

VOLUME 13°-A



MARITIMO

N.º 19489/2001

DE FISCALIA DO EXCEL

DE FISCALIA DO EXCEL DE G. PATILHA

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CERTIDÃO

Certifico, para os devidos fins, que o volume nº 13º, constituído pelas fls. 2.338 a 2.668, do Processo nº 19.489/2001, "P-36", foi desmembrado em dois volumes, passando a compor este volume 13º as fls. 2.338 a 2.470-a, e, o volume 13º-A, as fls. 2.470-b a 2.668, a fim de oferecer melhores condições para consulta pelos Exmos. Srs. Juízes Relator e Revisor, Representante da Procuradoria Especial da Marinha e Srs. Advogados.

O referido é verdade e dou fé.

Aos 31 de outubro de 2003.


DINEIA DA SILVA
Diretora da Divisão Judiciária

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JOSE CARLOS ...
DIRETOR ...



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JOSE CARLOS DE ALMEIDA
DELEGADO DE JUSTIÇA



PETRÓLEO BRASILEIRO S.A.
PETROBRAS



MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (hereinafter referred to as "MOA") is made this sixth day of November, 1996 by and between Petróleo Brasileiro S.A. - PETROBRAS (hereinafter referred to as "PETROBRAS"), a corporation duly organised and existing under the laws of Brazil, having its registered office at Avenida República do Chile 65, Rio de Janeiro, Brazil, and Marítima Navegação e Engenharia Ltda. (hereinafter referred to as "MARÍTIMA"), a corporation duly organised under the laws of Brazil, having its registered office at Avenida Almirante Barroso, 52, Gr. 3400, Rio de Janeiro, Brazil,

WITNESSETH

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WHEREAS PETROBRAS has decided to install a semi-submersible production platform (hereinafter referred to as "PLATFORM") to produce about 150,000 barrels per day of crude oil and six million cubic meters per day of natural gas and

WHEREAS Braspetro Oil Service Company (hereinafter referred to as "BRASOIL"), a wholly owned subsidiary of Petrobras Internacional S.A. (hereinafter referred to as "BRASPETRO"), which is a majority owned subsidiary of PETROBRAS, in line with the policies of PETROBRAS' group of companies, intends to charter the "PLATFORM" to PETROBRAS and

WHEREAS the platform currently named the "Spirit of Columbus" (hereinafter referred to as "SOC") would - subject to an upgrade (hereinafter referred to as "UPGRADE") to be executed in accordance with certain specifications (hereinafter referred to as "SPECIFICATIONS") to be set by PETROBRAS - be suitable for PETROBRAS' purposes herein above mentioned and



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PETROBRAS



WHEREAS SOC is registered at the port of Napoli, Italy, the name of Società Armamento Navi Appoggio S.p.A. (hereinafter referred to as "SANA"), and is not free and clear from any and all liens and burdens, which include two mortgages, the first one with Arab Bank Corporation PLC (hereinafter referred to as "ABC") and the second one with Fincantieri - Cantieri Navali Italiani S.p.A. (hereinafter referred to as "FINCANTIERI") and constraints related to the Italian Government Subsidies and to other creditors or security holders and

WHEREAS BRASOIL intends to acquire SOC, provided:

- a) It is free and clear from mortgages, liens, securities, credits, interests and any and all other burdens, past, present or future, whether herein identified or not (hereinafter referred to as LIENS) and
- b) That the UPGRADE is concluded in conformity to the SPECIFICATIONS set by PETROBRAS for the PLATFORM and

WHEREAS MARÍTIMA represents and warrants that it, either directly or via a company to be incorporated and solely owned by it (hereinafter referred to as "LEASECO"): (i) will acquire the legal right title and power necessary and sufficient to legally and validly transfer SOC's use and ownership to BRASOIL, free and clear from any and all LIENS, (ii) will UPGRADE SOC to the SPECIFICATIONS and

WHEREAS MARÍTIMA represents and warrants that it will be responsible for the procurement and obtaining of all applicable and necessary consents, approvals, authorisations and any such other certifications from any Persons, whether Public or Private, that are or might be required for the valid and legal accomplishment of the objectives as stipulated in this MOA (hereinafter referred to as TRANSACTIONS).

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. PARTICIPATION AGREEMENT

PETROBRAS, BRASOIL, MARÍTIMA, LEASECO, SANA, ABC, FINCANTIERI and MSR, if necessary and any other Persons, whether Public or Private, whose authorisation, approval or other consent is or might be required for the valid and legal accomplishment of the TRANSACTIONS contemplated herein, will

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enter into an Agreement (hereinafter referred to as PARTICIPATION AGREEMENT) with a TRUSTEE, to be nominated under mutual agreement among the related parties, including the holders of any mortgages, other interests of LIENS to be benefited by an assignment of these benefits or whose agreement is deemed to be necessary for the fulfillment of all obligations assumed herein, either directly or indirectly through the TRUSTEE.

The TRUSTEE's responsibilities shall, without being limited to, include the following: (i) receive all amounts paid by PETROBRAS or BRASOIL, as applicable, under the BBCP and LAPO contracts, hereinafter referred to, (ii) distribute in due time, value and proportion said amounts to all existent LIEN holders affecting SOC and to be identified and indicated therein, which shall include but not limited to, MARÍTIMA or LEASECO, as applicable, ABC, FINCANTIERI, and the ITALIAN GOVERNMENT, and BANKS, if necessary etc, (iii) be responsible for the obtaintion of plain and full quittance from these LIEN holders, (iv) assure to PETROBRAS and BRASOIL that the values paid in relation to the TRANSACTIONS contemplated herein, including those due under the BBCP and LAPO contracts, will be timely utilised to give full and irrevocable quittance to the paying and other obligations, and any securities, responsibilities or LIENS that might affect the valid, legal and binding acquisition of SOC by BRASOIL, including its due registration in the terms and conditions contemplated herein and without any further expenses,

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Any mortgage, security, credit, interest or other LIEN holder, will also undertake that they will timely give the above mentioned quittances, allowing SOC to be transferred to BRASOIL free and clear from any and all LIENS or constraints, as set forth in this MOA, provided all due CHARTERHIRE has been paid to the TRUSTEE.

PETROBRAS shall receive confirmation of all payments made to all Persons that have a claim on the Platform so as to satisfy themselves that those claims are extinguished.

Except for the consents specifically and directly attributed to PETROBRAS' responsibility, all applicable and necessary consents, approvals, authorisations and any such other certifications from any Persons, whether Public or Private, that are or might be required for the valid and legal accomplishment of the TRANSACTIONS contemplated herein shall be procured and obtained by MARÍTIMA.



