



Public International Tender TLC
No. 18575088-13

Contract No. 421004821

**“Integral Drilling and Land Wells Completion in the North
and South Regions of Pemex Exploration and Production”**





Contrato No. 421004821
Drake-Finley, S. de R.L. de C.V. / Finley
Resources, Inc. / Drake-Mesa, S. de R.L. de
C.V. (Participación Conjunta)



[...]

OPEN WORKS CONTRACT AT UNIT PRICES ENTERED INTO BY PEMEX EXPLORATION AND PRODUCTION, HEREINAFTER REFERRED TO AS “PEP” REPRESENTED BY ENG. JOSÉ REFUGIO SERRANO LOZANO, DEPUTY DIRECTOR OF PROJECT SERVICES, IN HIS CAPACITY AS LEGAL REPRESENTATIVE OF PEP, AND FINLEY RESOURCES INC/DRAKE-MESA, S. DE R.L. DE C.V. (JOINT PROPOSAL) THROUGH THE SPECIAL PURPOSE COMPANY DRAKE-FINLEY, S. DE R.L. DE C.V., HEREINAFTER REFERRED TO AS “CONTRACTOR” REPRESENTED BY MR. RAÚL LÓPEZ GALLEGOS, IN HIS CAPACITY AS LEGAL REPRESENTATIVE, IN ACCORDANCE WITH THE FOLOWING SATEMENTS AND CLAUSES:

STATEMENTS

[...]



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2.4 **Drake-Finley, S. de R.L. de C.V., Drake-Mesa, S. de R.L. de C.V. and Finley Resources, Inc.** state that their address for the purposes of this Contract is Durango No. 602, Minerva Neighborhood, Zip Code 89120, Tampico, Tamaulipas and that their Federal Taxpayer Registry code is DRA1402183W0, DRA120223821, and tax identification number in the United States of America 17525100321, respectively.

[...]

[...]

CLAUSE 2
OBJECT OF THE CONTRACT

PEP entrusts and the **CONTRACTOR** undertakes to perform, in accordance to the Contract, the “Integral drilling and completion of land wells in the North and South Regions of PEP”, Package 5.

The activities to which each of the parties that subscribe the Contract in their capacity as **CONTRACTOR** are obliged, are indicated in Annex “**DT-10**”.

[...]

[...]

CLAUSE 4

CONTRACT' PERFORMANCE PERIOD AND PERFORMANCE TERM OF THE WORK ORDERS

4.1 Performance Period of the Contract.

The **CONTRACTOR** undertakes to perform the Works object of this contract in accordance with the Work Orders issued by **PEP**, within a performance period of **1402 (one thousand four hundred and two calendar days)**, counted from **March 1st, 2014** and with termination date **December 31, 2017**.

4.2 Performance Term of the Work Orders.

The **CONTRACTOR** undertakes to perform the Works object of the Work Orders issued by **PEP**, within the performance period that case by case is established in the Work Orders, from the commencement date also specified therein.

4.3 Extension to the Date of Termination of the Contract Performance Period and to the Performance Term of Work Orders.

The Parties agree that the Contract Performance Period or the Performance Term of the Work Orders that **PEP** issues, shall not be subject to any modification in case that the Works subject matter of the Contract are totally or partially suspended, for any of the following causes: i) due to Unforeseeable Circumstances or Force Majeure; or ii) due to suspension

ordered by **PEP**; or iii) due to any act or omission of **PEP** or any other contractor that works on the Site, other than the **CONTRACTOR** or any of its subcontractors.

If any of the circumstances indicated in the previous paragraph occurs, it will only give rise to an extension to the Termination Date of the Performance Period of the Contract or of the Performance Term of the Work Order in question, with the necessary adjustments to the general or particular Performance Program, where appropriate, without modifying the agreed Performance Period. The latter pursuant to **CLAUSE 13 "MODIFICATIONS TO THE CONTRACT"** and **CLAUSE 17 "SUSPENSION OF WORK"**.

[...]

[...]

CLAUSE 10

GUARANTEES

10.1 PERFORMANCE GUARANTEE.

In order to guarantee compliance with the obligations derived from this Contract, the **CONTRACTOR** delivered to PEP, in original, prior to the signature of this Contract, a bond policy before, in favor of and at the disposal of **PEP**, for the equivalent of 10% (ten percent) of the maximum amount of the contract (Compliance Guarantee), issued by a Surety institution legally incorporated in Mexico, in terms of the Federal Law of Surety Institutions and in favor of **PEP**.

