined by the APPLICATION AUTHORITY, by itself or through its dependencies, with THIRTY (30) days of anticipation to the OPENING DAY.

5.2. OFFERS must be clear and complete, without any conditions, written in Spanish, presented in original and ONE (1) copy, signed on all pages by the person or persons who can prove that they are duly authorized by the OFFERER (according to the documentation presented in the LIST provided for in SECTION 3 herein), which must save with their headings any scratches or amendments that are contained. With respect to the copy that accompanies the original copy of the OFFER, it will be admitted that they do not bear signatures.

5.3. The presentation of an OFFER will signify the full knowledge and acceptance of the terms and conditions established in the TENDER and the clarifications and circulars that the APPLICATION AUTHORITY has issued in relation to it, by itself or through its dependencies and the express and irrevocable renunciation to its questioning. The OFFERS shall have a minimum term of validity of ONE HUNDRED TWENTY (120) calendar days from the OPENING DAY.

5.4. The presentation of the OFFER does not give rise to any right in favour of the OFFERER, nor any obligation of any nature on the part of the APPLICATION AUTHORITY. Therefore, the OFFERER acknowledges that the APPLICATION AUTHORITY may invalidate International Offshore Tender No. 1 without effect at any time or may declare it void or unsuccessful in whole or in part without giving the OFFERER any right of claim whatsoever against the APPLICATION AUTHORITY or the NATIONAL STATE for any reason whatsoever.

5.5. The sealed envelope of the OFFER must contain the Form of Submission of Offer in accordance with ANNEX 4 hereof, in which the following information shall be stated:

- a. The WORKING UNITS that the OFFERER is obliged to carry out during the first PERIOD OF EXPLORATION, which must be equal to or greater than the MINIMUM WORKING UNITS determined for the AREA.
- b. If applicable, the ENTRY BOND.
- c. The commitment to drill ONE (1) EXPLORATION WELL, as a minimum, in the SECOND EXPLORATION PERIOD, if said period is accessed.
- d. The commitment to drill ONE (1) EXPLORATION WELL, as a minimum in the EXTENSION, if said period is accessed.
- e. In the event that the OFFERER is a consortium of companies, the companies making up said consortium must present their commitment to enter into a consortium agreement of companies in accordance with the legislation in force, together with an affidavit of joint and several liability to the APPLICATION AUTHORITY for all purposes arising from the International Offshore Public Tender No. 1, and the PERMIT, and must also constitute a consortium domicile, unify its legal representation and detail the participation percentages of each of the companies and which of them will be the OPERATOR of the AREA.

5.6. Together with its OFFER, the OFFERER or any of its members on behalf of the OFFERER shall submit an OFFER MAINTENANCE GUARANTEE for the sum of US DOLLARS ONE HUNDRED THOUSAND (USD 100,000) for each of the OFFERED AREAS, with a minimum term of maintenance of the respective offer of ONE HUNDRED AND TWENTY (120) calendar days from the OPENING DAY. The OFFER MAINTENANCE GUARANTEE shall provide that, in the event that the OFFERER is awarded any of the AREAS, its term shall be automatically extended until the date on which the OFFERER delivers the COMPLETION GUARANTEE.

The OFFER MAINTENANCE GUARANTEE shall be constituted in favor and to the satisfaction of the APPLICATION AUTHORITY, in one of the forms described below:

(a) By means of a bank bond, which shall be irrevocable, unconditional, extendable, payable on demand and on first demand, constituted by means of the corresponding document guaranteeing the OFFERER, issued by a bank or first line financial institution and to the satisfaction of the APPLICATION AUTHORITY, as plain, flat and principal guarantors with waiver of the benefits of excusion, division and judicial interpellation prior to the debtor, in the terms of sections 1584 and 1589 of the Civil and Commercial Code of the Nation. Bonds issued by a foreign bank must be apostilled in accordance with the norms of the Hague Convention and legalized by the Ministry of Foreign Affairs and Worship of the ARGENTINE REPUBLIC and have been confirmed by a bank domiciled in the ARGENTINE REPUBLIC and authorized to operate in the ARGENTINE REPUBLIC.

(b) By means of a private surety insurance policy, granted by a leading insurance company to the satisfaction of the APPLICATION AUTHORITY, authorized by the Superintendency of Insurance of the Nation. The insurance company must constitute itself as guarantor with express waiver of the benefits of excusion and division under the terms of the Civil and Commercial Code of the Nation. If the surety insurance policy presented is not of a private nature, the Offer will be automatically disqualified.

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(c) Through the opening of an irrevocable, unconditional, extendable "Stand By Letter of Credit", payable on demand and on first sight, granted by a leading bank to the satisfaction of the APPLICATION AUTHORITY, in the capacity of direct, plain and principal guarantor with waiver of the benefits of exclusion, division and judicial interpellation prior to the debtor, in the terms of sections 1584 and 1589 of the Civil and Commercial Code of the Nation. Stand By Letters of Credit issued by a foreign bank must be apostilled in accordance with the norms of the Hague Convention, legalized by the Ministry of Foreign Affairs and Worship of the ARGENTINE REPUBLIC and confirmed by a bank domiciled in the ARGENTINE REPUBLIC and authorized to operate in the ARGENTINE REPUBLIC.

5.7. With respect to a particular AREA, only ONE (1) OFFER per OFFERER and per company making the OFFER will be accepted.

5.8. Only OFFERS that have fulfilled all the conditions stipulated in the TENDER and its clarifications will be considered admissible and suitable for analysis, and those that do not comply with them or that, due to insurmountable deficiencies, do not allow their evaluation and/or comparison in conditions of equality with the remaining admissible OFFERS will be rejected as inadmissible.

5.9. The opening of envelopes will take place on the OPENING DAY, in a public act, and will be attended by the notary public designated for this purpose. The designated officials of the APPLICATION AUTHORITY shall proceed to open and exhibit the OFFERS received, delivering the copy of each OFFER to the Notary Public.

5.10. The list of OFFERERS and their OFFERS with respect to each of the AREAS will be made known to the general public on the same OPENING DAY at the public event and then through the website set up within the website of the GOVERNMENT SECRETARIAT OF ENERGY (<<[www.minem.gob.ar](http://www.minem.gob.ar)>>).

## **SECTION 6 - CRITERIA FOR EVALUATING OFFERS:**

For the calculation of the most convenient OFFER for each AREA, the APPLICATION AUTHORITY shall consider the WORKING UNITS offered for the FIRST EXPLORATION PERIOD and, where applicable, the ENTRY BONUS offered.

The most convenient OFFER for an AREA will be the one with the highest value in U.S. Dollars resulting from applying the following formula:

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OFFER (USD) = WUC x 5000 USD/WU + BONUS (\*)

**Being:**

**WUC:** the WORKING UNITS included in the OFFER for the FIRST PERIOD OF EXPLORATION.

(\*) Will only be considered in those cases where WUC is greater than or equal to the BASIC WORKING UNITS.

**SECTION 7º - ANALYSIS OF OFFERS AND AWARDING CRITERIA:**

7.1. Within TEN (10) calendar days of the OPENING DAY, an Evaluation Commission of the APPLICATION AUTHORITY shall submit a non-binding report to the APPLICATION AUTHORITY with the final list of OFFERS, and its recommendation for the award of PERMITS, according to the most convenient OFFER criteria established in SECTION 6º.

7.2. The APPLICATION AUTHORITY, in case or any body dependent on it, may make consultations to the OFFERERS and request the clarifications and amplifications on the OFFERS received that it considers pertinent, as well as the non-substantial formal corrections that it considers necessary to make the due comparison between them, the OFFERERS being obliged to submit and/or rectification within the term determined by said body. If after this period the required complementary information has not been satisfactorily received or the deficiencies have not been corrected, it may be declared that the OFFER is formally inadmissible. Under no circumstances shall the APPLICATION AUTHORITY admit any modification of the economic proposal contained in the envelope presented by the OFFERERS. The APPLICATION AUTHORITY may reject OFFERS that it does not consider convenient or that do not conform to the TENDER.