2. MARÍTIMAS's UNDERTAKINGS and COVENANTS:

In order to fulfill its obligations, as set forth in this MOA, MARÍTIMA or LEASECO, as applicable, shall, in terms acceptable to PETROBRAS and BRASOIL: (i) acquire the legal right, title and power necessary and sufficient to legally and validly transfer SOC's use and ownership to BRASOIL, free and clear from any and all LIENS (ii) UPGRADE SOC to the SPECIFICATIONS and (iii) procure and obtain all applicable and necessary consents, approvals, authorisations and any such other certifications from any Persons, whether Public or Private, that are or might be required for the valid and legal accomplishment of the TRANSACTIONS; notwithstanding the authorisations specifically attributed to PETROBRAS, in the terms set forth hereinabove.

Documentation acceptable to PETROBRAS and BRASOIL that MARÍTIMA and/or LEASECO, as applicable, has or can fulfill the terms stipulated in the above paragraph constitute, among others, condition precedent to the TRANSACTIONS. If they are not complied with, by any reason whatsoever, including the obligation stipulated in item 7, (d) hereinbelow, the Contracts and Agreements and other documents contemplated in this MOA (hereinafter referred to as TRANSACTION DOCUMENTS) shall not be signed or executed.

3. UPGRADE

MARÍTIMA and/or LEASECO, as applicable, undertakes to be fully responsible for the execution and completion of the UPGRADE of SOC in accordance with the SPECIFICATIONS set by PETROBRAS for the PLATFORM and therefore shall enter into one or more contracts, which will include the following terms:

CONTRACTOR (S)	Companies nominated by LEASECO and acceptable by BRASOIL
----------------	--

UPGRADE CONTRACT (S)	Contracts between LEASECO and the CONTRACTOR(S) for the upgrade of the PLATFORM in accordance with the SPECIFICATIONS and subject to
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the corresponding obligations under
the TRANSACTION
DOCUMENTS.

COMMENCEMENT:

On the acceptance of SOC by BRASOIL, provided the certificate of delivery has been duly issued and agreed, or on such later date to be mutually agreed by the Parties.

TERM:

21 months (at the beginning of production at Campos Basin).

UPGRADE COMPLETION:

A CERTIFICATE to be issued by the CONTRACTOR(S) and counter signed by LEASECO, BRASOIL and PETROBRAS confirming that the UPGRADE is complete, acceptable and in conformity with the SPECIFICATIONS.

RESPONSIBILITY

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It must be clearly stated that neither PETROBRAS nor BRASOIL shall be deemed directly or indirectly responsible in relation to this UPGRADE contract. The existing relationship shall be between MARÍTIMA and/or LEASECO and the CONTRACTOR (S). Notwithstanding this, the SPECIFICATIONS shall be previously submitted to, and accepted to be executed by, the CONTRACTOR (S).

MISCELLANEOUS

PETROBRAS and BRASOIL or who is designated by them shall be granted free access and right to inspect the PLATFORM at any time of the UPGRADE services.



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MARÍTIMA shall be responsible for builder's risk and performance bond to be issued in the benefit of BRASOIL and in terms and amounts acceptable to it. These guaranties shall survive until the UPGRADE is satisfactorily concluded and Certificate of Delivery and Acceptance is issued and agreed to.

4. LEASE AGREEMENT WITH PURCHASE OPTION (LAPO):

The LAPO will have the same terms as the BBCP, hereinafter identified, with the addition of the following terms:

LESSOR: MARÍTIMA or LEASECO, as applicable
LESSEE: BRASOIL

CERTIFICATE OF DELIVERY:

Provided SOC has been inspected and PETROBRAS or BRASOIL, as applicable, issues a CERTIFICATE OF DELIVERY stating that the Platform is suitable to start the UPGRADE as set forth herein, the LAPO will be signed.

COMMENCEMENT:

Provided the Certificate of Delivery has been duly issued and agreed to, as provided hereinabove, the LAPO's initial term shall take place thereon or on such later date to be mutually agreed by the Parties, but in any case not later than december 31, 1996.

TERM:

12 years

LEASE HIRE:

To be mutually agreed later by the Parties.

COVENANTS:

(I) MARÍTIMA's:

- a. Simultaneously with the payment of the last lease hire, the Lessee shall have the option to pay one US Dollar (US\$ 1,00) to the Lessor, and then the title and the



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ownership of SOC shall be transferred to the Lessee, free and clear from any and all LIENS.

- b. The lease hire shall only be due as long as PETROBRAS has quiet possession and use of SOC and BRASOIL has plain legal right and security of acquiring the PLATFORM's property at the end of LAPO, in the terms and conditions set forth in this MOA.

(ii) BRASOIL's:

- a. BRASOIL, either directly or through PETROBRAS' obligations under the BBCP (hereinafter referred to), shall maintain the PLATFORM insured, including hull and machinery, war risks and P&I coverage as a minimum in accordance with the requirements of the mortgages to cover the balance due on their loans and the outstanding subsidies should the vessel be a total loss.

MISCELLANEOUS:

Notwithstanding the covenant contained in 5, (f) hereinbelow, the parties hereto agree that SOC will be renamed Petrobras - 36 (hereinafter referred to as "P-36") upon commencement of the LAPO, or at the earliest day possible.

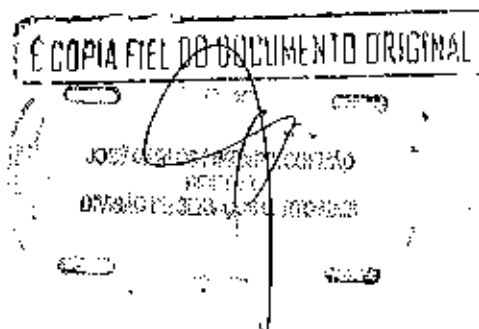
5. BARE BOAT CHARTER PARTY (BBCP):

BBCP will have the following terms:

CHARTERER: BRASOIL
CHARTEREE: PETROBRAS

COMMENCEMENT: Same as of the LAPO.

TERM: 12 years (same as of LAPO's)



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CHARTERHIRE:

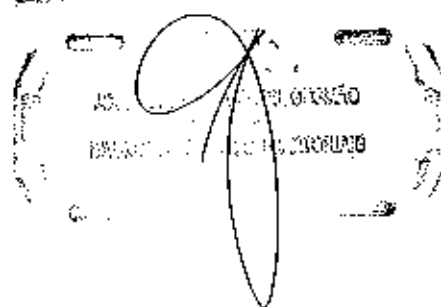
The CHARTEREE will pay a fixed rate per month agreed later by the Parties.