The **CONTRACTOR** expressly states:

- A. Its willingness, in case there are credits in its favor against **PEP**, to waive the right to compensation granted by the applicable substantive civil legislation, therefore it grants its express consent so that in the event of non-compliance with the obligations of this contract, the Performance Guarantee is enforced, as well as any other balance in favor of **PEP**.
- B. Its consent so that the bond is paid regardless of whether any kind of appeal is filed before administrative or non-judicial authorities.
- C. Its consent so that the bond that guarantees the performance of the contract remains in force during the substantiation of all judicial or arbitration procedures and the respective legal remedies that are interposed in relation to this contract, until a definitive resolution that is enforceable is issued by the competent authority or court.
- D. Its consent to be jointly liable with its Surety Institution in the event of a claim, and in accordance with the power granted by article 118 bis of the Federal Law on Surety Institutions, that the exception of the subject matter being *subjudice*, will be considered justified only if a sealed copy of the lawsuit is exhibited, stating that the guarantor indicates this contract as the basis of its claim and that the relief sought as well as the facts that support the inadmissibility of the claim are identical, expressly waiving any other meaning that could be given to the exception of the subject matter being *subjudice* or the enforceability of the surety policy subject to judicial or administrative dispute between the parties to this contract; as well as that in this case, the financial institution pays the corresponding amount on the business day immediately following the expiration day of the

30 (thirty) calendar days period granted by article 93 of the Federal Law on Surety Institutions to resolve whether the claim proceeds.

- E. Its acceptance that the performance bond remains in force until the guaranteed obligations have been fully fulfilled to the satisfaction of **PEP**, with the understanding that the consent for the release must be granted in writing and signed by **PEP**.
- F. Its consent so that the Surety Institution settles 50% of the amount guaranteed by the surety bond to **PEP** in the event that it does not provide the guarantee against defects and hidden faults in accordance with what is established in this contract.
- G. Its consent so that the claim to be filed before the Surety Institution due to breach of contract shall be duly integrated with the following documents:
 - 1. Written complaint to the Surety Institution.
 - 2. Copy of the surety policy and, where appropriate, its amending documents.
 - 3. Copy of the guaranteed Contract including its annexes, and where appropriate its Amendment Agreements and/or Memorandum of Understanding.
 - 4. Copy of the document of notification to the guarantor of its breach.
 - 5. Termination of contract and notice.
 - 6. Copy of the Finiquito.
 - 7. Quantification of the amount claimed.
- H. Its consent for the Surety Institution to settle the maximum guaranteed limit to **PEP** in the event that the works that are the subject of this contract are not useful or usable by **PEP** and despite the fact that the corresponding certificate of progress has been issued, in the understanding that any exception derived from the investment and/or partial or total application of the down payment and/or invoice payment will not be valid for the purpose of determining the enforceability of the total amount guaranteed in the bond, since, taking into account the object of this contract, the obligation to invest and/or apply the down payment and the payment of invoices is indivisible since it aims at a performance that only being fully satisfied can be useful or profitable for **PEP**, consequently, all application and/or partial or total investment of the down payment and/or payment of invoices received by the **CONTRACTOR** that does not produce as a result, in accordance with the object of this contract, a useful and usable work for **PEP** will be ineffective to justify any exception that seeks to undermine the enforceability of the total amount guaranteed.
- I. Its consent to withdraw and take away the equipment or goods subject of this contract, if they are not useful or usable, when required by **PEP**.

In the event that **PEP** and the **CONTRACTOR**, in accordance with the clause relating to "AMENDMENTS TO THE CONTRACT", enter into amending agreements, the **CONTRACTOR** must obtain and deliver to **PEP** prior to formalizing the respective legal document, or at the latest at the time of its formalization, the amending document of the Performance Guarantee originally granted under the established terms in this contract, which guarantees the obligations of this contract and the corresponding agreement. In the event that the **SUPPLIER** does not comply with such delivery, **PEP** may determine the administrative termination of the contract. The amending document referred to in this paragraph must contain the statement that it is joint, several and inseparable from the bond initially presented by the **CONTRACTOR**.

