

P.M.I.[®] Comercio Internacional, S.A. de C.V.
General Terms and Conditions
for F.O.B. Crude Sales
(January 1997)

Article 1. Definitions

For purposes of these General Terms and Conditions for F.O.B. Crude Oil Sales (January 1997) the following terms shall have the meanings indicated below:

- a) “AFRA” shall mean Average Freight Rate Assessment as applied by the London Tanker Brokers Panel;
- b) “Agreed Laydays” shall mean the three-Day range for the arrival of a tanker set forth in an Agreed Lifting Program determined pursuant to Article 3.1;
- c) “Agreed Lifting Program” shall mean a final lifting program for a Month determined pursuant to Article 3.1;
- d) “Agreement” shall mean any agreement between Buyer and Seller for the purchase and sale of Oil;
- e) “Allowed Laytime” shall mean the period of time which Seller shall be allowed, in accordance with Article 4.3, to complete the loading of a tanker without incurring demurrage;
- f) “API” shall mean the American Petroleum Institute;
- g) “ASTM” shall mean the American Society for Testing and Materials;
- h) “Barrel” shall mean a quantity of crude oil equal to forty-two (42) Gallons;
- i) “Buyer” shall mean the entity purchasing the Oil from Seller under the Agreement;
- j) “Day” shall mean a calendar day;
- k) “ETA” shall mean estimated time of arrival;
- l) “F.O.B.” shall mean Free On Board, according to Incoterms 1990;
- m) “Gallon” shall mean a unit of volume, measured at 60 °F (equivalent to 15.56°C), equal to 231 cubic inches or 3.7853 liters;
- n) “General Terms” shall mean these General Terms and Conditions for F.O.B. Crude Oil Sales (January 1997), including all Exhibits attached thereto;
- o) “Loading Port” shall mean one of the loading terminals for exports of Oil customarily used by Seller;
- p) “Mexico” shall mean the United Mexican States;

- q) “Month” shall mean a calendar month;
- r) “Oil” shall mean Mexican crude oil of the type to be sold by Seller to Buyer under the Agreement;
- s) “S & W” shall mean sediments and water;
- t) “Seller” shall mean P.M.I. Comercio Internacional, S.A. de C.V., a Mexican corporation;
- u) “U.S. Dollars” or “U.S.\$” shall mean dollars of the United States of America, and
- v) “WORLDSCALE” shall mean, at any time under the Agreement, the most recent edition of the New Worldwide Tanker Nominal Freight Scale.

Article 2. Headings and References

All headings used in the General Terms are for convenience only and shall not affect the construction or interpretation of any of the terms hereof. Unless otherwise specified, all references herein to Articles and Exhibits are to the Articles and Exhibits of the General Terms.

Article 3. Arrival Procedures and Lifting

3.1 Lifting Program.

3.1.1 At least fifteen (15) Days before the end of each Month, Buyer shall furnish Seller with a lifting program for the following Month and preliminary lifting programs for the next two (2) Months thereafter, specifying the following:

- (a) a three-Day range for the arrival of each tanker;
- (b) the quantity of Oil to be lifted by each tanker;
- (c) the port of discharge of each cargo; and
- (d) in the case of the lifting program for the following Month, (i) the name, size and dimensions of tankers designated for lifting during such Month, (ii) the names of the tanker's agent and Buyer's representative, (iii) documentation instructions, (iv) the time required for deballasting (which shall not exceed six hours), (v) the distribution of the Oil to be loaded (e.g., commingled or segregated), and (vi) for at least the last ten (10) loading operations for crude oil for each nominated tanker, the volume loaded as measured in shore tanks or by flow meters and the corresponding volume loaded as measured on board, such volume to be evidenced

by documentation (including ullage and innage reports and onboard quantity and slop certificates) satisfactory to Seller.

If the name of a tanker is not known at the time the lifting program for the following Month is furnished to Seller, Buyer shall notify Seller of such name and the other data referred to in Article 3.1.1(d) as soon as possible, but in any event not later than seven (7) Days prior to the first Day of the Agreed Laydays for the unspecified tanker, except for the information referred to in (vi) above which can be presented before the arrival of the tanker to the loading port. In no event shall Seller be liable for deadfreight if Buyer provides a tanker larger than that required to lift the quantity of Oil scheduled to be lifted hereunder. If Buyer does not furnish Seller with a lifting program complying with the requirements of this Article 3.1.1 for the following Month within the period specified above, Buyer shall be required to accept the lifting program for such Month established by Seller.