COVENANTS:

The CHARTER will be a bareboat charter on an "as is, where is () basis" with the following undertaking by the CHARTEREE:

- a. To pay the CHARTERHIRE during the TERM of the BBGP.
- b. To maintain insurance on the PLATFORM, including hull and machinery, war risks and P&I cover.
- c. To pay all the operating costs of the PLATFORM during the charter term and operate the PLATFORM in a safe manner so that the she is at all times seaworthy and fit for the purposes for which it is employed.
- d. Not to place or permit any LIEN on the PLATFORM, other than the existing ones; or unreasonably allow the PLATFORM out of CHARTEREE's direct control.
- e. To maintain the PLATFORM in the highest classification of Rina (the Italian classification society).
- f. To keep the vessel on the ships registry in Napoli, Italy and comply with the Italian requirements for manning of bareboat vessels.

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If the CHARTEREE fails to meet its obligation under a., e. and f. above, then it will be liable to pay a supplementary charter hire payment to the Mortgage equal to any

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PETROBRAS



subsidy forfeited at the rate of Italian Lire 15824 million per annum until december 31, 2006.

CHARTER HIRE PAYMENT

PETROBRAS shall give evidence that the BBCP shall have been duly registered within the Central Bank of Brazil.

ACCEPTANCE

Before BBCP is executed a certificate shall be issued by the CHARTEREE or its nominee after due inspection of the vessel confirming that SOC is accepted on charter on an 'as is where is' basis. The CHARTEREE shall take possession of the Platform as soon as practicable thereafter.



6. ACQUISITION, USE, POSSESSION AND OTHER RIGHTS TERMS AND CONDITIONS:

Provided that (i) and (ii) hereinbellow constitute some of the Conditions Precedent to the TRANSACTIONS contemplated in this MOA, the LIEN holders and such other relevant Persons shall represent and warrant that they (a) will not take any action that might impair or affect PETROBRAS' and BRASOIL's rights stipulated in (i) and (ii) bellow and shall take all necessary steps to avoid or stop third parties from doing so and (b) agree that PETROBRAS and BRASOIL must be granted the necessary and sufficient comfort, for which all desirable certification, inquiries, legal opinions and others shall be obtained:

- (i) BRASOIL, by exercising its purchase option under LAPO, shall be able to acquire the PLATFORM free and clear from any and all LIENS;
- (ii) PETROBRAS must have quiet use and full possession of the PLATFORM during the term of BBCP, the parties agreeing that PETROBRAS and BRASOIL shall have these rights secured by whatsoever means advisable or necessary to accomplish this.

Notwithstanding the above said and provided PETROBRAS fulfills its obligations under the BBCP, an Agreement in form and terms satisfactory to PETROBRAS and BRASOIL will be signed by TRUSTEE, SANA, MARÍTIMA and/or LEASECO, as



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applicable, LIEN HOLDERS and any other third Public or Private Persons, herein included MSR, the Italian Government and its agencies, whose consent or agreement is considered desirable or necessary to assure that the TRANSACTIONS contemplated in this MOA are legal, valid and binding. BRASOIL and PETROBRAS shall be granted all rights and benefits of ownership of P-36, including the right to alter the vessel, employ the vessel and give security over or dispose of its interest in the vessel, provided the rights of the mortgages to receive the payments due are respected.

7. ITALIAN GOVERNMENT SUBSIDIES:

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JOSÉ CARLOS...
DIVISÃO DE...
Tribunal Marítimo

MARÍTIMA represents and warrants that it will obtain from SANA and from any third Persons necessary a commitment by which they shall do whatever necessary in order ensure that, notwithstanding the terms of this MOA, P-36 continues to qualify for subsidies from the Italian Government.

In this regard, the parties agree that PETROBRAS and BRASOIL must be granted the necessary and sufficient comfort, for which all applicable certification, inquiries, legal opinions and others shall be obtained.

Notwithstanding this, an Agreement in form and terms satisfactory to PETROBRAS and BRASOIL will be signed by TRUSTEE, SANA, MARÍTIMA and/or LEASECO, as applicable, LIEN HOLDERS and any other third Public or Private Persons, herein included MSR, the Italian Government and its agencies, whose consent or agreement is considered desirable or necessary to assure that the TRANSACTIONS contemplated in this MOA are legal, valid and binding, specifically with regard to the subsidies from the Italian Government.

This Agreement shall include the following obligations, among others deemed necessary to conform with the above said:

- a. The platform shall continue to be registered on the Italian Ships Registry as long as required by Article 6 of Law 361/82 or other applicable law or regulation.
- b. SANA shall not apply for other subsidies in contravention of Article 1 Sub Section 5 of Law 361/82 or other applicable law or regulation.

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PETROBRAS



c. The Platform shall continue to be registered under the Italian flag and to be kept classified in the highest category within RINA as long as required by Article 6 Sub Section 2 of Law 361/82 or other applicable law or regulation.

d. SANA shall meet the requirements to be an owner of an Italian Ship as required by Article 1 Sub Section 1 of Law 361/82.

Having regard to these issues and others relating to the Italian Government Subsidies and its impact on the legality, validity and enforceability of the Transactions in the terms set forth in this MOA, the parties agree that PETROBRAS and BRASOIL must be granted the necessary and sufficient comfort, for which all applicable certification, inquiries, legal opinions and others shall be obtained. In case the information and other data obtained therefrom should have an adverse impact, whether legal or financial, on the TRANSACTIONS, PETROBRAS and BRASOIL shall be free to terminate this MOA without any costs.

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8. CONDITIONS

The following shall constitute Condition Precedent to the existence and validity of the TRANSACTION DOCUMENTS:

- a. All documents, certificates, information, inquiries, and any relevant data relating, directly or indirectly, to the PLATFORM, its owners, governmental subsidies, contracting parties, LIEN holders, etc.
- b. All TRANSACTION DOCUMENTS to be acceptable, and their execution by all the thereto.
- c. Evidence and comfort acceptable to PETROBRAS and BRASOIL that MARÍTIMA or LEASECO, as applicable, has and will continue to comply with its undertakings and covenants as set forth in this MOA to the extent that the same has not been expressly contemplated in the TRANSACTION DOCUMENTS.



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PETROBRAS



- d. Opinions of such in house and independent counsels on matters of Brazilian and other laws in any way relating to the TRANSACTIONS, as the parties hereto may require or deem necessary.
- e. The satisfactory obtaintion of all applicable and necessary consents, approvals, authorisations and any such other certifications, herein included the execution of the TRANSACTION DOCUMENTS when required, from any Persons, whether Public or Private, that are or might be required for the valid and legal accomplishment of the TRANSACTIONS contemplated herein, including but not being limited to, approval of the Board of Directors and other competent company bodies of all parties to the TRANSACTION DOCUMENTS and other relevant documents, approval and authorisation of Governmental Authorities, Agencies and Organisations of the relevant countries, approval by the LIEN holders.