In the event of any amendment to the Contract that must be formalized through a Memorandum of Understanding in terms of the Clause on "AMENDMENTS TO THE CONTRACT", the **CONTRACTOR** undertakes to obtain and deliver to **PEP** prior to formalization of the respective legal instrument, or at the latest at the time of its formalization, the document containing the consent of the Surety institution that granted the Performance Guarantee, in which the modifications in question are recognized.

In the event that the **CONTRACTOR** does not comply with the delivery of the endorsements, consenting or amending documents required in the previous paragraphs, **PEP** may suspend the payment of Estimates until such documents are delivered to satisfaction of **PEP**, without such suspension generating the payment of Financial Expenses, since it is a cause attributable to the **CONTRACTOR** itself; notwithstanding, **PEP** may choose at any time and without incurring any liability, to administratively terminate the Contract.

The amendment endorsements of the guarantee(s) or, where appropriate, the guarantees that replace those referred to in this Clause must be delivered to the offices of the Under Management of Drilling and Wells Service Contracting, of the Management of Supplies and Administrative Services of Drilling and Project Services, located at Pyramid Building, Sixth floor, Boulevard Adolfo Ruíz Cortines 1203, Fraccionamiento Oropeza, Villahermosa, Tabasco, from 9:00 to 14:00 hours, and from 16:00 to 18:00 hours. Notwithstanding, **PEP** may modify the address indicated in this paragraph, duly communicating it in writing to the **CONTRACTOR**, without being necessary to enter into any agreement.

In that event, the **CONTRACTOR** must verify the authenticity of the Bond Policy, after its delivery, and in the event that **PEP** finds that is a forged bond, it will notify the competent authorities and the institution that allegedly issued the guarantee, the **CONTRACTOR** shall be subject to the legal consequences that may derive from the delivery of a forged document.

10.2. GUARANTEE OF DEFECTS AND HIDDEN FAULTS.

After the conclusion of the Works, the **CONTRACTOR** will be liable for the defects and hidden faults that result therein, in the terms stated in the Contract and pursuant to the applicable Mexican Legal Provisions.

Compliance with this obligation will be guaranteed for a 12 (twelve) Months period, and prior to the formalization of the Minute of Receipt, the **CONTRACTOR**, at its choice: (i) must provide a bond for the equivalent of 10% (ten percent) of the Total Exercised Amount; or (ii) submit an irrevocable stand-by letter of credit for the equivalent of 10% (ten percent) of the Total Exercised Amount, issued by an authorized Banking Institution in terms of the Law on Credit Institutions, to operate in Mexico or by an Credit Institution located abroad, in which case, it must invariably be confirmed by a Banking Institution authorized to operate in Mexico; or (iii) provide liquid resources for an amount equivalent to 5% (five percent) of the same amount, in trusts specially constituted for this purpose (Guarantee of Defects and Hidden Faults), in terms of the Commercial Code and the General Law on Credit Titles and Operations. The Guarantee of Defects and Hidden Faults shall be released after 12 (twelve) Months, counted from the date on which **PEP** accepts and physically receives the Works subject to the Contract, provided that during such period no liability has arisen by the **CONTRACTOR**. The date on which **PEP** accepts and physically receives the Works will be the date on which the Minute of Receipt of the Works is issued.

When the Guarantee of Defects and Hidden Faults is constituted by a bond policy, it must be issued by a legally constituted institution and duly authorized to issue bonds in Mexico.

If the Guarantee of Defects and Hidden Faults is constituted by irrevocable stand-by credit letter, it must be confirmed or issued by a banking institution authorized to operate in Mexico.

In case the Guarantee of Defects and Hidden Faults is constituted by a contribution of liquid resources in trust, this must be operated by a trust institution authorized to operate in Mexico. The trust must contemplate the following aspects: must be irrevocable; **PEP** must be appointed as Trustee; and the trust resources must be invested in fixed income instruments.

The **CONTRACTOR**, where appropriate, may withdraw its trust contributions and the respective income, after 12 (twelve) Months from the date of acceptance and physical receipt of the Works object of this Contract. In the same period of time the bond or credit letter, as the case may be, will be automatically canceled. If a Stand-by letter of credit letter has been issued, the **CONTRACTOR** may proceed with its immediate cancellation.