3.1.2 Seller shall be deemed to have accepted Buyer's lifting program for the following Month unless Seller has notified Buyer of alterations thereto at least five (5) Days prior to the beginning of such Month. Seller shall in any event notify Buyer within such time period of the Loading Ports to be used by Buyer's tankers (subject to adjustment as provided in Article 3.1.3) and the name(s) of the independent inspector(s) nominated by Seller for purposes of Article 5.1 and Article 6.1. If Seller timely so notifies Buyer of alterations to the lifting program, Buyer shall be deemed to have agreed to those alterations unless, within three (3) Days after Buyer's receipt of Seller's notice, Buyer requests Seller to reconsider such alterations. Seller's decision following any such reconsideration shall be final and binding on both parties. Buyer may also notify Seller within such three-Day period that it objects to an independent inspector nominated by Seller. In such case, Seller shall select another independent inspector. The lifting program as finally determined pursuant to the provisions of Article 3.1.1 and this Article 3.1.2 for any Month is referred to herein as the "Agreed Lifting Program" for such Month, and the three-Day range for the arrival of any tanker contained in any Agreed Lifting Program is referred to herein as the "Agreed Laydays" for such tanker.

3.1.3 Seller may notify Buyer that any tanker scheduled in an Agreed Lifting Program shall load the Oil at a Loading Port different from (but on the same coast as) the Loading Port previously specified pursuant to Article 3.1.2 or shall load the Oil at two Loading Ports (on the same coast), provided that such notice is given by Seller (i) at least twenty-four (24) hours prior to the ETA falling within or after its Agreed Laydays, or (ii) at least twenty-four (24) hours prior to the first Day of the Agreed Laydays, if Buyer has notified Seller of an ETA which is earlier than the first Day of the Agreed Laydays. Seller shall not be liable for any charges or expenses incurred by Buyer as a result of a shift from one Loading Port to another, or the specification of two Loading ports, as provided above.

3.2 **Substitution of Tankers.** Buyer shall be entitled to substitute another tanker for any tanker designated in an Agreed Lifting Program; provided, however, that the substitute tanker shall have substantially the same characteristics (including carrying

capacity) as the tanker previously nominated and accepted pursuant to Article 3.1 and shall meet the requirements for vessels loading at the particular Loading Port involved; and provided, further, that Buyer shall give Seller notice of the substitution not less than four (4) Days prior to the first Day of the Agreed Laydays for the substituted tanker. In the event that Buyer substitutes a tanker other than in accordance with the provisions of this Article 3.2, Seller may in its sole discretion refuse to load such tanker, or it may load such tanker at any Loading Port on any Day it may specify, whether or not within the Agreed Laydays for such tanker; Seller shall in no event be liable for demurrage, deadfreight or any other charges with respect to the loading of any such tanker.

3.3 **Advice of ETA.** Buyer shall arrange for each tanker to advise the Loading Port operator (through the codes listed in Exhibit 1) and Seller (through the telex numbers provided in paragraph 2.2 of Exhibit 1) of its ETA at each of the following times:

- (a) immediately upon leaving its last port of call before the Loading Port, if such departure is more than seventy-two (72) hours prior to ETA at the Loading Port;
- (b) seventy-two (72) hours before ETA;
- (c) forty-eight (48) hours before ETA;
- (d) twenty-four (24) hours before ETA; and
- (e) twelve (12) hours before ETA.

Seller shall not be liable for demurrage, deadfreight or any other charges in respect of any delay in loading attributable to the failure of a tanker to give notice of its ETA at any of the times enumerated above.

3.4 **Notice of Readiness.** The Buyer, its representative or the Master of the tanker (who shall be deemed to be acting on Buyer's behalf) shall, during the hours in which the Loading Port is open, give Seller or Seller's agent, and the Loading Port operator, notice of the readiness of the tanker to load at the Loading Port. Notice of readiness shall not be given until the tanker (i) has anchored at the customary anchorage area at the Loading Port, (ii) has been granted free pratique, (iii) has received the required clearance from customs and other governmental authorities and (iv) is ready in all other respects to load; provided, however, that notice of readiness may be given before the conditions specified in clauses (ii) and (iii) above have been satisfied if, in accordance with the practice at the Loading Port, such conditions may be satisfied only after the tanker has been brought to the loading point. If, notwithstanding having tendered notice of readiness, the tanker is found not to be ready to load, such notice of readiness will be disregarded and Buyer shall be obligated to give a new notice of readiness when it is in fact ready to load.

3.5 **Oil Pollution.** Buyer shall ensure that all vessels used for loading Oil under the Agreement and that the Oil shipped thereon are covered by any oil pollution insurance coverage, free of expense to Seller. Seller may at its sole option place pollution control personnel on board Buyer's vessels to observe cargo loading and related operations.