9. GENERAL PROVISIONS:

The TRANSACTIONS contemplated in this MOA shall be governed by the TRANSACTION DOCUMENTS referred to herein, and by others that may be necessary to give sufficient comfort of the legality, validity and enforceability required with regard to the TRANSACTIONS. Such TRANSACTION DOCUMENTS shall contain the terms and conditions generally described herein, together with other customary reasonable terms and conditions to be agreed and shall only come into force subject to the plain satisfaction of the conditions referred to in this MOA, and such other conditions and terms that may be necessary to give sufficient comfort of the legality, validity and enforceability of the TRANSACTIONS.

This MOA shall terminate if any condition stated herein is not satisfied unless it is waived by all the parties hereto.

PETROBRAS and BRASPETRO will issue comfort letters to parties reliant upon BRASOIL in support of BRASOIL's obligations stating, in their capacity of controllers and administrators, their assurance of performance of BRASOIL's obligation under the TRANSACTION DOCUMENTS in legally satisfactory terms.



PETRÓLEO BRASILEIRO S.A.
PETROBRAS



This MOA shall be governed by the laws of England.

IN WITNESS WHEREOF, the parties hereto have executed this MOA on November 6, 1996.


by PETROLEO BRASILEIRO SA
ALCEU BARROSO LIMA NETO
Superintendente do Serviço
de Engenharia
Matr. 009035-1


by MARITIMA NAVEGAÇÃO E ENGENHARIA LTDA.





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DATE: 20 June 1997

HEAD PURCHASE AGREEMENT

of

The Semi-Submersible Production Platform named
Spirit of Columbus (to be renamed Petrobras-36)

between

SOCIETÀ ARMAMENTO NAVI APPOGGIO S.p.A.

and

PETRO-DEEP INC.

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LINKLATERS & PAINES

Barrington House
59-67 Gresham Street
London EC2V 7JA

Tel: 0171-606 7080

Ref: SYC

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DIVISION OF INVESTIGATION



THIS HEAD PURCHASE AGREEMENT is made on the 20 day of June, 1990

BETWEEN:-

- (1) SOCIETÀ ARMAMENTO NAVI APPOGGIO S.p.A., a company duly organised and existing under the laws of Italy having its registered office at Via E. Jenner 136, A/11 00151, Rome, Italy (hereinafter called "SANA");
- and
- (2) PETRO-DEEP INC., a corporation duly organised and existing under the laws of the Cayman Islands, having its registered office at c/o The Fiduciary Trust, P.O. Box 1062, One Capital Place, George Town, Grand Cayman, Cayman Islands, B.W.I. (hereinafter called "Petro-Deep").

WHEREAS, the parties hereto have agreed that the Vessel shall be sold to Petro-Deep under the terms and conditions hereinafter set forth and that title to and ownership of the Vessel shall be transferred to Petro-Deep or its nominee by SANA forthwith upon the full payment to SANA by Petro-Deep of a certain amount of moneys herein agreed.

NOW, THEREFORE, in consideration of the premises herein contained, and each party intending to be legally bound thereby, the parties hereto agree as follows:

1 DEFINITIONS

The following terms shall have the meanings set forth below, provided that any word denoting the singular only shall include the plural and vice versa:

"ABC" means the Arab Banking Corporation (B.S.C.) a company duly organised and existing under the laws of Bahrain having its principal office in England at 1/5 Moorgate, London EC2R 6AB;

"ABC Loan" means a loan made by ABC to Tortin pursuant to a Facility Agreement dated 10 April 1990 as amended, the repayment of which is secured by the ABC Security;

"ABC Security" means the guarantee of SANA, a first priority Vessel Mortgage and the other security held by ABC in respect of the Facility Agreement dated 10 April 1990 and other related documentation between ABC and Tortin;

"ABI Rate" means the ABI prime rate as published in Il Sole-24Ore for Italian Lire;

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SOBSCRITO POR
TORTIN
PRESIDENTE DA EMPRESA



"Acceptance Date" means 1 January 1997;

"this Agreement" and the agreement referred to by the expression "hereof", "herein" or "hereunder" mean this Agreement as originally executed or as it may at any time be supplemented or amended (which supplements or amendments must be agreed in writing by the parties hereto);

"Assignment of Insurances" means the assignment of the benefits of the Insurances in favour of the Trustee entered into by Petrobras, Brasoil, Petro-Deep and SANA;

"Banking Day" means a day (other than Saturday) on which commercial banks are open for business of the kind herein contemplated in London and New York for payments in US\$ and London and Milan for payments in Italian Lire;

"Bareboat Charter and Purchase Agreement" means a certain bareboat charter and purchase agreement between Petro-Deep as disponent owner and Brasoil as charterer, as of the date first above written, pursuant to which Brasoil agrees to charter and purchase the Vessel;

"Bareboat Sub-Charter Agreement" means a certain bareboat sub-charter agreement between Brasoil as disponent owner and Petrobras as charterer, as of the date first above written, pursuant to which Petrobras agrees to charter the Vessel;

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"Belongings" means all boilers, engines, machinery, spares, riggings, boats, anchors, cables, tackle, equipment and all other appurtenances to the Vessel, owned or acquired by SANA, Petro-Deep, Brasoil or Petrobras at the relevant time or during the relevant period, whether on board or not, and all additions, improvements and replacements made at any relevant time on the Vessel;

"Brasoil" means BRASPETRO OIL SERVICES COMPANY, a corporation duly organised and existing under the laws of the Cayman Islands, having its registered office at BankAmericaTrust and Banking Corp. (Cayman) Ltd., P.O. Box 1092GT, Grand Cayman, Cayman Islands, B.W.I.;

"Brasoil Mortgage" means the mortgage over the Vessel to be granted in favour of Brasoil by SANA pursuant to the Quiet Possession Agreement;

"Companies" means Petro-Deep, Brasoil and Petrobras; **"Company"** means each of them;

"Compulsory Acquisition" means requisition of the Vessel for title or other compulsory acquisition of the Vessel or requisition for hire by any government or other authority or by any person, institution or organisation acting or purporting to act for such government or other authority;



"Debt Purchase Agreement" means an agreement to be entered into between Brasoil and ABC, pursuant to which Brasoil agrees to purchase participations in the ABC Loan;

"Dollars" and the sign "\$" or "US\$" mean the lawful currency, at any relevant time during the Post Delivery Period, of the United States of America;

"Earnings" means collectively all charterhires and earnings payable to Petro-Deep with respect to the Vessel including but not limited to:

(1) all quarterly or other periodically payable charterhires and all other periodical payments (if any) from time to time due or to become due at any time during the Post-Delivery Period to Petro-Deep from each and any charterer under each or any of the Bareboat Charter and Purchase Agreement and any charter party of the Vessel to which Petro-Deep is a party;