PEP's rights to claim payment of the amounts not covered by the compensation that in its opinion corresponds shall remain in force, once the Guarantee of Defects and Hidden Faults is enforced.

In the case of Estimates of Performed Works that are authorized at a later date to the signing of the Minute of Receipt of the Works and prior to the signing of the Finiquito of the Contract, the **CONTRACTOR** must deliver an amending document to the Guarantee of Defects and Hidden Faults for an amount equivalent to the same percentage for which the Guarantee of Defects and Hidden Faults has been constituted (10% or 5%, as the case may be), with respect to the amount of these Estimates. The request of the aforementioned amending document shall be made to the **CONTRACTOR** by the Works in Site Manager.

Likewise, in the event of adjustment of costs issued after the conclusion of the Minute of Receipt of Works, the amending document to the Guarantee of Defects and Hidden Faults must be delivered within the 5 (five) Working Days following the date on which the **CONTRACTOR** has received the corresponding decision letter issued by the Works in Site Management.

In the event that the Guarantee of Defects and Hidden Faults has been issued as a bond, the endorsements must contain the statement that they it is joint, inseparable and several from the Guarantee of Defects and Hidden Faults initially presented by the **CONTRACTOR**.

The granting of the Guarantee of Defects and Hidden Faults does not limit or exclude the responsibility that may correspond to the **CONTRACTOR** for the defects or hidden faults that result in the Works, in terms of the Mexican Legal Provisions.

10.3. DELIVERY OF GUARANTEES AND/OR AMENDMENT DOCUMENTS AND/OR CONSENTS.

The **CONTRACTOR** must deliver the guarantees, amending documents and consents of the surety or banking institution referred to in this Clause, to **PEP**, in the following **PEP** areas or in any other area that **PEP** communicates in writing to the **CONTRACTOR**:

Superintendencia de Contratación de Perforación y Servicio a Pozos.

Subgerencia de Contratación de Perforación y Servicios a Pozos.

Gerencia de Suministros y Servicios Administrativos de Perforación y Servicios a Proyectos.

Subdirección de Administración y Finanzas.

Boulevard Adolfo Ruiz Cortines No. 1202, Edificio Pirámide, Planta Baja, Fraccionamiento Oropeza, C.P. 86030 Villahermosa, Tabasco, Mexico.

CLAUSE 15

TERMINATION OF THE CONTRACT

15.1 Administrative Termination.

PEP may at any time administratively terminate the Contract, without need for a judicial or arbitral declaration, through the procedure established in this Clause, in case the **CONTRACTOR** is situated in any of the following scenarios:

- a) If the **CONTRACTOR** does not deliver the Performance Guarantee to **PEP** and/or amending documents and/or letters of consent, as the case may be, of the institution that granted the Performance Guarantee, within the maximum period indicated for each case in paragraph 10.1 of **CLAUSE 10 "GUARANTEES"**;
- b) If the **CONTRACTOR** does not perform the Works in accordance with the provisions of the Contract or without just cause fails to comply with the written orders given by the in Site Works Manager;
- c) If the **CONTRACTOR** is declared subject to commercial insolvency, bankruptcy or suspension of payments, or any other analogous circumstance;
- d) If during the performance of the Contract the **CONTRACTOR** loses the technical, financial and operational capabilities that it had accredited for the award of the Contract;
- e) If any governmental permission or authorization of the **CONTRACTOR**, necessary for the fulfillment of the obligations under this Contract, is revoked or definitively canceled in any way.
- f) If the **CONTRACTOR** unjustifiably interrupts or abandons the Works or refuses to repair or replace any of them that has been detected as defective by **PEP**;
- g) If the **CONTRACTOR** assigns or transfers the rights and obligations of the Contract in any way, without **PEP's** express authorization;
- h) If the **CONTRACTOR** assigns or transfers its shares or interest, or of its joint obligors;
- i) If the **CONTRACTOR** changes its nationality, in the event that it has been established as requirement to have a certain nationality or, if being foreigner, invokes its government's protection regarding to the Contract;
- j) One of the events covered by the **"ANTI-CORRUPTION CLAUSE"** occurs;
- k) When the **CONTRACTOR** relapses non-compliance of any of the obligations contained in the Annex **"SSPA"** of the Contract. For the purposes of this Clause it will be understood as a recurrence the non-compliance, on two or more different events, or two or more times of the same event;