7.3. EQUALITY OF OFFERS.

In the case of EQUAL OFFERS, the following procedure shall be followed:

a. In those AREAS in which, according to ANNEX I of the TENDER, they are subject to the private initiative regime in the terms of the second paragraph of section 46 of Law No. 17,319, and where the holder of said private initiative has at least a percentage of participation of THIRTY PERCENT (30%) in the consortium of OFFERER companies, the OFFERER that includes the holder of said private initiative shall be awarded.

b. In all other cases, the OFFERERS that submitted OFFERS of the same amount shall improve their OFFERS in sealed envelopes before the APPLICATION AUTHORITY, in order to untie, on the date and place determined by said authority, by itself or through its dependencies, and according to the procedure established in SECTION 6º.

7.4. A competition for an AREA shall be deemed to be deserted if no proposal is submitted. The contest for an AREA will be considered unsuccessful when there is no offer for it that meets the conditions established in this TENDER.

#### **SECTION 8º - AWARDING:**

8.1. Within THIRTY (30) calendar days of the OPENING DAY, the APPLICATION AUTHORITY shall issue the relevant act with the list of successful bidders of the AREAS.

8.2. In the event that an AREA cannot be awarded due to issues of the OFFERER which has submitted the most suitable OFFER for an AREA, the APPLICATION AUTHORITY may reject the selected OFFER and choose to award the AREA in question to the OFFER(S) following it in order of merit, all without any right to compensation, claim or payment in favour of the rejected OFFER(S) under the terms of this article.

#### **SECTION 9º - PERMISSION TITLE GRANT**

9.1. Within FIFTEEN (15) calendar days from the date it is published in the Official Gazette, the resolution of the GOVERNMENT SECRETARIAT OF ENERGY granting the OFFERER the PERMIT on the AREA, the APPLICATION AUTHORITY must deliver, to the General Notary of the National Government, the original documents indicated below:

- a. Certified copy of Decree No. 872/2018.
- b. Certified copy of this resolution approving the TENDER and its annexes.
- c. Certified copy of the consultations, clarifications and modifications to the TENDER, with the answers of the APPLICATION AUTHORITY that are applicable to the relationship between the PERMISSIONARIES and the APPLICATION AUTHORITY.
- d. The OFFER submitted by the OFFERER that was awarded the AREA.
- e. Certified copy of the resolution by which the APPLICATION AUTHORITY awarded the AREA to the OFERER, pursuant to SECTION 8.1 of the TENDER.

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Certified copy of the resolution by which the APPLICATION AUTHORITY granted the OFFERER the PERMIT over the AREA, according to the model in APPENDIX 2.

9.2. The Notary General of the Government shall protocolize or transcribe in the NATIONAL STATE REGISTER the documentation delivered by the APPLICATION AUTHORITY.

9.3. The testimony of the documentation recorded in the NATIONAL STATE REGISTRY shall constitute the DEFINITIVE TITLE of the right granted and shall be delivered to the OFFERER who has received the PERMIT herein mentioned.

9.4. Companies incorporated abroad must prove, prior to the granting of the PERMIT, compliance with the registration provided for in SECTION 3.5.1.b) of this TENDER, pursuant to sections 118, 123 and subsequents of Law No. 19.550 and the ratification of the guarantee of technical and/or economic support provided for in SECTION 3.6 hereof.

9.5. PERMISSIONARIES must also comply with the norms of the Hydrocarbon Exploration and Exploitation Companies Registry established by Resolution 407/2007 of the former National Secretariat of Energy, and with the rest of the regulations in force.

## **SECTION 10º - EXPLORATION PERMIT:**

10.1. The successful OFFERER shall be entitled to enter the AREA from the PERMIT DATE.

The EXPLORATION PERIOD(S) shall be those indicated, for each particular AREA, in ANNEX I.

10.2. The WORKING UNITS OFFERED shall be of mandatory compliance and shall refer to a program that shall include the execution of exploratory works and that may include well drilling, to be performed according to the most modern and efficient techniques, valued and grouped according to the headings established in APPENDIX 5.

10.3. According to the development of the exploration and its better knowledge of the AREA, the PERMISSIONARY may modify the presented work program, replacing, at its discretion and without prior consent of the APPLICATION AUTHORITY, up to FORTY PERCENT (40 %) of the exploratory tasks comprising the OFFERED WORKING UNITS, only by the following exploratory tasks: Acquisition and processing of 2D Seismic; Acquisition and processing of 3D Seismic; Exploratory Wells; always maintaining the total amount of OFFERED WORKING UNITS.

10.4. PERMISSIONARIES may compute as WORKING UNITS in excess of MINIMUM WORKING UNITS, works and documentation related to the AREA of surface recognition permit holders that they have acquired during the THREE (3) years immediately preceding the OPENING DAY. Only the WORKING UNITS carried out within the perimeter of the AREA will be computable.

Without prejudice to the provisions of the preceding paragraph, with respect to those exploratory tasks expressed in square kilometers, a maximum of ONE HUNDRED TWENTY PERCENT (120%) of the exploratory task obtained by the PERMISSIONARY within the AREA shall be computed.

In order for the information referred to in the previous paragraphs to be discounted from the OFFERED WORKING UNITS, the PERMISSIONARIES must have obtained it from the superficial recognition permits within EIGHTEEN (18) months following the granting of the PERMISSIONARY.

10.5. If the PERMISSIONARY does not comply with the performance of the WORKING UNITS committed for a PERIOD OF EXPLORATION, it shall pay to the NATIONAL STATE the REMAINING WORKING UNITS within THIRTY (30) days of restitution of the AREA, or at the completion of the respective PERIOD OF EXPLORATION, whichever occurs first. If in any of the EXPLORATION PERIODS the WORKING UNITS performed exceed the respective commitments, the PERMISSIONARY may assign the excess performance to the EXPLORATION PERIOD or subsequent EXPLORATION PERIODS. However, in no event shall the PERMISSIONARY compensate for the obligation to drill an EXPLORATION WELL provided by this TENDER for any EXPLORATION PERIOD with WORKING UNITS from other exploration activities.

10.6. In the event that the PERMISSIONARY drills ONE (1) EXPLORATION WELL complying with the MINIMUM DEPTH required, during the FIRST EXPLORATION PERIOD, and chooses to proceed to the SECOND EXPLORATION PERIOD, the commitment to drill ONE (1) EXPLORATION WELL of the SECOND EXPLORATION PERIOD provided for in the following article shall be deemed fulfilled.

10.7. Upon choosing to proceed to the SECOND EXPLORATION PERIOD, the PERMISSIONARY shall submit an exploration plan, assuming, as a minimum, the irrevocable commitment to drill ONE (1) EXPLORATION WELL that meets the MINIMUM DEPTH required. In the event that technical reasons accredited by the PERMISSIONARY, to the satisfaction of the APPLICATION AUTHORITY, indicate the need for additional prospecting work prior to drilling the well, the PERMISSIONARY may request authorization to postpone the commitment to drill such EXPLORATION WELL in the EXTENSION, accompanying a plan of work to be carried out until such drilling is completed, which shall be carried out within the first TWO (2) years of the EXTENSION.

10.8. The successful offerer may make use of the EXTENSION, for which it must submit an exploration plan, assuming, as a minimum, the irrevocable commitment to drill ONE (1) EXPLORATION WELL that meets the MINIMUM DEPTH required. In the event that the commitment to drill ONE (1) EXPLORATION WELL from the SECOND EXPLORATION PERIOD to the EXTENSION has been postponed, the succesful offerer shall drill at least TWO EXPLORATION WELLS that meet the MINIMUM DEPTH required.

10.9. In the event that HYDROCARBONS are extracted during the term of the PERMIT, the PERMISSIONARY shall pay the FIFTEEN PERCENT (15%) royalty provided for in Section 21 of Law No. 17.319.