Seller's representative may render advice to Buyer, its representative or the Master (who shall be deemed to be acting on Buyer's behalf), and may assist them in the avoidance of any type of pollution; provided, however, that Buyer shall remain fully responsible for any action taken by it or on its behalf.

Article 4. Loading Conditions; Demurrage

4.1 Berthing of Tankers; Commencement of Laytime

4.1.1 Subject to the provisions of Articles 4.1.2 and 4.1.3, Seller shall provide a safe loading point at the Loading Port for each tanker designated in accordance with the provisions of Article 3, which loading point may be a berth, dock, anchorage, sea terminal, sea buoy mooring, submarine loading line or other place, including alongside lighters or other vessels. In the event that a tanker arrives within its Agreed Laydays, then laytime shall commence at the earlier of (i) six (6) hours after notice of readiness is given or (ii) the commencement of loading; provided, however, that any notice of readiness given within the last two (2) hours in which the Loading Port is open on any Day shall not be deemed given until the Loading Port next opens.

4.1.2 Seller shall not be obligated to provide a loading point for any tanker arriving after the last Day of its Agreed Laydays. Regardless of whether such tanker is permitted to berth, Seller shall in no event be liable for demurrage, deadfreight or other charges in connection with the loading thereof. If such tanker is permitted to berth, Laytime shall commence at the commencement of loading.

4.1.3 Seller shall not be obligated to provide any tanker arriving prior to its Agreed Laydays with a loading point until the first Day of its Agreed Laydays. In such case, Laytime shall commence at the earlier of (i) six (6) hours after the Loading Port opens on the first Day of the Agreed Laydays for such tanker, or (ii) the commencement of loading. If such tanker is permitted to berth prior the first Day of its Agreed Laydays, then Laytime shall commence at the commencement of loading.

4.2 **Shifting Loading Point of Tankers.** Seller shall have the right to shift tankers at the Loading Port from one loading point to another, provided that all expenses incurred in connection therewith shall be borne by Seller and all time expended in such shifting of tankers shall count as laytime. Notwithstanding the provisions of the preceding sentence, the expenses incurred in connection with a shifting of any tanker which is attributable to one of the events referred to in Article 4.4 shall be borne by Buyer, the time consumed during such shifting shall not count as laytime, and Seller shall not be obligated to provide such tanker with a loading point until a loading point becomes available.

4.3 **Allowed Laytime.** The Allowed Laytime for tankers loading up to 500,000 Barrels of Oil shall be thirty-six (36) hours. The Allowed Laytime for tankers loading more than 500,000 Barrels of Oil shall be the number of hours calculated as follows:

Step 1: subtract 500,000 from the number of Barrels to be loaded;

Step 2: multiply the amount calculated as provided in Step 1 by 0.0000272;

Step 3: add 36 to the amount calculated as provided in Step 2, and

Step 4: round the amount calculated as provided in Step 3 to the nearest whole number.

Laytime shall cease upon the disconnection of delivery hoses after the completion of loading. In the event that Seller has agreed to load a tanker at a single Loading port with Oil for both Buyer and one or more other customers of Seller, then (i) the Allowed Laytime applicable to the aggregate amount of Barrels loaded for Buyer and such other customer or customers, or vice versa, shall not be counted as used laytime. In the event that an Agreed Lifting Program provides for loading of Buyer's tanker at two Loading Ports, or Seller notifies Buyer pursuant to Article 3.1.3 that a loading shall be at two Loading Ports, the Allowed Laytime shall be the Allowed Laytime applicable to the aggregate amount of Oil to be loaded, provided that there shall not be counted as laytime in any such case the time consumed from the time at which delivery hoses are disconnected at the first Loading Port until the time that laytime would commence at the second Loading port pursuant to the provisions of Article 4.1.

4.4 **Adjustments to Laytime**. In the event that the loading of any tanker is delayed, directly or indirectly, for any of the following reasons, whether occurring prior to, during or after the berthing or commencement of loading of the tanker:

- a) regulations or decisions of Buyer, or of the owner or operator of the tanker, prohibiting or restricting loading at any time;
- b) lightering at Buyer's request;
- c) delay or suspension in loading due to failure of Buyer to comply with any provision of the Agreement;
- d) more than one stoppage in loading as a result of Buyer's instructions as to distribution of the Oil in the tanker;
- e) discharge of ballast or slops;
- f) the condition or facilities of the tanker, or any other reason attributable to or within the reasonable control of Buyer or the tanker;
- g) regulations of the Loading Port operator, port authorities or the Government of Mexico or any political subdivision or agency thereof, including, but not limited to, regulations or decisions closing the Loading Port, prohibiting night traffic or berth maneuvering or prohibiting or restricting loading for any reason;

- h) customs or customs clearance procedures, or time required in order to be granted free pratique;
- i) inspection, gauging and measurement of tanks or valves before, during and after loading;
- j) maneuvering of tanker from anchorage until all fast at the loading point, beginning with the earlier of pilot on board or anchor aweigh;
- k) bad weather, rough seas, fires or explosions; or
- l) any of the events listed in Article 10.1 and not specifically listed above, or any other event of force majeure;

then the amount of time during which the loading of such tanker is so delayed shall not count as laytime.