(2) all other moneys and claims for moneys whatsoever due or to become due to Petro-Deep from such charterer under such Bareboat Charter and Purchase Agreement or charterparty of the Vessel at any time during the Post-Delivery Period;

(3) all damages and claims for damages arising at any time during the Post-Delivery Period out of or in connection with such Bareboat Charter and Purchase Agreement or charterparty of the Vessel;

"Excess Risks" means the proportion of claims for general average and salvage charges and under the ordinary running-down clause not recoverable in consequence of the value at which the Vessel is assessed for the purpose of such claim exceeding her Insured value;

"Final Payment" means the sum payable by Petro-Deep to SANA, in order to effect transfer of title to the Vessel to Petro-Deep or its nominee, equal to Lire 206,250,000,000.00; JOSÉ CARLOS PASCAL

"Instalment" means the amount paid or to be payable on each of the forty-eight (48) Payment Dates in accordance with Clause 12.2(2) hereof and "Instalments" means two or more such Instalments;

"Insurances" collectively means (i) any contract or policy of hull and machinery insurance, port risks insurance, water pollution liabilities insurance, wreck and debris removal insurance, war risks insurance or any other insurances which will be from time to time taken out in the joint names of SANA, Petro-Deep, Brasoil and/or Petrobras as co-assured on and/or in respect of the Vessel, or (ii) any entry of SANA, Petro-Deep, Brasoil and/or Petrobras as co-entry members in respect of the Vessel in protection and indemnity associations or clubs;

"Insurers" means collectively such insurance companies and insurers, underwriters, protection and indemnity associations or clubs and insurance brokers as SANA shall from time to time approve in writing, with or through whom any and all relevant insurance shall be taken out and kept effected; and "Insurer" means any one of them;

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"LIBOR" means, in relation to any amount:

(1) the nominal annual percentage rate of interest for Dollars shown on the page "London Interbank Offered Rates" (LIBOR) of the Reuter Monitor Money Rates Service in the column headed "Nat West Bank" (or any replacement or successor page); or

(2) if no such rate is shown, the rate per annum certified by SANA to be the rate at which National Westminster Bank plc offers Dollar deposits to leading banks in the London Interbank Market,

for six (6) months Dollar deposits at or about 11.00 am (London time) on the relevant Banking Day;

"Loss Payment" means a sum payable to SANA by Petro-Deep as liquidated damages in the case of any event described in Clause 11.1 hereof, in the amount equal to the aggregate of (i) all the outstanding instalments falling due under this Agreement and not paid, discounted to the date the payment is declared due, for amounts that fall due after such date, at the lower of nine per cent (9%) per annum and LIBOR plus three per cent (LIBOR + 3%) compounded annually, and (ii) all the Subsidy not yet paid, discounted to the date the payment is declared due, for amounts of Subsidy that fall due after such date, at the then prevailing ABI Rate compounded annually, and (iii) all Over-due Interest that remains unpaid on all payments that fell due prior to the date the payment is declared due;

"Mortgagee" means any one or more person, corporation, association, institution or other entity who shall at any relevant time be a mortgagee under any Vessel Mortgage including, but not limited to, ABC, SCN and the Trustee for as long as they are a mortgagee under a Vessel Mortgage and **"Mortgagees"** means two or more such mortgagees under the Vessel Mortgages;

"Operating Costs Side Letter" means the letter to be issued by Brasoil to SANA pursuant to which Brasoil agrees to reimburse to SANA certain operating costs incurred by it from the Acceptance Date to the date of delivery of the Vessel;

"Other Indebtedness" means the aggregate sums of moneys owing by Petro-Deep to SANA hereunder and outstanding at any relevant time other than (i) Instalments, (ii) Supplemental Payments, (iii) Loss Payment and (iv) Termination Payment;

"Outstanding Indebtedness" has the meaning given to it in the Debt Purchase Agreement;

"Over-due Interest" bears the meaning set out in Clause 17 hereof;

"Participation Agreement" means the assignment of (A) any Requisition Compensation payable to any of SANA, Petro-Deep, Brasoil or Petrobras and (B) the hires and all other moneys and claims for moneys whatsoever due or to become due to (i) Brasoil from Petrobras under the Bareboat Sub-Charter Agreement, (ii) Petro-Deep from Brasoil under the Bareboat Charter and Purchase Agreement and (iii) SANA from Petro-Deep under this Agreement to and in favour of the Trustee;

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 "Payment Date" means the last day of each of the forty-eight (48) successive periods of three calendar months commencing on 1 January 1997 and ending on 31 December 2008; *except* in respect of (i) the first Payment Period in which case it means the first day of that period and (ii) the second Payment Period in which case it means the date on which delivery of the Vessel takes place pursuant to paragraph 0 of the Operating Costs Side Letter
 "Payment Period" means a twelve (12) consecutive year period commencing on 1 January 1997 and ending on 31 December 2008 or upon any earlier termination of this Agreement;

"P & I Club" means a protection and indemnity association or club reasonably acceptable to SANA;

"P & I Risks" means all risks (including, but not limited to, pollution, leakage and spillage risks) covered by the Articles or Rules of a P & I Club and by a certificate of entry of the Vessel issued by such P & I Club or as it may at any time during the Post-Delivery Period be amended or supplemented and at least includes the usual risks covered by an English or American or Japanese protection and indemnity association or club including the proportion not recoverable in case of collision under the ordinary running-down clause included in the hull and machinery insurance referred to at Clause 7.2(1);

"Petrobras" means PETROLEO BRASILEIRO S.A.-PETROBRAS, a corporation duly organised and existing under the laws of Brazil and having its registered office at Edifício Marechal Ademar de Queiroz, Av. República do Chile 65, Rio de Janeiro-RJ, Brazil;

"Petrobras' Letter of Comfort" means a letter of comfort to be issued by Petrobras to and in favour of, inter alia, the Trustee;

"Post-Delivery Period" means the period commencing on the date of issue of the certificate referred to in Clause 4.2 and terminating on the day on which all sums of money of whatsoever nature indebted or to be indebted by Petro-Deep to SANA hereunder or by law or otherwise in connection herewith or with the Vessel have been paid in full to SANA and no obligations of Petro-Deep of whatsoever nature to SANA or otherwise in connection herewith or with the Vessel remain unperformed;

"Pre-Delivery Date" means the date on which the Vessel leaves the Port of Palermo where it is moored as at the date of signature of this Agreement;

"Price" means the aggregate of the amounts payable on each Payment Date, consisting of the instalments (the aggregate of which instalments over the Payment Period equals Italian Lire 550 billion) and the Supplemental Payments;