10.10. PERMISSIONARIES must have adequate insurance coverage during the entire term of the PERMIT for any damage to the NATIONAL STATE and/or third parties derived from incidents that occur as a result of the execution of the work committed and developed.

10.11. In accordance with section 71 of Law No. 17.319, the PERMISSIONARY shall give preference to the hiring of Argentine citizens in its operations, training the personnel under its dependence in the most modern techniques of the activity. He shall submit to the APPLICATION AUTHORITY proof of the training plans dictated and of the program for hiring national personnel in order to achieve the objective set forth in SECTION 11.9 hereof.

## **SECTION 11 - EXPLOITATION CONCESSION:**

11.1. In accordance with the provisions of section 17 and subsequent sections of Law No. 17.319, the PERMISSIONARY shall have the right to obtain a CONCESSION on the HYDROCARBONS discovered within the perimeter delimited by the PERMIT.

11.2. The PERMISSIONARY may, at the time of applying for the granting of the CONCESSION in respect of those lots corresponding to predominantly gasiferous deposits in Shallow waters and deposits of all types in Deep and Very Deep waters, as specified in ANNEX I, petition the APPLICATION AUTHORITY that the CONCESSION is granted with the suspension of the obligation to carry out its development. To this end, the PERMISSIONARY must accredit, by means of a detailed report, which are the difficulties that hinder the development of the discovery, such as lack of necessary backbone infrastructure and/or reasons of economy of the investment, and must manifest, unavoidably, which would be the conditions that, minimally, would allow a profitable development to be carried out.

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In order to request the suspension of the development, the PERMISSIONARY must have drilled at least TWO (2) wells in each of the deposits on which the suspension is requested. The suspension of the development may be granted for a term of up to FIVE (5) years from the granting of the CONCESSION, extendable by the APPLICATION AUTHORITY up to an additional FIVE (5) years in case of subsistence of the not convenient conditions invoked and accredited by the CONCESSIONARY.

11.3. The suspension of the development established in the previous section shall not suspend the original term of the CONCESSION, which shall become effective as from the publication of the administrative act granting it, but shall only authorize the CONCESSIONARY to keep the EXPLOITATION LOT in respect of which the CONCESSION was granted, with no obligation to invest in its development during the suspension term, pending the change of the circumstances accredited by the future CONCESSIONARY and accepted by the APPLICATION AUTHORITY.

11.4. The fee to be paid for the CONCESSION shall be calculated by multiplying the amount established in Section 58 of Law No. 17.319, as amended, by the area of the EXPLOITATION LOTS covered by the CONCESSION in question, even if the development had been suspended pursuant to Section 11.2 hereof.

11.5. The CONCESSIONARY shall pay royalties on the production of the valued CONCESSION in accordance with the applicable regulations up to the percentage arising from the application of the following formula, in accordance with the provisions of section 59 of Law No. 17,319 and section 2 and Annex II of Decree No. 872/2018:

a) For any R FACTOR (as defined below) less than or equal to ONE AND TEN HUNDRETH (1.10), the applicable royalty rate shall be FIVE PERCENT (5%).

b) For any R FACTOR (as defined below) greater than ONE AND TEN HUNDRETH (1.10) and less than ONE AND EIGHTY HUNDRETH (1.80) the applicable royalty rate shall be determined by multiplying by TEN (10) the applicable R Factor and subtracting SIX (6).

c) For any R FACTOR (as defined below) equal to or greater than ONE AND EIGHTY HUNDRETH (1.80) the applicable royalty rate shall be TWELVE PERCENT (12%).

***Being***

FACTOR R= 
$$\frac{\text{CUMULATIVE OF (SALES OF PRODUCTION - ROYALTIES)}}{\text{CUMULATIVE OF (INVESTMENTS E\&A + CAPEX + OPEX.)}}$$

**PRODUCTION SALES:** These are the sales of HYDROCARBONS of the CONCESSION considered for the calculation of the ROYALTIES in accordance with the applicable regulations.

**ROYALTIES:** They are the royalties paid by the CONCESSIONARY, either those foreseen in Law N° 17.319 and complementary regulations as well as those contemplated in ARTICLE 11.10 of this TENDER.

**E&A INVESTMENTS:** These are the WORKING UNITS effectively carried out in the AREA during the PERMIT, plus the ENTRY BONUS paid by the PERMISSIONARY and not replaced by WORKING UNITS excluding the WORKING UNITS of the exploratory and/or delineation wells that are not located within the CONCESSION. Should more than one CONCESSION arise from the same PERMIT, the subsequent CONCESSIONS may not be considered as WORKING UNITS and ENTRY BONUS included in the calculation of the R FACTOR of a previous CONCESSION.

**CAPEX:** These are the investments in the development of the CONCESSION defined in ANNEX 6.

**OPEX :** These are the Operating Expenses defined in ANNEX 6.

The FACTOR R will be calculated annually by CONCESSION, on December 31 of each year, and will be rounded to two decimals, rounding up in order to obtain the second decimal, if the third decimal is greater than or equal to FIVE (5), and down in case the third decimal is less than FIVE (5).

The values of PRODUCTION SALES and ROYALTIES shall be the amounts in pesos determined monthly expressed in U.S. Dollars, adopting the exchange rate established by the BANCO DE LA NACIÓN ARGENTINA selling rate, corresponding to the closing of the last business day of the corresponding month.

The values of CAPEX and O.E shall be expressed in U.S. Dollars as detailed in ANNEX 6.

Royalties arising from the calculation of FACTOR R as of December 31 of each year shall apply to the period between April 1 of the following year and March 31 of the following year.

11.6. In the event of basins shared between TWO (2) or more CONCESSIONARIES, none of them may conduct their operations in such a way as to cause damage to neighbouring CONCESSIONARIES ( section 36, second paragraph of Law No. 17,319). At the request of any of the CONCESSIONARIES,

the APPLICATION AUTHORITY shall evaluate the situation and, if appropriate, shall establish that the site in question is a shared site capable of unification. In this case, the CONCESSIONARIES involved shall have a term of up to SIX (6) months to reach an agreement on how to exploit said shared deposit, which shall be subject to the approval of the APPLICATION AUTHORITY. Upon expiration of such period without having reached an agreement, the CONCESSIONARIES involved shall submit the dispute to an arbitrator chosen by mutual agreement of the Parties in accordance with the provisions of this TENDER, or in its absence, by the APPLICATION AUTHORITY.

11.7 The CONCESSIONARIES, in order to achieve greater efficiency and effectiveness of their investments and the resulting production thereof, undertake to provide open access to the remaining capacity of their infrastructure facilities (including, but not limited to, transportation, compression and treatment facilities) at market rates and under conditions of transparency and non-discrimination, to any CONCESSIONARY requiring such access.

11.8 The CONCESSIONARIES must have adequate insurance coverage during the entire term of the CONCESSION for any damages to the NATIONAL STATE and/or third parties derived from incidents that occur as a result of the execution of the works committed and developed.

11.9 In accordance with section 71 of Law No. 17,319, the PERMISSIONARY shall give preference to the hiring of Argentine citizens in its operations, training the personnel under its dependence in the most modern techniques of the activity. To this effect, it shall submit to the APPLICATION AUTHORITY proof of the training plans dictated, as well as the degree of progress in the training and hiring plans of Argentine citizens. The CONCESSIONARY shall adopt the measures available to it so that, as of the beginning of the production of HYDROCARBONS under the CONCESSION, the percentage of Argentine citizens employed in activities related to the CONCESSION shall be at least FIFTY PERCENT (50%) of the personnel employed, increasing said percentage by at least FIVE PERCENT (5%) each year until reaching a minimum percentage of SEVENTY - FIVE PERCENT (75%).

However, if a number of Offshore CONCESSIONS is granted in such a way as to make it impossible to achieve, within the period previously established, the minimum percentage of qualified Argentine citizens employed as established in this article, the CONCESSIONARY may submit this situation to consideration by the APPLICATION AUTHORITY, proposing a plan that would allow it to reach the minimum percentage in question within a new period.