4.5 **Demurrage.** Seller shall pay Buyer demurrage for any hour or part of an hour of laytime in excess of the Allowed Laytime for the tanker involved, at a rate equal to the rate equal to the lowest of: (i) the rate specified in the charter party for the tanker, if the tanker is spot chartered or voyage chartered, (ii) the rate determined by multiplying the AFRA for the deadweight in metric tons of the tanker times the WORLDSCALE rate for such deadweight, and (iii) the rate determined by multiplying the AFRA for a hypothetical tanker with a deadweight in metric tons equal to the weight in metric tons of the Oil loaded times the WORLDSCALE rate for such hypothetical tanker. For all loadings that commence during a particular Month, the applicable AFRA shall be the one that is determined on the basis of freight assessments for the period ended on the fifteenth Day of the preceding Month. In the event that WORLDSCALE or AFRA is interrupted, or its structure changed so as no longer to represent the relevant conditions under the Agreement, Seller and Buyer shall consult and agree on another rate for the evaluation of the demurrage in question. The right of Buyer to demurrage pursuant to this Article 4.5 shall constitute Buyer's exclusive remedy with respect to any failure of Seller to complete the loading of any tanker within the Allowed Laytime.

4.6 **Buyer's Liability for Delay and Damage.**

4.6.1 Buyer shall pay Seller at the rate of U.S.\$1,500 per hour for each hour or part thereof that loading is delayed due to any of the reasons specified in clause (a), (b), (c), (d), (e) (but only to the extent that more than six (6) hours are expended in discharging ballasts or slops) or (f) of Article 4.4; provided, however, that if Seller incurs, as a result of such delay in loading, damages (including demurrage charges payable to third parties) in an amount in excess of the payment provided above, Buyer shall be liable to Seller for the amount of such damages.

4.6.2 Each tanker shall clear berth as soon as loading is completed and the delivery hoses are disconnected. Buyer shall pay Seller at the rate of U.S.\$1,500 per hour for each hour or part thereof in excess of two (2) hours that the tanker remains in berth subsequent

to completion of loading and disconnection of the delivery hoses; provided, however, that if Seller incurs, as a result of such delay in clearing berth, damages (including demurrage charges payable to third parties) in an amount in excess of the payment provided above, Buyer shall be liable to Seller for the amount of such damages.

4.6.3 In the event that for any reason Buyer's tanker causes damage to any facilities at the Loading Port, then (i) Buyer shall reimburse Seller for the cost of repair or replacement of such facilities, (ii) any delay in loading the tanker as a result of such damage shall not be counted as laytime for such tanker, and (iii) Buyer shall pay Seller at the rate of U.S.\$1,500 per hour for each hour or part thereof that any loading point may not be used as a result of such damage; provided, however, that if Seller incurs, as a result of such damage to a loading point, demurrage charges in an amount in excess of the payment provided in clause (iii) above, Buyer shall be liable to Seller for the amount of such charges. Should any such damage occur, Buyer shall post such security for the payments provided in the preceding sentence as Seller may request, it being understood that Seller may detain the tanker at the Loading Port until such security shall have been posted.

Article 5. Quantity Measurements

5.1 **Determination of Quantity.** The volume of each loading of Oil shall be determined by an independent inspector selected as provided in Article 3.1.2, whose fees shall be shared equally by the parties. Measuring and gauging shall be performed in accordance with one of the following measurement systems in decreasing order of preference, depending on the operational conditions prevailing at the Loading Port involved. Seller and Buyer or their respective representatives may witness the taking of the measurements.