"Quiet Possession Agreement" means the agreement to be entered into by SANA, Petro-Deep, Brasoil, Petrobras, the Mortgagees and the Trustee among others pursuant to which SANA, Petro-Deep, Brasoil, Petrobras, the Mortgagees, the Trustee and others undertake not to interfere

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JOSE CARLOS FERREIRA
 01/03/2009



with Petrobras' quiet use and possession of the Vessel and the transfer of title to the Vessel to Brasol;

"Related Documents" means the Relevant Documents other than this Agreement;

"Relevant Documents" means this Agreement, the Bareboat Charter and Purchase Agreement, the Bareboat Sub-Charter Agreement, the Assignment of Insurances, the Brasol Mortgage, the Participation Agreement, Petrobras' Letter of Comfort, the Quiet Possession Agreement, the Trust Deed, the Vessel Mortgage and the Debt Purchase Agreement;

"Requisition Compensation" means all moneys or other compensation payable during the Post-Delivery Period by reason of the Compulsory Acquisition of the Vessel;

"RINA" means Registro Italiano Navale, the Italian classification society;

"SCN" means Sestri Cantieri Navale S.p.A., a corporation duly organised and existing under the laws of Italy having its registered office at Via Soliman No. 47/R, Genoa Sestri, Italy;

"Specification" means the specification for the Upgrade of the Vessel to be annexed to the Bareboat Sub-Charter Agreement;

"Subsidy" means an amount equal to Italian Lire 15,624,000,000 due to be paid on 1 January 1998 and each year thereafter up to and including 1 January 2006 pursuant to Law no. 361 dated 10 June 1982 as amended by Law no. 848 dated 11 December 1984 by the Italian Ministero della Marina Mercantile (now part of the Ministero dei Trasporti e della Navigazione) to SCN (pursuant to an assignment to it by SANA dated 25 May 1994);

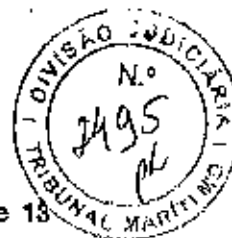
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"Supplemental Covenants" means those covenants given by Petro-Deep in Clause 8.6;

JOSE CARLOS FERREIRA DE OLIVEIRA
DIRETOR GERAL DE ADMINISTRAÇÃO

"Supplemental Payment" means an amount to be payable in Lire each and every Payment Date in accordance with Clause 12.3(2) hereof. **"Supplemental Payments"** means two or more such Supplemental Payments;

"Taxes" means all present and future taxes, levies, imposts, duties, fees or charges of whatsoever nature including, without limitation, corporation, capital gains, income, gross receipts, franchise, freight, transfer, sales, use, business, occupation, transaction, purchase, value added, excise, personal property, real property, stamp, documentary, national insurances or other taxes together with any interest thereon and any costs, charges or penalties in respect thereof save insofar as such costs, charges or penalties are attributable to the unreasonable delay or default of SANA;



"Termination Event" means any event, state of affairs or condition described in Clause 13 hereof;

"Termination Payment" means an amount equal to the Loss Payment payable by Petro-Deep to SANA as liquidated damages upon declaration by SANA pursuant to Clause 13 hereof in the event of the happening of any Termination Event;

"Tortin" means Tortin Investments Limited, a company incorporated in Guernsey and having its registered office at 1 Le Marchant Street, St. Peter Port, Guernsey;

"Total Loss" means an actual, constructive, compromised or arranged total loss of the Vessel; or Compulsory Acquisition; or capture, seizure, detention, confiscation or requisition for hire of the Vessel by any government or any person acting or purporting to act on behalf of any government or by pirates, whether such capture, seizure, detention, confiscation or requisition is lawful or wrongful, unless the Vessel is released from such capture, seizure, arrest, detention, confiscation or requisition within 90 days after the occurrence thereof;

"Trustee" means The Law Debenture Trust Corporation (Cayman) Limited, a corporation duly organised and existing under the laws of the Cayman Islands and having its office at P.O. Box 219, Butterfield House, Grand Cayman, Cayman Islands, B.W.I. or its successor;

"Trust Deed" means the deed governing the appointment of the Trustee pursuant to which the Trustee is appointed and instructed in connection with, inter alia, the application of the benefits of the Participation Agreement and the Assignment of Insurances;

"Upgrade" means the upgrade of the Vessel in accordance with the Specification;

"Vessel" means the Spirit of Columbus, a semi-submersible production platform registered at the port of Napoli, Italy, to be renamed "Petrobras 36";

"Vessel Mortgage" means any ship mortgage on the Vessel which may from time to time be executed and registered by SANA to and in favour of the Mortgagee or Mortgagees and "Vessel Mortgages" means all mortgages on the Vessel at the relevant time existing and being registered regardless of their priorities; and

"War Risks" means, for the purpose of the war risks insurances on or in respect of the Vessel provided in Clause 7.2 hereof, the risk of mines, and all risks excluded from the standard form of English, American or Japanese marine policies by the free of capture and seizure clauses.

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2 REPRESENTATIONS AND WARRANTIES

2.1 Petro-Deep's Representations and Warranties

Petro-Deep hereby represents and warrants to SANA as follows:

(1) **Standing and Power of Petro-Deep**

Petro-Deep is a corporation duly organised, registered and validly existing under the laws of the Cayman Islands and has the corporate power and authority to execute and perform this Agreement and the Related Documents to which it is a party and to carry on its business as presently conducted and contemplated hereby.

(2) **Binding Obligations**

This Agreement constitutes a legal, valid and binding agreement of Petro-Deep and the execution or performance by Petro-Deep of this Agreement and the Related Documents to which it is a party in accordance with the terms hereof and thereof is not inconsistent with and does not contravene any contractual legal commitment or undertaking existing as of the date hereof.

(3) **No Litigation**

To the knowledge of Petro-Deep, there are no actions, suits, proceedings or arbitrations pending or threatened, before any court, administrative agency, arbitrator or governmental body which if adversely determined would materially impair the ability of Petro-Deep to perform its respective obligations under this Agreement and/or the Related Document(s).

(4) **No Conflict**

Neither the execution, delivery or registration (if necessary) of this Agreement and the Related Documents to which it is a party nor any transaction herein contemplated nor the compliance with the terms hereof or thereof does or will:

- (a) contravene any provision of law, statute, decree, rule or regulation to which Petro-Deep is subject or any judgment, decree, franchise or permit applicable to Petro-Deep; and
- (b) conflict with, or result in any breach of, any of the terms, covenants, conditions and provisions of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any property or assets of Petro-Deep pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which Petro-Deep is a party or is subject or by which it is bound.

(5) **No Termination Event**

No Termination Event has occurred.