11.10. The payments or contributions in kind that the NATIONAL STATE must make under the terms of section 82 of the United Nations Convention on the Law of the Sea, are assumed by the CONCESSIONARY as an obligation under the terms of this TENDER. The CONCESSIONARY shall deliver to the NATIONAL STATE a sum or amount of HYDROCARBONS equivalent to that which should be paid or delivered by the NATIONAL STATE, as notified by the NATIONAL STATE in writing not less than THIRTY (30) days prior to the date of payment or delivery of the HYDROCARBON therein.

## SECTION 12<sup>o</sup> - GUARANTEE OF PERFORMANCE:

12.1. Within THIRTY (30) calendar days from the PERMIT EFFECTIVE DATE the PERMISSIONARY or its OPERATOR (on behalf of the PERMISSIONARY) shall constitute, subject to the resolutive condition of the PERMIT and to the satisfaction of the APPLICATION AUTHORITY, the COMPLIANCE WARRANTY in an amount equivalent to:

- a.- ONE HUNDRED PERCENT (100%) of the amount of the MINIMUM WORKING UNITS plus,
- b.- TWENTY-FIVE PERCENT (25%) of the WORKING UNITS committed above the MINIMUM WORKING UNITS plus,
- c.- FIFTY PERCENT (50%) of the amount provided for in SECTION 2.3.b).

12.2. The amount of the COMPLIANCE GUARANTEE may be adjusted annually as the WORKING UNITS OFFERED are complied with, under the following premises:

- a.- Firstly, the MINIMUM WORKING UNITS must first be deducted.
- b.- At all times the COMPLIANCE GUARANTEE must cover the TWENTY-FIVE PERCENT (25%) of the committed WORKING UNITS above the MINIMUM WORKING UNITS pending execution.
- c.- In accordance with the provisions of SECTION 2.3, in the event that the PERMISSIONARY has executed WORKING UNITS in excess of the WORKING UNITS OFFERED, the COMPLIANCE GUARANTEE on the ENTRY BONUS shall be deducted in the same incidence from the compensation that has been practiced.

12.3. Within THIRTY (30) calendar days of notification by the PERMISSIONARY of its decision to proceed to the Second EXPLORATION PERIOD, or to the EXTENTION, the PERMISSIONARY'S OPERATOR shall constitute, under the resolutive condition of the PERMIT, to the satisfaction of the APPLICATION AUTHORITY, and in an amount equivalent to those set forth below, a WARRANTY OF COMPLIANCE for each mandatory EXPLORATION WELL under the terms of SECTIONS 10.7 y 10.8:

- a.- **Shallow Waters** (as established in ANNEX I of this TENDER): US DOLLARS TEN MILLION (USD 10,000,000.00).
- b.- **Deep Waters** (as established in ANNEX I of this TENDER): UNITED STATES DOLLARS SEVENTEEN MILLION (USD 17,000,000).

c.- **Very Deep Waters** (as established in APPENDIX I of this TENDER): US DOLLARS TWENTY-TWO MILLION (USD 22,000,000).

The obligation to maintain this WARRANTY OF COMPLIANCE shall cease upon completion of the drilling, to the satisfaction of the APPLICATION AUTHORITY, of the mandatory EXPLORATION WELL under the terms of SECTIONS 10.7 and 10.8.

12.4. The GUARANTEES OF COMPLIANCE must be constituted in one of the forms foreseen in SECTION 5.6.

12.5. None of the GUARANTEES OF COMPLIANCE shall in any way limit the liability of the OFFERER or the PERMISSIONARY and, in the case of SECTION 3.6 of this TENDER, of its controlling party, for the obligations arising from this International Public Tender, the OFFER, the PERMIT, the TENDER and the applicable law.

### **SECTION 13 - FORTUITOUS EVENT OR FORCE MAJEURE:**

The party affected by CASE FORTITLE or FORCE MAJEURE shall notify such circumstance to the APPLICATION AUTHORITY as soon as reasonably practicable and not later than TEN (10) calendar days after the occurrence of the FORTUITOUS EVENT or FORCE MAJEURE, evidencing the nature, duration and extent of the FORTUITOUS EVENT or FORCE MAJEURE. As soon as the cause of FORTUITOUS EVENT or FORCE MAJEURE disappears, you must notify the APPLICATION AUTHORITY.

### **SECTION 14 - THE ENVIRONMENT:**

14.1. PERMISSIONARIES and/or CONCESSIONARIES shall carry out the activities covered by the TENDER and/or the CONCESSION in a manner compatible with the conservation and protection of the environment and of any other resource, for which they shall be obliged to use the best available techniques to prevent and mitigate negative environmental impacts. At the same time, they will make a rational use of natural resources.

14.2. PERMISSIONARIES and/or CONCESSIONARIES shall have implemented an Environmental Management System designed in accordance with recognized international models for the activities covered by the PERMIT and/or CONCESSION, including risk assessment and management.



14.3. The PERMISSIONARIES and/or CONCESSIONARIES shall comply with the legal and regulatory provisions of the ARGENTINE REPUBLIC and the relevant International Agreements and Treaties, signed and ratified by the ARGENTINE REPUBLIC and the specific guidelines established by the APPLICATION AUTHORITY, which are in force at all times.

The standards and guidelines to be issued by the APPLICATION AUTHORITY shall follow the standards or guidelines of good environmental practices of international application, such as: AMERICAN PETROLEUM INSTITUTE (API), INTERNATIONAL STANDARIZATION ORGANIZATION (ISO), and INTERNATIONAL MARITIME ORGANIZATION (IMO).

14.4. The PERMISSIONARY and/or CONCESSIONARY shall be responsible for the environmental liabilities generated as a consequence of the oil operations under their responsibility and shall assume the costs of the remedial actions required to eliminate them.

14.5. It shall be the obligation of the PERMISSIONARIES and/or CONCESSIONARIES to carry out the activities related to the abandonment of the wells they drill, and they shall be exclusively responsible for all costs, expenses and responsibilities for the same. In addition to the applicable regulations on the matter, the PERMISSIONARIES and/or CONCESSIONARIES undertake to adopt those practices commonly accepted by the international community in this type of abandonment tasks, such as those emanating from the International Entities mentioned in SECTION 14.3.

#### **SECTION 15 – SANCTIONS:**

Failure to comply with the obligations of the PERMISSIONARY and/or CONCESSIONARY shall authorize the APPLICATION AUTHORITY to initiate actions aimed at verifying the non-compliance, and to resolve, if appropriate, the application of the sanctions established in section 80 and Title VII of Law No. 17,319.

#### **SECTION 16 - APPLICABLE LAW:**

The current legislation of the ARGENTINE REPUBLIC, in particular Law No. 17,319 and concordant laws, Decree No. 872/2018, the resolution approving this TENDER and this TENDER shall be applicable to this International Public Contest, and to the relations and situations arising therefrom.

#### **SECTION 17 - SETTLEMENT OF DISPUTES:**

17.1. The PERMISSIONARIES and CONCESSIONARIES agree to settle any divergence

arising from this International Public Tender and the eventual PERMIT and CONCESSION granted, through friendly negotiations with the NATIONAL STATE, which will be held in good faith during the period of THIRTY (30) calendar days counted from the reliable written communication sent by one party to the other party notifying it of the existence of a dispute. This period may be extended by agreement of the parties. The parties, by mutual agreement, may at any time restart friendly negotiations.

17.2. Once the friendly negotiations have ended without any agreement having been reached between the parties with respect to the controversy, any divergence derived from the present contest and from the eventual PERMIT and CONCESSION granted shall be submitted, in the terms of section 86 of Law No. 17.319, to the decision of: (i) the competent federal courts with headquarters in the Autonomous City of Buenos Aires if the total amount in dispute does not exceed the US DOLLARS TWENTY MILLION (USD 20,000.000); or (ii) an arbitral tribunal, only in those cases in which the total amount in dispute is greater than US DOLLARS TWENTY MILLION (USD 20,000,000), and the PERMISSIONARY or CONCESSIONARY submits a request for arbitration to the other party, the prior exhaustion of the administrative instance not being required.