l) When the **CONTRACTOR** causes an accident due to non-compliance with the general requirements indicated in form 4 of the Annex "**SSPA**" of the Contract;

m) When, due to the performance of the Contract, the **CONTRACTOR** causes the death of one or more people, due to lack of foresight, negligence, breach of any of the requirements or obligations established in the Annex "**SSPA**", or either due to the breach of other obligations of the Contract or of the provisions on Safety, Occupational Health and Environmental Protection. In this case, **PEP** may initiate the administrative termination procedure once the competent judicial authorities determine by final and irrevocable judgment that the responsibility for this event is attributable to the **CONTRACTOR**;

n) When, in the development of the Contract, the **CONTRACTOR** commits environmental crimes due to non-compliance of any of the requirements of the Annex "**SSPA**", or the breach of any obligation of the Contract or the provisions on Security, Occupational Health and Environmental Protection. In this case, **PEP** could initiate the administrative termination procedure once the competent judicial authorities determine by final and irrevocable judgment that the conduct carried out by the **CONTRACTOR** constitutes an environmental crime;

o) When, as a result of the monthly verifications for the evaluation of the performance, the **CONTRACTOR** obtains three consecutive scores lower than 90% (ninety percent), **PEP** may initiate the administrative termination process of the Contract, according to diagram 1 of Annex "**SSPA**";

p) When as a result of the annual review for the evaluation of the **CONTRACTOR's** performance, it obtains a score lower than 80% (eighty percent), in accordance with the provisions of Annex "**DT-2**".

In case the previous scenario takes place and **PEP** chooses not to terminate the Contract, **PEP** will perform three evaluations of the **CONTRACTOR's** performance consecutively every two months, and if after those evaluations are performed, The **CONTRACTOR** scores lower than 80%, **PEP** will initiate the administrative termination procedure of the Contract.

q) If the **CONTRACTOR** subcontracts part of the works object of the Contract, different to those authorized in number **VI** "Subcontracting" of Annex "**DT-2**", or changes subcontractors, without prior written authorization from **PEP**;

r) In the event that the **CONTRACTOR** accumulates 15 (fifteen) Work Orders breached during the Performance Period of the Contract; and

s) In the event that the **CONTRACTOR** fails to comply with its obligations under the terms of the Contract.

In the event that the **CONTRACTOR** meets any of the scenarios indicated in this Clause, prior to the resolution of the termination, **PEP** may grant a period of time to correct said breach, notwithstanding the conventional penalties that, where appropriate, have been agreed. The period of time will be determined by **PEP** taking into account the circumstances of the Contract. If, at the end of said period, the **CONTRACTOR** has not remedied the breach, **PEP** may determine the administrative termination in accordance with the procedure set forth in this Clause.

If **PEP** decides to administratively terminate the Contract, once it has communicated to the **CONTRACTOR** the initiation of the termination procedure, **PEP** as a precautionary measure will refrain from covering the amounts resulting from the performed Works not yet settled until the Parties, if the administrative termination is confirmed, grant the corresponding Finiquito; likewise, the **CONTRACTOR** will proceed to comply with the obligations that for this case are stipulated in numeral **15.4.1** of this Clause. The in-Site Works Management, with or without the appearance of the **CONTRACTOR**, will draw up a detailed record of the state of the Works, identifying those wells in which the **CONTRACTOR** should continue the Works to leave them in a safe stage or condition (Detailed Act of Administrative Termination). The elaboration of the Detailed Act of Administrative Termination must be invariably done before a public notary.

If the administrative termination of the Contract is determined, the corresponding Finiquito must be performed within 120 (one hundred and twenty) Days following the date of the communication of the resolution, or where appropriate, within 120 (one hundred and twenty) Days following the date on which **PEP** draws up the corresponding complementary detailed act of the last well that the **CONTRACTOR** has completed in safe condition.