(6) **No Breach**

To the best of the knowledge, information and belief of Petro-Deep, it is not in breach of or in default under any law or order applicable to it or under any agreement or other instrument, the potential liability for which breach or default is in excess of United States Dollars One Hundred Thousand (US\$100,000) or its equivalent in any other currency, to which Petro-Deep is a party or by which it or any of its assets or properties may be bound or affected.

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(7) No Default

To the best of the knowledge, information and belief of Petro-Deep, no event or omission has occurred which entitles any creditor(s) of any Company to declare any indebtedness of any kind whatsoever due and payable prior to its specified maturity or to cancel or terminate any loan or other facility or to decline to make any advances or further advances thereunder which indebtedness, loan or other facility is in excess of United States Dollars One Hundred Thousand (US\$100,000) in respect of Petro-Deep and United States Dollars One Million (US\$1,000,000) in respect of Brasoil or Petrobras or its equivalent in any other currency.

2.2 Repetition of Representations and Warranties

Petro-Deep hereby agrees to ensure that the representations and warranties contained in Clauses 2.1(1), (2) and (4) will be complied with on each Payment Date as if repeated on each such date by reference to the circumstances then existing.

3 AGREEMENT TO PURCHASE

3.1 Purchase of Vessel

Subject to the terms and conditions hereinafter set forth, SANA hereby agrees to sell the Vessel to Petro-Deep and Petro-Deep hereby agrees to purchase the Vessel from SANA in accordance with Clause 14, with possession of the Vessel passing from SANA to Petro-Deep or its nominee on the date hereof but with retention of legal title by SANA until the payment of the Price in full. It is agreed and understood that the Vessel shall be delivered to Petro-Deep or its nominee in accordance with Clause 5, subject always to all terms and conditions of the present Agreement, so that Petro-Deep or its nominee shall have the possession and use of the Vessel from the date of delivery of the Vessel to Petro-Deep or its nominee pursuant to Clause 5.2, but legal title to and ownership of the Vessel shall be retained by SANA until completion of the purchase of the Vessel by Petro-Deep pursuant to Clause 14.

3.2 Price

Subject to the terms and conditions set forth herein, Petro-Deep shall pay the Price consisting of the instalments and Supplemental Payments that fall due on each Payment Date in accordance with Clause 12 hereof.

4 CONDITIONS PRECEDENT

4.1 Conditions Precedent to Delivery

The obligation of SANA to deliver the Vessel to Petro-Deep or its nominee pursuant to Clause 5 hereof is subject to the following conditions precedent being fulfilled to the satisfaction of SANA:

(1) Documents

All of the following documents shall be received by SANA simultaneously with the execution of this Agreement (with respect to items (a) to (k)) or on or prior to the Pre-Delivery Date (with respect to items (l) and (n)):

- (a) a copy of the Articles of Incorporation and ByLaws of Petro-Deep, Brasoil and Petrobras respectively duly certified as a true copy by a duly authorised officer of the relevant Company;
- (b) a copy of the most recent audited financial statements of Petro-Deep, Brasoil and Petrobras respectively;

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- (c) a copy, duly certified as a true copy by a duly authorised officer of Petro-Deep, of the resolutions of the Board of Directors of Petro-Deep approving the entry of Petro-Deep into this Agreement and the Related Documents (to which Petro-Deep is a party) and authorising the due execution thereof and the performance and discharge of duties and liabilities thereunder;
- (d) a copy, duly certified as a true copy by a duly authorised officer of Brasoll, of the resolutions of the Board of Directors of Brasoll approving the entry of Brasoll into the Related Documents (to which Brasoll is a party) and authorising the due execution thereof and the performance and discharge of duties and liabilities thereunder;
- (e) a copy, duly certified as a true copy by a duly authorised officer of each of Petrobras, of the resolutions of the Board of Directors of Petrobras approving the entry of Petrobras into the Related Documents (to which Petrobras is a party) and authorising the due execution thereof and performance and discharge of duties and liabilities thereunder;
- (f) a copy, duly certified as a true copy by a duly authorised officer of each of Petro-Deep and Brasoll, of the Bareboat Charter and Purchase Agreement duly executed by the authorised officers of the parties thereto;
- (g) a copy, duly certified as a true copy by a duly authorised officer of each of Brasoll and Petrobras, of the Bareboat Sub-Charter Agreement duly executed by the authorised officers of the parties thereto;
- (h) the acknowledgement and undertaking required under the Assignment of Insurances duly executed by the Insurers;
- (i) one copy of Petrobras' Letter of Comfort duly executed by the authorised officer of Petrobras;
- (j) one original of the Participation Agreement duly executed by the authorised officer of Petro-Deep;
- (k) an original of the favourable opinion of the Head of Legal Department of Petrobras addressed to SANA within five (5) calendar days from the date first above written;
- (l) an original of the favourable opinion of Maples and Calder (or such other Cayman Islands law firm as approved by the parties hereto), addressed to SANA, within 30 calendar days from the date first above written and which forms part of the Relevant Documents;
- (m) all policies of the insurance and entry certificate of the P & I Club, on which a Notice of Assignment and Loss Payable and Notice of Cancellation clause have been duly contained or endorsed as an integral part of these policies, certificates and contracts, and letters of undertaking from the relevant Insurer and the P & I Club; and
- (n) a certified copy of the Assignment of Insurances duly executed by the authorised officer of Petrobras, Brasoll and Petro-Deep.

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(2) Truth and Accuracy of Representations and Warranties:

The representations and warranties contained in Clause 2 hereof all being true and correct in all respects as of the Pre-Delivery Date; no Termination Event having occurred or existing as of the Pre-Delivery Date.



(3) Licences:

Any necessary consents, authorisations, approvals, notices, regulations and filings being obtained from governmental or other authorities to execute and perform this Agreement and the Related Documents.

4.2 Conditions Precedent to Payment

The obligations of Petro-Deep pursuant to this Agreement shall be subject to the issuance by Petrobras pursuant to the Bareboat Sub-Charter Agreement of a certificate in the form of Exhibit "A" stating that the conditions set out in Clause 4.2 of the Bareboat Sub-Charter Agreement have been fulfilled. Petro-Deep undertakes to use its best endeavours to ensure that Petrobras shall proceed in good faith to the earliest issuance of the certificate and the issuance of the certificate will be irrevocable thereafter with regard to the payment of amounts due and other obligations of Petro-Deep hereunder but will not relieve SANA of any of its obligations under this Agreement.

4.3 Dissatisfaction of Conditions

If (i) any of the conditions set out in Clause 4.1 hereof is ~~not~~ satisfied or (ii) the certificate referred to in Clause 4.2 is not issued within 90 calendar days of the date of this Agreement first above written, or such later date as the parties may mutually agree in writing, SANA may, in the case of paragraph (i) hereof, terminate this Agreement by giving notice in writing to Petro-Deep or either party may, in the case of paragraph (ii) hereof, terminate this Agreement by giving notice in writing to the other. In the event of termination pursuant to this Clause each of SANA and Petro-Deep shall be released of all of its respective obligations hereunder and neither shall have any further liability to the other whatsoever as a result of such termination.