17.3. The arbitration shall take place before a tribunal to be constituted in accordance with the Arbitration Rules chosen by mutual agreement of the parties. If the parties do not agree on the Arbitration Rules to be applied within twenty (20) calendar days from the filing of the request for arbitration under SECTION 17.1, the arbitration shall be conducted in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) in force at the time of the notification of the dispute under SECTION 17.1.

17.4. The arbitration shall be of law and the dispute shall be resolved in accordance with the applicable law set forth in SECTION 16.

17.5. The arbitral tribunal shall be composed of THREE (3) members, chosen in the manner and within the time limits established by the parties by mutual agreement. In the absence of an agreement, each party shall appoint a member of the arbitral tribunal within SIXTY (60) calendar days following the delivery by one party to the other party of a reliable written communication indicating its intention to submit any arbitrable dispute. The third member of the arbitral tribunal shall be appointed by agreement of both arbitrators from among the arbitrators who are members of the Permanent Court of Arbitration at The Hague, The Netherlands ("PCA").

If the arbitrators appointed by the parties are unable to agree on the appointment of the third arbitrator within SIXTY (60) calendar days of the appointment of the second arbitrator, then any of the parties may request in writing to the President of the Supreme Court of Justice of the Nation to make such appointment from among the arbitrators who are members of the PCA.

If after SIXTY (60) working days from the request of any of the parties, if the President of the Supreme Court of Justice of Argentina has not appointed the third arbitrator, then said third arbitrator shall be appointed by the Secretary General of the PCA, at the request of any of the parties.

17.6. The seat of the arbitration shall be the Autonomous City of Buenos Aires, REPUBLIC OF ARGENTINA, unless the PERMISSIONARY and/or CONCESSIONARY is subject to control by foreign shareholders. In the latter case, pursuant to the terms of Decree No. 872/2018, the place of arbitration shall be chosen by the parties, by mutual agreement, among the cities belonging to States that are party to the Convention on Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958). In the event that the parties do not reach an agreement within SIXTY (60) calendar days of the commencement of negotiations to designate the place of arbitration, then the place of arbitration shall be defined by the arbitral tribunal in consultation with the parties, in accordance with the rules of arbitration, and the arbitral tribunal may not fix the seat of arbitration in the state of which none of the parties to the arbitration is a national.

17.7. The submission of the controversy to arbitration by the PERMISSIONARY and/or CONCESSIONARY under the terms set forth above shall prevent the foreign shareholder with majority shareholding from claiming under a bilateral investment treaty for the same facts or measures. Therefore, in order to be able to initiate an arbitration request, the PERMISSIONARY and/or CONCESSIONARY must present, as a condition for its validity: (i) the waiver by controlling or majority foreign shareholders of claims under a bilateral investment treaty in connection with the facts and measures challenged in the dispute submitted to arbitration; and (ii) an indemnity undertaking by the PERMISSIONARY and/or CONCESSIONARY for the claims of minority foreign shareholders under a bilateral investment treaty in connection with the facts and measures challenged in the dispute submitted to arbitration.

17.8. The parties acknowledge and agree that (i) the arbitration agreement contained in this SECTION 17 is autonomous from the PERMIT and/or CONCESSION, so that the eventual nullity of the PERMIT and/or CONCESSION does not preclude the validity of such arbitration agreement, (ii) the arbitral tribunal shall retain its jurisdiction in case of nullity of the PERMIT and/or CONCESSION to resolve any arbitrable dispute, and (iii) this arbitration contract gives the arbitral tribunal the power to decide on its own jurisdiction, including any objections relating to the existence, scope or validity of the arbitration contract, or any other preliminary objection.

17.9. In cases of arbitration disputes, having complied with the requirements established in this SECTION 17 to be able to submit a controversy to arbitration, if there is already a functioning arbitration tribunal hearing other controversies submitted to arbitration by the same PERMISSIONARY and/or CONCESSIONARY, the new controversy (provided that the amount claimed is greater than US DOLLARS TWENTY MILLION (USD 20,000,000) shall be submitted

to the same arbitration tribunal, unless it is already dissolved, or it is already dissolved, or the same tribunal is already dissolved.

17.10. The award issued by the arbitral tribunal shall be final and binding for the parties, and against any award of the arbitral tribunal may be filed the remedies of clarification and nullity provided in Section 760 of the Code of Civil and Commercial Procedure of the Nation in the terms set forth therein, or the remedies that are applicable in the jurisdiction of the place of arbitration, which may not, in any case, lead to the review of the assessment of the facts of the case and / or the application of applicable law.

17.11. During the course of the arbitration, the parties shall continue to perform their rights and obligations under the PERMIT and/or CONCESSION, including those that are the subject matter of the arbitration.

17.12. The arbitration procedure shall be subject to the following rules:

a) the costs of the arbitral proceedings shall be borne in a manner to be determined by the arbitral tribunal and each party shall bear the expenses and fees of its lawyers and experts;

b) the costs and expenses of obtaining the enforcement of the arbitral award shall be apportioned and attributed to the party determined by the competent court; and

c) the parties shall abide by the decisions adopted under the rules of arbitration, in matters of jurisdiction, challenge and appointment of arbitrators and other aspects of the arbitral procedure, the parties expressly waive the right to challenge such decisions in court, except by means of an appeal for annulment.

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**ANNEX 1**

**SCHEDULE FOR INTERNATIONAL  
PUBLIC OFFSHORE TENDER N° 1**

<b>Opening Presentation Of Antecedents for LIST</b>	November 6, 2018 to February 14, 2019
<b>Purchase of Access Codes for Digital Data Base and Opening of Data Base</b>	November 6, 2018 to February 14, 2019
<b>Consultations &amp; Clarifications for TENDER terms &amp; conditions</b>	November 6, 2018 to February 14, 2019
<b>OPENING OF OFFERS</b>	March 14, 2019
<b>Publication Resolution AWARDED Areas</b>	April 15, 2019
<b>Publication of Resolutions for Issuance of PERMITS</b>	July 15, 2019 (subject to branch or controled company being duly registered according to laws of Argentina)
<b>Delivery of DEFINITIVE TITLE</b>	15 calendar days after publication of PERMIT

**ANNEX 2**

**MODEL OF RESOLUTION GRANTING A PERMIT**

GIVEN File No. EX-2018-\_\_\_\_\_ -APN-DGDO#MEM, Law No. 17.319,  
\_\_\_\_\_, as amended, and

CONSIDERING:

That the policy implemented by the NATIONAL EXECUTIVE BRANCH in the matter of hydrocarbons promotes, through the diverse programs that integrate it, the incorporation of new reserves and the recovery of the production, all this with the purpose of achieving the security of supply and, from there, in a gradual manner, to satisfy the main objective established in section 3 of Law No. 17,319 and in section 1 of Law No. 26,471, to satisfy the country's hydrocarbon needs with the production of its offshore basins.

That the Argentine Continental Shelf and the different exploratory basins that integrate it are under-explored, standing out for the lack of existing information for their development.

That in this sense, the granting of Exploration Permits under the terms of Law No. 17.319 is a suitable procedure to channel investments leading to the discovery of hydrocarbons.

That to such effect, by means of Resolution No. \_\_\_\_ of \_\_\_\_\_ of \_\_\_\_\_ of \_\_\_\_\_ of \_\_\_\_\_ of the GOVERNMENT SECRETARIAT OF ENERGY, the International Offshore Public Tender No. 1 was summoned to bid for the awarding of Exploration Areas Permits.

That the GENERAL DIRECTORATE OF LEGAL AFFAIRS has taken the intervention that is incumbent upon it.

That this resolution is issued in exercise of the powers granted by Law No. 17,319, and \_\_\_\_\_.