- a) Flow meters installed on loading lines: Such meter measurements shall be taken immediately before, during and after loading. When measurements are made with positive displacement meters, the meters and associated measurement testers will be installed, maintained and calibrated according to the latest revision of API-Manual of Petroleum Measurement Standards ("MPMS"), Chapter 5.2 "Measurement of liquid hydrocarbons by displacement meters". If turbine meters are used, gauging will follow the latest revision of API-MPMS, Chapter 5.3 "Measurement of liquid hydrocarbons by turbine meters" for the meters and measurement testers.
- b) Shore tanks: The shore tanks shall have been calibrated on a periodic basis according to the latest revision of API-MPMS, Chapters 2 and 3, by an independent inspector selected by Seller, who shall have certified the calibration. Volume measurements shall follow the latest revision of API procedure STD 2545 or ASTM 1085, at Seller's choice.
- c) Volume measured on board: Volume measurements on board the vessel shall be made in accordance with the latest edition of the API-MPMS, Chapter 17 "Marine

Measurement" on the basis of at least three (3) measurements for each tank. The onboard quantity (including free water) measured prior to loading shall be deducted from the total observed volume measured after loading. Volume corrections in respect of temperature shall then be effected at 60 °F (equivalent to 15.56 °C) in accordance with ASTM-1250 or API-MPMS, Chapter 11.1, at Seller's choice, thereby arriving at the gross standard volume. Such gross standard volume shall then be further corrected by dividing it by the current vessel experience factor for the vessel, determined as follows:

Step 1: for at least the last five (5) loading operations for crude oil, divide (i) the total calculated volume loaded during each such operation as measured on shore in static shore tanks or by flow proportional meters in accordance with the API or ASTM procedures described above by (ii) the corresponding total calculated volume loaded as measured on board in accordance with such procedures (it being understood that Seller may require verification of the volume figures provided by Buyer);

Step 2: ship/shore ratios calculated as provided in Step 1 shall be accepted if they fall within the following ranges: (i) 1.000 ± 0.0050 for tankers having a deadweight of up to 100,000 metric tons, and (ii) 1.000 ± 0.0030 for tankers having a greater deadweight; and

Step 3: calculate the arithmetic average of the figures resulted in Step 1 that have been accepted in Step 2;

the average calculated in Step 3 being the vessel experience factor for the vessel; provided, however, that (i) for purposes of Step 1 above, the first voyage after any dry-dock, voyages before the last dry-dock which involved a material change in the vessel's tanks, and voyages involving lightering, on-carry loading, multiple loading, or loading of less than 75% of total capacity, will not be considered, and (ii) if there are less than five (5) ship/shore ratios that are accepted pursuant to Step 2 above, the vessel experience factor will be 1.000. S & W, determined in the manner provided in Article 6, shall then be deducted from the volume determined above in order to arrive at the volume for purposes of the bill of lading and the invoice.

5.2 Volume Corrections for Temperature. Except in the case that quantity measurements are made pursuant to the provisions of Article 5.1(c), in which case temperature corrections shall be made in the manner and at the time specified in that Article, temperature readings shall be taken in accordance with the methods listed below in decreasing order of preference, depending on operational conditions prevailing at the Loading Port involved: (i) the average of the temperatures taken at various times during loading at flow meters; and (ii) the temperature taken in shore tanks by Seller or its agent. Temperature corrections at 60 °F (equivalent to 15.56 °C) will then be effected for all volume determinations in accordance with ASTM-1250 or API-MPMS, Chapter 11.1, at Seller's choice, provided that temperature corrections shall not be made in the case that volume is determined by way of flow meters pursuant to Article 5.1 (a) and temperature compensatory at 60 °F (equivalent to 15.56 °C) are integrated into the meter system. S &

W, determined in the manner provided in Article 6, shall be deducted from the volume corrected for temperature as provided above in order to arrive at the volume for purposes of the bill of lading and invoice.

5.3 **Conclusiveness of Measurements.** Quantity and temperature measurements made by the independent inspector as provided in this Article 5 shall be final and binding on the parties, except in the case of manifest error. In any event, without prejudice to the right of either party subsequently to demonstrate manifest error in such measurements, the determination of the independent inspector shall govern for purposes of the quantity stated in the bill of lading and the obligation of Buyer to make payment in accordance with the provisions of Article 8.

Article 6. Quality

6.1 **Determination of Quality.** Sampling of the Oil loaded in each shipment for quality shall be done in accordance with the latest revision of API-MPMS, Chapter 8, Section 1 & 2 (Manual and automatic sampling of petroleum and petroleum products) or the ASTM procedures D-4057-88 or D-4177, at Seller's choice, and witnessed by an independent inspector selected in accordance with Article 3.1.2, whose fees shall be shared equally by the parties. Buyer and Seller or their representatives may witness the taking of samples. Quality shall be determined by using the methods listed below in decreasing order of preference, depending on the operational conditions prevailing at the Loading Port involved: (i) from samples drawn from automatic samplers installed in the loading lines; (ii) from samples drawn from the storage shore tanks delivering the Oil; or (iii) from a composite sample obtained in proportional parts from the vessel's tanks. The samples thus drawn shall be mixed and equally filled in four (4) containers of one (1) Gallon each and finally sealed each. Two (2) of such containers shall be handed over to the Master of the tanker and two (2) shall be kept by Seller for ninety (90) Days after the date of the bill of lading.