As the case may be, as the **CONTRACTOR** concludes the Works in each of the wells to bring them to a safe stage or condition, it must communicate this in writing to the in-Site Management, who, after verification of the completion of the Work in the indicated terms and other applicable contractual stipulations, will proceed to set forth a detailed record for each of said wells regarding the work carried out and the conditions in which they are delivered by the **CONTRACTOR** (Complementary Detailed Act of Administrative Termination). Once the corresponding acts have been elaborated, **PEP** will proceed to take immediate possession of each one of the wells in question, taking charge of the respective facilities. The acts that are elaborated in accordance with this paragraph and the Detailed Act of Administrative Termination will serve as the basis for the Finiquito of the Contract. Only Works related to wells that had been received by **PEP** prior to the termination date of the Contract, as well as those related to wells in a safe stage or condition that are delivered to **PEP** after such date, will be considered for purposes of the Finiquito of the Contract.

Once the **CONTRACTOR** has been notified of the administrative termination of the Contract, **PEP** may immediately continue the performance of the Works directly or through another contractor. With respect to the wells in which **CONTRACTOR** is performing Works to bring them to a safe stage or condition, **PEP** may continue the performance of the Works in the terms indicated above, once the corresponding Complementary Detailed Acts of Administrative Termination are elaborated.

PEP may, together with the **CONTRACTOR**, agree on the balances derived from the administrative termination in order to preserve the interests of the Parties in the Finiquito. **PEP** will state in the Finiquito the delivery-receipt of the Works that the **CONTRACTOR** had carried out until the date on which the administrative termination of the Contract, as well as those made after said date, if applicable, to leaving the wells in a safe stage or condition; and the equipment and Materials installed in the wells or that are in manufacturing process, provided that they are susceptible of use in the Works pending performance that have been duly authorized through the corresponding work orders, complying in any case with the following:

- I. Payment will be recognized only for those Materials and equipment that comply with the particular construction specifications, quality standards, and up to the amount required for the completion of the missing work;
- II. The recognition of the Materials and equipment permanently installed will be carried out preferably based on the data contained in the Contract itself or, if appropriate, on market prices, the former being affected by cost adjustments that proceed; no additional charges should be considered, for indirect, financing, freight, warehousing and insurance. It will be understood by market price is meant the price of the manufacturer or supplier, at the time the corresponding order is formalized, between the **CONTRACTOR** and the Supplier;
- III. The **CONTRACTOR** will be granted payments on account of Materials and manufacture of equipment that has been made by the manufacturer or supplier, provided that the **CONTRACTOR** undertakes to deliver them, after payment of the difference in its favor; and
- IV. In the event that there are manufacturers or Suppliers that are in possession or ownership of the equipment and Materials that **PEP** needs, **PEP** may be subrogated to the rights that the **CONTRACTOR** has, following the criteria set forth in the previous numerals.

15.2. Administrative Termination Procedure

The administrative termination procedure shall commence as soon as **PEP** notifies the **CONTRACTOR** the breach that has incurred, so that within the term of 10 (ten) Business Days

from the notification, the **CONTRACTOR** states and provide, where appropriate, the evidence it deems appropriate in respect to its rights.

Once the arguments and evidence presented by the **CONTRACTOR** have been analyzed and, if appropriate, prior to the resolution of the termination, **PEP** may grant in writing a period of time to correct its breach, notwithstanding the corresponding conventional penalties. If at the end of said period **PEP** finds that the **CONTRACTOR** did not correct the alleged breach, it may determine the administrative termination in accordance with the procedure indicated in this Clause.

PEP's determination whether to terminate the Contract or not must be based on law and facts and the **CONTRACTOR** will be notified in a period no greater than 10 (ten) Business Days following the one in which the arguments and evidence were received or once the stipulated term has expired, or at the expiration of the granted period of time to correct the breach.

In the event that **PEP** decides to terminate the Contract, said termination shall take effect as from the date of notification of the respective resolution, therefore from that moment **PEP** will be empowered to apply the agreed conventional penalty –first, charged to the Performance Guarantee-, pursuant to numeral **6.6.3** of **CLAUSE 6 "REMUNERATION"**.

Notifications both of the start of the termination procedure as well as of the resolution of the administrative termination of the Contract will be served by **PEP** on the **CONTRACTOR** by public notary to attest the facts of the proceedings carried out and in pursuant to the Federal Administrative Procedure Law.

15.3. Termination for reasons attributable to PEP.

The **CONTRACTOR** may only terminate the Contract after a declaration by the competent authority. The **CONTRACTOR** may only claim termination for reasons attributable to **PEP** if any of the following scenarios take place:

- a) For breach of payment obligations for more than 60 (sixty) Days;
- b) For not making available to the **CONTRACTOR** the site where the Works object of the Contract shall be carried out; or
- c) For not having valid permits, valid licenses or valid authorizations that, where appropriate, are **PEP's** obligations.