Therefore,

THE GOVERNMENT SECRETARIAT OF ENERGY

RESOLVES:

**Section 1<sup>o</sup>**- An Exploration Permit for the Areas \_\_\_\_\_ is granted to the \_\_\_\_\_ Company(ies) for the purpose of carrying out hydrocarbon searches under the regime of sections 16 and following of Law No. 17.319 under the conditions, rights and obligations set forth in Decree No. \_\_\_\_\_ of \_\_\_\_\_ and in Resolution No. \_\_\_\_\_ of \_\_\_\_\_ of the GOVERNMENT SECRETARIAT OF ENERGY and its annexes ("Areas subject to International Offshore Public Tender No. 1" and "Tender Specifications and Conditions"), as from the effective date of this Resolution. This area will be delimited by the following provisional coordinates:

POSGAR COORDINATES 07

Corner	X	Y
1		
2		
3		
4		
5		
6		
7		
8		

Approximate Area: \_\_\_\_\_ (\_\_\_\_\_ Km2).

The term of the Exploration Permit hereby granted shall be, subject to the performance of its obligations by the Exploration Permit holder(s) and their decision to proceed to the Second Exploration Period, of \_\_\_\_\_ (\_\_\_\_\_) YEARS as of the effective date of this Resolution, divided into TWO (2) Exploration Periods of \_\_\_\_\_ (\_\_\_\_\_) YEARS each.

Not less than SIXTY (60) calendar days prior to the end date of the First Exploration Period(s), Exploration Permit holder(s) will notify this Secretary if they will continue exploring in the \_\_\_\_\_ area or if they will completely reverse it. At the end of the Second Exploration Period, the Exploration Permit holder(s) shall return to the NATIONAL STATE the total surface area of the \_\_\_\_\_ area, unless they opt for the Extension Period, referred to in the following paragraph, in which case said return shall be limited to FIFTY PERCENT (50%) of the remaining surface area of the \_\_\_\_\_ area.



In the event that the Exploration Permissionary(ies) have complied with the investment and with the remaining obligations in their charge, they may opt for an Extension Period of \_\_\_\_\_ ( ) YEARS.

**Section 2<sup>o</sup>.**- The Exploitation Permit Holder(s) shall carry out during the First Exploration Period \_\_\_\_\_ ( ) WORKING UNITS committed in its offer, in the period of \_\_\_\_\_ ( ) years. The WORKING UNITS are discriminated as follows:

ACTIVITIES	UNITS	QUANTITY	EQUIVALENCIES IN WORKING UNITS

**Section 3<sup>o</sup>.**- The Permit holder shall have the right to obtain an Exploitation Concession for the hydrocarbons discovered within the perimeter of the Permit, in accordance with section 17 of Law No. 17,319 and under the conditions, rights and obligations set forth in Decree No. \_\_\_\_\_ of \_\_\_\_\_ and in Resolution No. \_\_\_\_\_ of \_\_\_\_\_ of the GOVERNMENT SECRETARIAT OF ENERGY and its annexes ("Areas subject to International Offshore Public Tender No. 1" and "Tender Specifications and Conditions"). The holder of the Concession shall have the free availability of the hydrocarbons produced in that area, pursuant to the provisions of Law No. 27,007 and Decree \_\_\_\_\_ /2018, the terms of which shall be incorporated into the title of the concession.

**Section 4<sup>o</sup>.**- The provisions of Decrees Nos. 927 of July 8, 2013 and 629 of August 9, 2017 shall be applicable to imports of capital goods made by Exploration Permit Holders.

**Section 5<sup>o</sup>.**- Any controversy that may arise between the NATIONAL STATE and the Exploration Permissionary(ies) shall be submitted to the Dispute Settlement procedure established in section 17 of the Specification approved by the Resolution of this Secretariat No. \_\_\_ of \_\_\_ of \_\_\_\_\_ of \_\_\_\_\_.

**Section 6<sup>o</sup>.**- Within ONE HUNDRED EIGHTY (180) days from the effective date of the Exploration Permit granted herein, the Permit Holder shall measure the corresponding area and present it to this Secretariat.

**Section 7<sup>o</sup>.**- The GENERAL NOTARY PUBLIC OFFICE OF THE GOVERNMENT OF THE NATION, in accordance with the provisions of section 55 of Law No. 17.319, shall be instructed to register in the NATIONAL STATE Register, free of charge, the instruments that this Secretariat shall send to it.

**Section 8°.-** Notify the ARGENTINE NAVAL PREFECTURE and the SECRETARIAT OF AGRICULTURE, FARMING AND FISHING for the purpose of their taking any intervention that concerns their oversight.

**Section 9°.-** Communicate, publish, give to the NATIONAL DIRECTION OF THE OFFICIAL GAZETTE and file.

**ANNEX 3**

**MODEL OF RESOLUTION GRANTING A CONCESSION**

GIVEN File No. EX-2018-\_\_\_\_\_ -APN-DGDO#MEM, Law No. 17.319,  
\_\_\_\_\_, and

Considering:

That the company/s \_\_\_\_\_ have made a commercial discovery of hydrocarbons in the \_\_\_\_\_ area, in accordance with the Exploration Permit granted to the aforementioned companies by means of Resolution No. \_\_\_\_ of \_\_\_\_ of \_\_\_\_\_ of \_\_\_\_\_ of this Secretariat.

That, by virtue of it, the referred companies request an Exploitation Concession in the terms of Law No. 17,319, and other applicable regulations, [on the Exploitation Lots \_\_\_\_\_.]

That the company/s \_\_\_\_\_ have requested, in the terms of articles 11.2, 11.3, and 11.4 of the Specification approved by Resolution No. \_\_\_\_ of November \_\_, 2018 of this Secretariat, the suspension of the obligation to carry out the development of the exploitation lot \_\_\_\_\_, for a term of FIVE (5) years].

That the GENERAL DIRECTORATE OF LEGAL AFFAIRS has taken the intervention that is incumbent upon it.

That the present act is dictated in use of the faculties granted by Law N° 17.319, and \_\_\_\_\_, and its modifications.

Therefore,

THE GOVERNMENT SECRETARIAT OF ENERGY

RESOLVES:

SECTION 1 - An Exploitation Concession is granted [on the " \_\_\_\_\_ " Lots], located in the ARGENTINE CONTINENTAL PLATFORM, to the companies that are identified below, in the participation percentages established below: \_\_\_\_\_ PERCENT (\_\_\_%), \_\_\_\_\_ PERCENT (\_\_\_%), and \_\_\_\_\_ PERCENT (\_\_\_%), for the purpose of carrying out hydrocarbon development and exploitation works in the existing basins therein, under the regime of section 27 and subsequent sections of Law No. 17,319.

The Exploitation Concession granted will be delimited by the following provisional coordinates.

POSGAR COORDINATES 07

Corners	X	Y
1		
2		
3		
4		
5		
6		
7		
8		

Approximate Area: \_\_\_\_\_ (\_\_\_\_\_ Km2).

SECTION 2 - The Exploitation Concession hereby granted shall be governed by Law No. 17,319 and other applicable regulations, in particular by the provisions of Decree No. \_\_\_\_ of \_\_\_\_ of \_\_\_\_ of 2018 and by Resolution No. \_\_\_\_ of \_\_\_\_ of November 2018 of this Secretariat and its annexes ("Areas of International Offshore Tender No. 1" and "Tender Specifications and Conditions").

SECTION 3 - The term of the Exploitation Concession granted herein shall be THIRTY (30) years counted from the official publication of this resolution, and its eventual extensions, pursuant to the provisions of section 35 and subsequent sections of Law No. 17,319.