6.2 **Analysis of Samples.** The independent inspector shall witness quality tests for sulphur, salt and Reid vapor pressure on the samples according to the latest revision of ASTM or API procedures, at Seller's choice. Gravity tests on all Oil shall be made in accordance with the latest revision of API-MPMS, Chapter 9, Section 1 or ASTM procedures D1298-80, at Seller's choice. S & W shall be established in each case pursuant to the latest revision of ASTM-D-4007 or API-MPMS, Chapter 10-3, at Seller's choice, in tests witnessed by the independent inspector. Quality tests conducted in accordance with the above provisions shall be final and binding upon the parties, except in the case of manifest error.

6.3 **No Warranties.** Seller does not guarantee or warrant the suitability of the Oil for any purpose whatsoever. Buyer hereby releases Seller from any and all warranties whatsoever, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

Article 7. Delivery

7.1 **Passing of Title.** Delivery of the Oil shall be made in bulk to Buyer F.O.B. the applicable Loading Port to tankers to be provided by Buyer. Delivery shall be deemed completed when the Oil passes the flange connection of the delivery hose at the tanker's rail. At that point, Seller's responsibility with respect to the Oil shall cease, and Buyer shall assume all risk of loss of or damage to, and deterioration or evaporation of, the Oil so delivered. Any loss of or damage to Oil or any property of Seller or of any other person during loading which is in any way attributable to the tanker or its officers or crew shall be borne by Buyer.

7.2 **Port and Loading Expenses.** All expenses ashore pertaining to the pumping of the Oil from shore tanks to tankers shall be borne by Seller, including, but not limited to, wharfage, dockage and quay dues at the Loading Port. Seller shall also pay all export taxes or duties imposed by Mexico or any political subdivision or taxing authority thereof. All other expenses pertaining to the loading of any tanker, including, without limitation, all tanker agency fees, anchorage, tonnage, towage, pilotage, customs, consular, entrance, clearance and quarantine fees, port dues and all charges and expenses relating to berthing and unberthing of tankers, shall be borne by Buyer.

7.3 **Loading Port Regulations.** All laws, rules and regulations now or hereafter in existence relating to operations at the Loading Ports (including those referred to in Exhibit 2), shall apply to all tankers provided by Buyer, including, without limitation, any regulations relating to (i) the prevention and control of fires and water pollution and (ii) lead free and segregated or clean ballast. Buyer shall reimburse Seller or its agent for any expenses they may incur as a result of the noncompliance by any such tanker with any such applicable law, rule or regulation, including, without limitation, any expenses incurred by Seller or its agent in connection with the extinguishing of fires, the repair of damage caused thereby, the cleaning-up of water pollution and the payment of any charges assessed by the Government of Mexico or any political subdivision or agency thereof.

7.4 **Buyer's knowledge of Loading Port Facilities; Standard Procedures.** Buyer hereby acknowledges that it is fully familiar with the facilities and conditions at the Loading Ports, including the loading conditions and procedures and the facilities for the storage and delivery of the Oil. Exhibit 2 contains certain information and current requirements relating to the Loading Ports. The facilities and conditions at the Loading Ports may be changed at any time. Buyer also acknowledges that loading port operator's standard procedures in effect at the Loading Ports from time to time relating, *inter alia*, to quality and quantity measurements, safety in loading, and inspection of vessel tanks, shall supplement (but not conflict with) the procedures specified herein. Seller shall supply Buyer with a copy of such procedures upon Buyer's request.

Article 8. Payment Terms

8.1 **Currency, Time and Place of Payment; Overdue Payments.** Buyer shall make all payments required to be made by it hereunder in immediately available U.S. Dollars, without any discount or deduction whatsoever, by wire transfer to such account at such bank as may be designated by Seller from time to time. Payments in respect of Oil sold and delivered shall be made no later than thirty (30) Days after the date of the bill of lading therefor. All other payments to Seller shall be made five (5) Days after presentation by Seller of a written demand setting forth the provisions of the Agreement giving rise to the payment obligation, the nature of such obligation, and the amount thereof. If any payment hereunder is due on a Day on which banks at such place as Seller may have designated as the place where payment is to be made are not open for business, such payment shall be due on the next preceding Day on which banks in such place are open for business. In the event that Buyer fails to make any payment when due, then, to the extent permitted by applicable law and without prejudice to the application of any other provision hereof or to any other remedy provided to Seller hereunder or otherwise (including, without limitation, Article 8.4), interest shall accrue daily on the amount of the overdue payment, commencing on the date such payment was due, at a rate per annum equal to three percent (3%) above the Prime Rate in effect from time to time as announced by Citibank, N.A. at its offices in New York, New York, payable on demand.