15.4. CONTRACTOR's obligations in the event of Termination.

15.4.1. In the event that **PEP** notifies the **CONTRACTOR** about the commencement of the procedure of administrative termination of the Contract in terms of numerals **15.1** and **15.2** of this Clause, the **CONTRACTOR** shall:

- a) Carry out the Work in progress only until reaching a safe stage or condition of the wells being drilled or completed, refraining from placing more purchase orders or subcontracts, except for those that may be necessary to achieve the aforementioned safe stage or condition of the wells; in this case, the **CONTRACTOR** must inform **PEP** in writing, immediately and with respect to each of the wells in performance, that has reached a safe stage or condition.
- b) Comply with all reasonable requirements made by **PEP** in relation to the completed Works; and
- c) Inventory and maintain all data, designs, current licenses, equipment, materials or tools that, if applicable, have been provided by the **CONTRACTOR** within the scope of the Contract, or provided by **PEP** to the performance of the Works.

15.4.2. In the event that **PEP** notifies the **CONTRACTOR** about its determination to consider administratively terminating the Contract in accordance with numerals **15.1** and **15.2** of this Clause, or if the competent authority notifies **PEP** of the termination of the Contract by final judgment, in accordance with the provisions in numeral **15.3** of this Clause, the **CONTRACTOR** shall:

- a) Finish the necessary Works to reach a safe stage or condition of the wells being drilled or completed;
- b) Deliver to **PEP** all data, designs, valid licenses, equipment, materials or tools that, if applicable, have been supplied by the **CONTRACTOR** within the scope of the Contract, or provided by **PEP** for the performance of the Works; said delivery must be made by the **CONTRACTOR** within 10 (ten) Days, counted from the date in which **PEP** notified the administrative termination of the Contract or, if applicable, from the written request that **PEP** makes once it has been notified of the final decision of termination of the Contract by the competent authority.
- c) Cooperate with **PEP** to transfer the data, designs, valid licenses and the information and disposition of Work in progress to minimize any damage; and
- d) Assign, cancel or terminate all purchase orders, subcontracts, leases, or any other existing agreements for the performance of the Works, in the terms that **PEP** shall indicate in writing. If applicable, if there is any legal impossibility that the **CONTRACTOR** considers may prevent it from proceeding in the terms indicated by **PEP**, must be submitted to **PEP** for its analysis and corresponding



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determination, in adherence to the good faith and fairness criteria established
in the **THIRD** Clause of the Contract.

[...]

CLAUSE 18

FINIQUITO

Once all the Works are physically received through the Total Reception Minute, **PEP**, through the in-Site Manager, and the **CONTRACTOR**, must elaborate within the term of 120 (one hundred and twenty) Days the Finiquito of the Works, which will be part of the Contract and in which the fulfillment of reciprocal obligations between the Parties shall be stated. Also, in said Finiquito there shall be stated the adjustments, reviews, modifications and corresponding acknowledgments and the balances in favor and against the Parties, as well as the agreements, conciliations or transactions that are agreed to end the disputes that may have occurred.

The aforementioned period of time may be extended by a duly documented agreement between the Parties, up to an equal period to the originally agreed, by formalizing an act.

The document stating the Finiquito of the Works will be signed by **PEP's** technical representatives and the **CONTRACTOR**, as well as by the legal representatives of the Parties.

If appropriate, **PEP** will request the **CONTRACTOR** and the latter will be obliged to present, previously to the signing of the Finiquito, the modification to the Guarantee of Defects and Hidden Faults necessary to guarantee the obligations covered by said guarantee that subsist after the Finiquito of the Contract.

In the event that the **CONTRACTOR** does not attend for the Finiquito, **PEP** will proceed to unilaterally elaborate it and, in the event that the Finiquito shows that there is any balance in favor of the **CONTRACTOR** and it refuses to collect it, **PEP** may consign the payment to the corresponding jurisdictional authority.

The validity of the Contract will conclude until the Finiquito is formalized or, in the event that any balances result in favor of any of the Parties, until the date the corresponding amounts are totally paid.