SECTION 4 - Pursuant to the provisions of Decree No. \_\_\_\_ of \_\_\_\_ of \_\_\_\_ of 2018, and under the terms and conditions established in Law No. 27.007 for the application of the benefits provided for in Decree No. 929 of July 8, 2013, which are incorporated into the title of the Exploitation Concession, the holder(s) of the Exploitation Concession shall have the free availability of SIXTY PERCENT (60%) of the hydrocarbons produced from wells drilled in the Exploitation Concession in locations where the average water depth exceeds NINETY METERS (90 mts), and the TWENTY PERCENT (20%) of the hydrocarbons produced in locations where the average water depth does not exceed NINETY METERS (90 mts), as well as the free availability of ONE HUNDRED PER ONE HUNDRED (100%) of the foreign currency originated in the export of said hydrocarbons. The export of freely available hydrocarbons under this article shall not be subject to export duties.

SECTION 5 - The Exploitation CONCESSIONARY/S shall pay royalties in accordance with the provisions of Law No. 17,319 and the applicable regulations, in particular section 11.5 of the Specification approved by Resolution No. \_\_\_ of November \_\_, 2018 of this Secretariat.

ARTICLE 6 - The system of imports of capital goods established in Decrees No. 927 of July 8, 2013 and No. 629 of August 9, 2017 shall be applicable to the Exploitation CONCESSIONARY(S).

SECTION 7 - Any dispute that may arise between the NATIONAL STATE and the CONCESSIONARIES of Exploitation shall be submitted to the Dispute Settlement procedure established in section 17 of the Specification approved by Resolution No. \_\_\_ of \_\_\_\_\_ of 2018 of this Secretariat.

SECTION 8 - Within ONE HUNDRED EIGHTY (180) days from the effective date of the Exploitation Concession, the CONCESSIONARY shall perform the measurement of the Exploitation Lot(s) and submit it to this Secretariat.

SECTION 9. - The suspension of the obligation to carry out the development of the Exploitation Lot, referred to in article 1 hereof, requested by the CONCESSIONARY companies in the terms of sections 11.2, 11.3, and 11.4 of the Specification approved by Resolution No. \_\_\_ of November \_\_, 2018 of this Secretariat, is hereby approved. The term of the suspension is granted for a period of FIVE (5) years, which may be extended by the APPLICATION AUTHORITY for an equal term, in case the prevailing conditions that motivated the suspension request subsist and shall be calculated from the day following the publication of this resolution in the Official Gazette.

SECTION 10. - The GENERAL NOTARY OFFICE OF THE GOVERNMENT OF THE NATION, in accordance with the provisions of section 55 of Law No. 17,319, is instructed to register in the NATIONAL STATE Register, without charge, this resolution and all other corresponding instruments, giving testimony of the title of the Concession to its holders.

SECTION 11. - Communicate, publish, give to the NATIONAL OFFICE OF THE OFFICIAL GAZETTE and file.

**ANNEX 4**  
**OFFER SUBMISSION FORM**

**INTERNATIONAL PUBLIC OFFSHORE TENDER NO. 1**  
**OFFER: AREA \_\_\_\_\_ - BASIN \_\_\_\_\_**

The company(ies) \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, hereinafter referred to as the OFFERER(S), present the following OFFER in relation to AREA \_\_\_\_\_:

- 1) ENTRY BOND: \_\_\_\_\_<sup>1</sup>
- 2) WORKING UNITS OFFERED:

	DESCRIPTION OF TASKS	UNITS	QUANTITY	WORKING UNITS OFFERED
INITIAL PERIOD				
TOTAL				

The OFFERER also undertakes to drill at least 1 EXPLORATION WELL in the SECOND EXPLORATION PERIOD and 1 EXPLORATION WELL in the EXTENSION PERIOD, in accordance with the MINIMUM DEPTHS provided for in this TENDER, if it chooses to access them.

- 3) Company \_\_\_\_\_, will be the OPERATOR of the AREA. The participation percentages of the companies that make up the OFFERER are as follows:

Company \_\_\_\_\_: \_\_\_\_\_%

Company \_\_\_\_\_: \_\_\_\_\_%

Company \_\_\_\_\_: \_\_\_\_\_%

\_\_\_\_\_  
Company  
Signature  
Clarification  
Position

\_\_\_\_\_  
Company  
Signature  
Clarification  
Position

\_\_\_\_\_  
Company  
Signature  
Clarification  
Position

<sup>1</sup> Should it correspond

**INTERNATIONAL PUBLIC OFFSHORE TENDER NO. 1**  
**OFFER: AREA \_\_\_\_\_ - BASIN \_\_\_\_\_**

THE OFFERER declares under oath:

- a) That its member companies are jointly and severally obligated both actively and passively with respect to the GOVERNMENT SECRETARIAT OF ENERGY to all effects derived from the Tender, unifying their representation in the company \_\_\_\_\_, which will be the AREA OPERATOR, assuming the irrevocable commitment to enter into a consortium agreement in accordance with current regulations, and declaring the following percentages of participation in the event of being awarded the AREA:<sup>2</sup>

Company _____:	_____%
Company _____:	_____%
Company _____:	_____%

- b) That its member companies have their registered offices at \_\_\_\_\_ Street in the Autonomous City of Buenos Aires, accepting the dispute resolution mechanism provided for in the TENDER for all purposes derived from the Contest and/or the eventual PERMIT or CONCESSION.
- c) That its member companies know and accept the Terms and Conditions of the INTERNATIONAL PUBLIC OFFSHORE TENDER N° 1 and its clarifications, to whose prescriptions they will adjust, as well as the laws, provisions and regulations in force in the ARGENTINE REPUBLIC that they may have under any form related to the obligations arising from the Contest, renouncing to formulate claims in this respect.
- d) That they accept that the GOVERNMENT SECRETARIAT OF ENERGY is not obligated to award the AREA to any of the OFFERERS or to reimburse any expenses incurred by the OFFERER in submitting the OFFER.

The OFFERER declares that together with the present it accompanies an OFFER MAINTENANCE GUARANTEE to ONE HUNDRED TWENTY (120) calendar days from the OPENING DAY, for the sum of US DOLLARS ONE HUNDRED THOUSAND (USD 100,000), constituted by means of (*bank guarantee / public securities listed on the Stock Exchange / surety insurance*).<sup>3</sup>

<sup>2</sup> Only in the case where the OFFERERS make an offer as part of a consortium of companies.

<sup>3</sup> Complete as appropriate with the full description of the type of guarantee presented and the data of its issuance.

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Company  
Signature  
Clarification  
Position

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Company  
Signature  
Clarification  
Position

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Company  
Signature  
Clarification  
Position



## ANNEX 5

### WORKING UNITS

#### EXPLORATORY ACTIVITIES:

Value of the WU = 5000 USD

ACTIVITY	UNIT	usd/unit	WU
Seismic Acquisition 3D	km2	11000	2.2
Seismic Acquisition 2D	km	1200	0.24
Reprocessing in 2D time	km	200	0.04
2D Depth Reprocessing	km	100	0.02
Reprocessing in 3D time	km2	1000	0.2
3D depth reprocessing	km2	500	0.1
Acquisition Potential Methods - Water (grav/mag)	km	500	0.1
Acquisition Potential Methods - Air (grav/mag)	km	60	0.012
Acquisition CSEM (Electromagnetic)	km2	5000	1
Multi-beam Acquisition	km2	100	0.02
Cores of the Ocean Seabed (includes geochemistry)	Nº	17000	3.4

**Note 1:** For those methods expressed in Km2, they will be accepted as WU as those carried out up to a maximum of an additional TWENTY PERCENT (20%) to that acquired within the AREA.