8.2 **Payment Expenses.** Buyer shall bear all expenses and bank charges in connection with any payments made to Seller under the Agreement, including, without limitation, any costs of establishing and obtaining confirmation of the letters of credit referred to in Article 8.3.

8.3 **Security for Payment.** If any payment under the Agreement is required to be made by means of letters of credit, each such letter of credit shall be: irrevocable; in a form and for a term satisfactory to Seller; payable against the presentation by Seller of a bill of lading and an invoice; in an amount equal to Seller's estimate of the value of the Oil for which it is provided, plus or minus 10%; established in favor of and notified to Seller not less than ten (10) Days prior to the first Day of the Agreed Laydays for the first shipment to which it relates; and confirmed irrevocably and unconditionally by a bank satisfactory to Seller.

8.4 **Failure to Make Payment.** If Buyer fails to make any payment required to be made by it hereunder when and as the same shall become due and payable, then (in addition to all other rights or remedies provided to Seller hereunder or otherwise) Seller shall have the right, at its sole discretion, to suspend further deliveries (if any) of Oil until Buyer makes the required payment together with any accrued interest thereon or to terminate the Agreement effective immediately upon notice to Buyer.

Article 9. Notice of Claims

Any claim which Buyer may have arising out of or relating to the Agreement must be notified to Seller: (i) within sixty (60) Days after the date of the bill of lading for the shipment involved, if such claim is for demurrage (any such claim must be accompanied by complete substantiation and a copy of the charter party, if any, for the tanker); (ii) within thirty (30) Days after the date on which the loading of any shipment is completed, if such claim relates to the quantity or quality of Oil in such shipment; or (iii) within thirty (30) Days after the occurrence of the events giving rise to such claim, if such claim involves any other matter relating to the Agreement. Seller shall not be liable to Buyer in respect of (and Buyer shall be deemed to have waived) any claim which is not so notified to Seller, and Buyer shall reimburse Seller for any expenses, including attorneys' fees, which Seller incurs in connection with the defense of any such claim.

Article 10. Force Majeure

10.1 **Relief from Liability.** Neither party to the Agreement shall be liable for demurrage, loss, damage, claims or demands of any nature arising out of delays or defaults in performance under the Agreement due to force majeure, which shall include, but not be limited to: acts of God or of the public enemy; floods or fire; hostilities or war (whether declared or undeclared); blockade; labor disturbances, strikes, riots, insurrections or civil commotion; quarantine restrictions or epidemics; electrical shortages or blackouts; earthquakes; tides, storms or bad weather at the Loading Port; accidents; breakdown or injury to producing or delivering facilities in Mexico; interruption or decline of Seller's supply of Oil for any reason, or other shortage or unavailability of Oil for export from Mexico (whether due to increased domestic demand or otherwise); or laws, decrees, regulations, orders or other directives or actions of either general or particular application of the Government of Mexico or any agency thereof or of a person or authority purporting to act therefor, or request of any such person or authority.

10.2 **Notice.** Any party claiming force majeure shall promptly notify the other of the occurrence of the event of force majeure relied upon.

10.3 **Payment for Oil Sold and Delivered.** Nothing in this Article 10 shall relieve Buyer of its obligation to pay in full for Oil sold and delivered hereunder and for all other amounts due to Seller from Buyer under the Agreement.

10.4 **No Obligation to Apportion.** If, as a result of force majeure, Seller at any time does not have available a sufficient amount of Oil for export to supply the aggregate amount of Oil to be sold by it hereunder to Buyer and under such commitments as Seller may have with its other customers, Seller shall not be obligated to prorate the Oil available to it for export among its customers, including Buyer, and may allocate such available Oil in its sole discretion; it being understood that the occurrence of an event of force majeure shall not under any circumstances require Seller to purchase crude oil from any party to sell to Buyer.

Article 11. Arbitration; Governing Law

11.1 **Settlement by Arbitration.** All disputes arising under or relating to the Agreement shall be settled finally by arbitration in Mexico City conducted in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce in effect at such time. The language to be used in the arbitration shall be English. The number of arbitrators shall be three.

11.2 **Governing Law.** The Agreement shall be governed by and interpreted in accordance with the laws of Mexico.