CLAUSE 19

COMMUNICATIONS BETWEEN THE PARTIES

The Parties undertake to communicate in writing all information that is generated on the occasion of the performance of the Contract, including the change of conventional address designated in the Declarations Section of the Contract, for each of the Parties.

When the Contract establishes the delivery or issuance of approvals, valid authorizations, certificates, consents, decisions, communications and/or requirements, these must be:

- (a) Personally delivered (with acknowledgment of receipt) to the technical representatives of the other part; or,
- (b) Sent by registered or certified mail or by specialized courier to the address of their technical representatives that the Parties designate in this Clause.

For the purposes of the preceding paragraphs, unless the Contract stipulates delivery by **CONTRACTOR** of documentation and/or information in different addresses and/or areas of **PEP**, the parties have following addresses:

In the case of PEP:

Address of the Management:
Residencia de contratos Aceite Terciario del Golfo de la Gerencia de Servicios
a Proyectos Región Norte.
Calle 2 de Enero #309, C.P. 93230, Colonia Cazones.



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Poza Rica de Hgo. Veracruz

In the case of the **CONTRACTOR**:

Address of the Superintendency of Construction:
Calle Sabino No. 604, esquina con Calle Mango
Col. Chapultepec
Poza Rica, Ver.
CP 93240

Communications of a legal nature must be delivered personally to the legal representative of **CONTRACTOR**, or be sent by any other courier means that ensures its reception, to the address indicated in numeral **2.4** of the Declarations section of the Contract.

The communications and in general any type of written correspondence that the Parties exchange due to the Contract, will take effect as of the Business Day following the date of its corresponding reception by the recipient Party, unless the law that regulates the act object of the communication in question provides otherwise.

CLAUSE 47
APPLICABLE LAW, ARBITRATION AND JURISDICTION

47.1. Applicable law.

The Contract will be governed by the Federal Laws of Mexico and other provisions that arise from them.

47.2. Arbitration.

All disagreements, discrepancies, differences or disputes that derive from the interpretation or performance of this Contract or are related to it, which have not been resolved by any of the mechanisms provided in the Contract, will be definitively resolved through arbitration conducted in accordance with the Arbitration Rules of the International Chamber of Commerce in force on the date of submission of the statement of claim, by three arbitrators appointed in accordance with said Arbitration Rules.

The arbitration administrator will be the ICC International Court of Arbitration, the seat of the arbitration will be Mexico City, Federal District, Mexico, the arbitration will be in the Spanish language, including all acts and documents that are generated from the substantiation of the procedure, the applicable law to the merits shall be Mexican federal laws, its regulations and other provisions derived from them, including and above all, the Pemex Law, its Regulations, the Administrative Provisions of Contracting in the matter of acquisitions, leases, works and services of substantive activities of a productive nature of Petróleos Mexicanos and its Subsidiary Entities, and the other provisions issued by the Petróleos Mexicanos Board of Directors, in terms of article 53 of the Pemex Law.

The parties agree as of this moment to exclude the Provisions on the "Emergency Arbitrator" referred to in the Arbitration Rules of Procedure of the International Chamber of Commerce in force as of January 1st (first), 2012 (two thousand and twelve) or the Regulation that replaces it, if said figure is therein contained.

The procedures for administrative termination and early termination of the contract, established by **PEP** are administrative in nature, so they will not be a matter of arbitration.

It is expressly agreed by **PEP** and the **CONTRACTOR**, that the latter may only recur to arbitration once it has exhausted the dispute resolution mechanisms established in **CLAUSE 27 "CONCILIATION"** and **CLAUSE 28 "MECHANISMS FOR THE PREVENTION AND RESOLUTION OF TECHNICAL OR ADMINISTRATIVE DISPUTES"**.

47.3. Jurisdiction.



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In the event that **PEP** administratively terminates the Contract or early terminates the Contract, as well as in the event that **PEP**, in accordance with the Clause Sixteenth, denies a request from the **CONTRACTOR** for early termination of the Contract and the **CONTRACTOR** chooses to challenge said determinations, the parties expressly agree to submit the dispute to the jurisdiction of the competent Federal Courts in Mexico City, Federal District, therefore, the **CONTRACTOR** irrevocably waives its right to submit its claim to any other federal and/or non-jurisdictional forum.