**Note 2:** Acquisition in all cases includes information processing.

#### WELLS:

Value of the WU = 5000 USD

WU for dry well without casing  
Water depth (m.) ("WD")\*

TD BRT (m.)*	Jack up**	100 (Floting)	500	1000	1500	2500	3500	4500
500	1440	3000						
1000	1980	4220	3300					
2000	2780	5940	5020	4800	3800			
3000	3580	7700	6760	6560	5560	4300		
4000	4400	9480	8540	8360	7340	6100	4800	
5000	5240	11300	10340	10180	9160	7940	6640	5300
6000	6840	13160	12180	12040	11020	9800	8520	7180
7000	8440	15040	14040	13940	12900	11680	10420	9100
8000	9520	16940	15940	15860	14800	13600	12360	11060
9000	10600	18880	17860	17800	16740	15560	14320	13040

10000      11700      20860      19820      19780      18720      17540      16320      15040  
TD BRT: Total well depth in meters under the rotary turntable  
WD: Water depth in meters at platform location

\*For all values outside the table will be extrapolated following trends. To obtain the WU of a given well it will be interpolated following the methodology explained in Note 2.

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\*\* The Jack Up column will be used for all wells that are drilled with this type of drilling platform, regardless of the water depth of the well in question.

**Note 1:** If the following works are carried out, the UT indicated in the table for dry-well without casing will be increased by the respective %:

Casing to Total Depth: 5%.

Well Crowns: 0.5% for every 4.5 meters of crown recovered.

Test with tube well or open well: 20%.

**Note 2:** Interpolation method.

Methodology:

1. Choose from the table the TD BRT closest to the real well = TD1 and the water depth closest to the real well = WD1. In case of equal of difference with the highest and lowest of the table use the lowest value to determine both TD1 and WD1.
2. Define Reference Value of WU to the values of TD1 and WD1 defined.
3. Interpolate linearly with the real WD in the columns of WD with the value TD1.
4. Interpolate linearly with the real TD in the WD lines with the value of WD1.

Example:

Well with TD = 3570 m. y WD = 765 m.

Step 1: TD1 = 4000 m. y WD1 = 1000 m.

Step 2: Reference value = 8360 WU.

Step 3: Correction by WD of 765 m., interpolate between WD of 500 m. 8540 WU y 1000 m. 8360 WU. Delta of WU between 500 m. and 1000 m. = 180 WU for every 500 m. => by 235 m. (1000 m – 765m) **the correction per WD is equal to + 85 WU** [(235/500)\*180].

Step 4: Correction by TD of 3570 m., interpolate between TD of 3000 m. 6560 WU and 4000 m. 8360 WU. Delta of WU between 3000 m. and 4000 m. = 1800 WU for every 1000 m. => by 430 m. (4000 m – 3570 m) **the correction per TD is equal to – 774 UT** [(430/1000)\*1800].

WU of well = 8360 + 85 – 774 = 7671 UT.

**ANNEX 6**  
**DEFINITIONS OF THE FORMULA FOR THE CALCULATION OF ROYALTIES**

For the purposes of calculating CAPEX and OPEX. of FACTOR R, the following guidelines shall apply. The APPLICATION AUTHORITY, by itself or through its dependencies, will dictate complementary clarifying regulations regarding the procedure, terms, audit, and others that it considers pertinent.

**GENERAL TOPICS:**

(i) The following costs/investments shall be excluded in all cases:

(a) Financial costs of any kind incurred by the CONCESSIONARY.

(b) Costs incurred by negligence or fraudulent conduct, willful misconduct, bad faith or fault of the CONCESSIONARY, its controlled companies, contractors, or subcontractors.

(c) Any costs incurred for direct or indirect breach of the CONCESSION, or for failure to comply with applicable laws or to follow the best practices of the petroleum industry, including risk management.

(d) The costs derived from the breach of the conditions of guarantee of goods and services acquired, as well as those resulting from the acquisition of goods that do not have a manufacturer's guarantee, or its representative, for manufacturing defects, in accordance with the practices generally used in the oil industry.

(e) Amounts recorded as provisions and reserves of funds.

(f) Any consideration, cost or disbursement corresponding to a contract not related to the CONCESSION.

(g) Any cost related to technology transfer between companies related to the CONCESSIONARY.

(h) The fines or economic sanctions incurred by the CONCESSIONARY for the breach of legal or contractual obligations.

(i) Any costs related to public relations and/or costs and expenses of representation of the CONCESSIONARY and its related parties, including lobbying, promotion or advertising.

(j) Any donation or gift made by the CONCESSIONARY.

(k) Any costs incurred by the CONCESSIONARY for any type of legal services. Legal costs for any arbitration, conciliation or dispute involving the CONCESSIONARY, its contractors or subcontractors, as well as costs related to the hiring of an independent expert for the purpose of resolving legal disputes.

(ii) The CONCESSIONARY shall keep monthly accounts of its CAPEX and OPEX. For contracts entered into in U.S. Dollars, the CONCESSIONARY shall use the amounts in U.S. Dollars provided in each contract. With respect to those contracts entered into in pesos, the CONCESSIONARY shall convert the amounts paid in pesos monthly, adopting the exchange rate established by the BANK OF THE ARGENTINEAN NATION seller type, corresponding to the closing of the last business day of the corresponding month.

(iii) All amounts shall be calculated without taking into account the Value Added Tax (VAT).

## **CAPEX**

CAPEX accepted shall be those investments made by third parties in the development of the deposits discovered in the CONCESSION (in the event that an affiliate or related party of the CONCESSIONARY does so, it must in all cases submit a bid made with offers from at least TWO (2) companies, in addition to the offer of the affiliated or related party).

The CAPEX must be separated into THREE (3) main items: i.- Wells (including producing wells and injectors), ii.- Surface and Processing Installations (everything invested from the wellhead to the specification of hydrocarbons), and iii.- Evacuation of Products (those investments made after the products are in technical sales specification) following the following basic premises:

a. For Pre-Development Studies (PDS) a fixed amount of FOUR PERCENT (4%) of the total development investment will be included. This cost of study may only be attributed to new surface and processing facilities and Evacuation of products and their extensions, and to the drilling of new wells. Under no circumstances may interventions in wells that have already been in operation be included.

b. In the event that complementary Exploration exists within the CONCESSION, it shall be computed as CAPEX. If there is a complementary Exploration

within the CONCESSION, it shall be computed as CAPEX. If there is a complementary Exploration within the CONCESSION, it shall be computed as CAPEX.

c. Any Investment or Expense related to loss of stock value and amortization of Capital Goods is excluded.

## **OPEX**

The OPEX. that may be considered shall be only those directly related to the operation activity of the CONCESSION carried out by the OPERATOR:

a) An Overhead of the parent company of ONE PERCENT (1%) of the total annual Operating Costs shall be considered and all other costs related to any affiliated or related company of the CONCESSIONARY shall be excluded. This Overhead cost includes personnel training plans in order to comply with SECTION 11.9.

b.) The interventions of wells that have already been put into production will always be computed as OPEX.

c.) Maintenance will always be OPEX., regardless of their nature.

d.) The OPEX Income Tax may not be computed.

e.) The payment of the Surface Fee royalty, the Gross Income Tax and the Tax on Bank Credits and Debits, if any, may be computed.

f.) In the event of access to the Suspension of the development plan pursuant to the provisions of SECTION 11.2, no operating expenses related thereto may be included, except for the Royalties.

g.) No OPEX may include costs related to the training of personnel of any type, nor of trips made abroad by any other person for any motive.

i.) Any OPEX that has not been carried out by the OPERATOR, or by the operator in the case of operations at risk only, may not be included.

j.) The costs of the CONCESSIONARY related to the commercialization or transport of CRUDE PETROLEUM, NATURAL GAS and LIQUEFIED GAS, beyond the Measuring Points and/or delivery, are excluded.

k.) Consulting costs are excluded, except those related to technical issues (geology, processes, interventions, etc.) necessary for the operation of the production of HYDROCARBONS in the AREA that have been carried out by a company not related to the CONCESSIONARY.



Republic of Argentina – National Executive Branch  
2018 – Year of Centennial of University Reforms

**Additional Page of Signatures**  
**Graphical Report**

**Number:** IF-2018-56212999-APN-SSLMEN#MHA

Autonomous City of Buenos Aires  
Friday November 2 2018

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Maria Valeria Mogliani  
Subsecretary  
Subsecretary of Legal Affairs  
Ministry of Finances