Article 12. Representations and Warranties of Buyer

Buyer represents and warrants to Seller that: (i) it is a corporation duly organized and validly existing under the laws of the jurisdiction of its incorporation, (ii) the Agreement has been duly authorized by all necessary corporate or other action of Buyer; and constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms; (iii) unless otherwise specifically agreed, Buyer is purchasing the Oil hereunder exclusively for its own use; (iv) Buyer has not been contacted by or negotiated with any finder, broker or other intermediary for the purchase of the Oil and no such person is entitled to any compensation with respect to the Agreement or the sale of Oil hereunder; and (v) none of Buyer's directors, employees or agents has given or will give any commission, fee, rebate, gift or entertainment of significant value in connection with the Agreement, it being agreed that representatives of Seller may audit the applicable records of Buyer solely for the purpose of determining whether there has been compliance with this clause (v).

Article 13. Limitation of Liability

Neither party shall be liable for any consequential, indirect or special losses or damages of any kind arising out of or in any way connected with the performance of or failure to perform the Agreement, including, but not limited to, losses or damages resulting from shutdown of plants or inability to perform sales or any other contracts arising out of or in connection with the performance or nonperformance of the Agreement.

Article 14. Merger

The Agreement is a complete and exclusive statement of all terms and conditions governing the purchase and sale of Oil. No prior contract or course of dealing between the parties shall be admissible in construing the terms of the Agreement. Buyer affirms

that no representations have been made by Seller or relied on by Buyer in entering into the Agreement. No term or condition contained in any purchase order or other document of Buyer shall constitute part of the Agreement unless specifically agreed to by Seller in writing, whether or not such purchase order or other document is sent by Buyer to Seller in connection with Buyer's acceptance of the Agreement.

Article 15. Confidentiality

Buyer agrees that all information obtained in connection with the Agreement from Seller by any officer, director, employee, agent or other representative of Buyer shall be treated as the confidential property of Seller, and such confidential property shall not be disclosed without the consent of Seller; provided, however, that Buyer may disclose such information pursuant to governmental, administrative and judicial requirements to which Buyer is subject if such disclosure is mandatory upon Buyer and failure to so disclose would subject Buyer to civil or criminal penalties. Buyer shall use its best efforts to have the information maintained as confidential when such disclosure is required. In the event that Buyer makes a disclosure contrary to the provisions of this Article 15, Seller shall have the right, without prejudice to any other rights or remedies it may have hereunder or otherwise, to terminate the Agreement effective immediately upon notice to Buyer. This obligation shall be of a continuing nature and shall not be canceled by the expiration, suspension or termination of the Agreement.

Article 16. No Third Party Beneficiaries; Assignment

Nothing in the Agreement is intended or shall be construed to confer upon or give to any person or entity any rights as a third party beneficiary of the Agreement or any part thereof. Buyer shall not assign to any party any right or interest in the Agreement or delegate to any party any obligation hereunder without the consent of Seller. In the event of any such attempted assignment or delegation by Buyer without the consent of Seller, Seller shall have the right, without prejudice to any other rights or remedies it may have hereunder or otherwise, to terminate the Agreement effective immediately upon notice to Buyer. Seller may freely assign the Agreement to any subsidiary or affiliate thereof.

Article 17. No Waiver; Cumulative Remedies

Except as specifically provided in the Agreement, no failure or delay on the part of either party in exercising any right, power or remedy hereunder and no course of dealing between the parties hereto shall operate as a waiver by either party of any such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Without prejudice to Article 11 and except to the extent otherwise

expressly provided in the Agreement, all rights, powers and remedies provided hereunder are cumulative and not exclusive of any rights, powers or remedies provided by law or otherwise. Except as required by the Agreement, no notice or demand upon either party in any case shall entitle such party to any other or future notice or demand in similar or other circumstances or constitute a waiver of the right of either party to take any other or further action in any such circumstances without notice or demand.

Article 18. Severability of Provisions

The invalidity, illegality or unenforceability of any one or more of the provisions of the Agreement shall in no way affect or impair the validity and enforceability of the remaining provisions thereof.

Article 19. Notices

All notices and other communications given under the Agreement shall be in writing and shall be effective upon receipt by the addressee as provided below or, in the case of notice by telex or by confirmed facsimile, when sent as provided below:

To Seller: P.M.I. Comercio Internacional, S.A. DE C.V.
Torre Pemex - Piso 22
Avenida Marina Nacional No. 329
11311 Mexico, D.F.
Mexico

Telex: 1773509 PMITME

Att.: Dirección Comercial de Petróleo Crudo

or at such other address or telex as may be notified by Seller to Buyer from time to time in the manner provided in this Article 19.

To Buyer: At the address or telex of its principal office or any office dealing with Seller with respect to the Agreement, or at any such other address or telex as may be notified by Buyer to Seller from time to time in the manner provided in this Article 19.

Article 20. Amendments and Waivers

Any amendment of the General Terms must be made upon the express written agreement of both parties, and any waiver of any provision of the General Terms by either party must be upon the express written agreement of such party.