4.4 Suspension of Conditions

All of the provisions set out in Clause 4.1 hereof are set out only for the convenience and protection of SANA; therefore, if SANA declares that a certain provision or provisions of Clause 4.1 hereof need not be satisfied by the time required hereunder, the performance of the said provision or provisions shall no longer be a condition precedent to Petro-Deep's obligations hereunder. Provided, however, that, any such provision or provisions shall in any case be satisfied by such later time as SANA may at its sole discretion nominate.

5 DELIVERY

5.1 Acceptance

If it has not already done so Petro-Deep shall make arrangements on behalf of itself, Brasol and Petrobras to inspect the Vessel and its records as soon as practicable so that each party can satisfy itself that the Vessel is in every respect suitable for their purpose. Promptly after such inspection, the acceptance of the Vessel by Petro-Deep shall be conclusively evidenced by the execution of a protocol of acceptance between SANA, Petro-Deep, Brasol and Petrobras. Petro-Deep shall procure that certain costs incurred by SANA from the Acceptance Date to the date of delivery of the Vessel to Brasol pursuant to the Bareboat Charter and Purchase Agreement of even date herewith will be reimbursed to SANA by Brasol in accordance with the terms of the Operating Costs Side Letter.

5.2 Time and Place of Delivery

Following execution of the protocol of acceptance referred to in Clause 5.1, Petro-Deep agrees that the Vessel is in every respect ready for delivery to Petro-Deep or its nominee and Petro-Deep undertakes that it or its nominee will take delivery of the Vessel on an "as is where is" basis as soon as practicable after the Pre-Delivery Date. The delivery of the Vessel to Petro-Deep or its nominee shall be conclusively evidenced by the issue of the certificate in the form of Exhibit "A" referred to in Clause 4.2. On or prior to the Pre-Delivery Date Petro-Deep shall, with the full assistance and co-operation of SANA, appear before the Port Authority of the place where the



Vessel is registered and shall make the declaration pursuant to Article 265 of the Italian Code of Navigation declaring, on its own behalf and on behalf of Brasoil and Petrobras, its interest, and the interest of Brasoil under the Bareboat Charter and Purchase Agreement and Petrobras under the Bareboat Sub-Charter Agreement, as operator of the Vessel for all purposes and effects.

5.3 No Warranty/Waiver of Claims

(1) No Warranty

The Vessel shall be delivered to Petro-Deep or its nominee on an "AS IS, WHERE IS" basis "WITH ALL FAULTS", and therefore, SANA MAKES NO REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR DECLARATION, EXPRESS OR IMPLIED, AS TO SEAWORTHINESS, CONDITION, DESIGN, CLASS, OPERATION, MERCHANTABILITY OR FITNESS FOR THE USE OF THE VESSEL FOR ANY PARTICULAR PURPOSE OR AS TO THE ELIGIBILITY OF THE VESSEL FOR ANY PARTICULAR TRADE OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE VESSEL. The signing by Petro-Deep of the protocol of acceptance shall be conclusive proof, as between SANA and Petro-Deep, that the Vessel is seaworthy, in good working order and repair and without defect or inherent vice in condition, design, operation or fitness for use, whether or not discoverable by SANA or Petro-Deep as of the date of such acceptance.

(2) Waiver Of Claims

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PETRO-DEEP HEREBY WAIVES ALL ITS RIGHTS IN RESPECT OF ANY WARRANTY OR CONDITION, EXPRESS OR IMPLIED (AND WHETHER STATUTORY OR OTHERWISE), ON THE PART OF SANA AND ALL CLAIMS AGAINST SANA HOWSOEVER AND WHENEVER THE SAME MIGHT ARISE AT ANY TIME IN RESPECT OF THE VESSEL OR ARISING OUT OF THE OPERATION OR PERFORMANCE OF THE VESSEL AND THE CHARTERING THEREOF UNDER THIS AGREEMENT (INCLUDING IN RESPECT OF SEAWORTHINESS, CONDITION, DESIGN, CLASS, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE VESSEL OR FOR ANY PARTICULAR PURPOSE OR IN RESPECT OF THE ELIGIBILITY OF THE VESSEL FOR ANY PARTICULAR TRADE OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER EXPRESS OR IMPLIED, WITH RESPECT TO THE VESSEL). In particular and without prejudice to the generality of the foregoing, SANA shall be under no liability whatever and howsoever arising in relation to any injury, death, loss, damage or delay of, or to, or in connection with any vessel (including the Vessel) or any person or property whatsoever, whether on board the Vessel or elsewhere, irrespective of whether such injury, death, loss, damage or delay shall arise from the unseaworthiness of or any defect in the Vessel. For the purposes of this Clause "delay" shall include delay in relation to the Vessel (whether in respect of delivery to Petro-Deep or its nominee under this Agreement or otherwise) or any other delay whatsoever. Petro-Deep acknowledges that no representation (except for title to the Vessel) has been made by or on behalf of SANA in relation to the Vessel or any part thereof or any of the Belongings.

6 DOCUMENTATION AND HOUSE FLAG

6.1 House Flag

The Vessel may be painted in such colours, display such insignia and fly such house flag as Petro-Deep may require. Petro-Deep shall be entitled to change the name of the Vessel to "Petrobras 36" and cause such change to be registered with the relevant authority in the Republic of Italy and Petro-Deep shall thereafter use such name for all purposes and in any documents, flags or other things. If Petro-Deep wish to further change the name of the Vessel, Petro-Deep



7.3 Conditions of Insurance

The terms and conditions of all insurances referred to in (1) and (2) of Clause 7.2 hereof and all rules and articles of the P & I Club shall be subject to the prior approval of SANA (such approval not to be unreasonably withheld or delayed). Furthermore, every Hull and Machinery Insurance and War Risk Insurance shall, throughout the Post-Delivery Period, be maintained to be effective in such amounts as shall at least be equivalent to the full commercial value of the Vessel, but in any event in such amounts as shall be not less than one hundred ten percent (110%) of the Loss Payment in the relevant policy period.

7.4 Renewal

Petro-Deep shall renew or procure that Brasoil or Petrobras renews all such insurances at least fourteen (14) days before the relevant policies or contracts or certificates of entry expire, such renewal to take effect immediately upon the expiry of the then current insurances and Petro-Deep shall procure that the Insurer and the P & I Club shall promptly confirm in writing to SANA as and when each such renewal is effected.

7.5 Payment of Premiums, etc.

Petro-Deep, throughout the Post-Delivery Period, shall pay or procure that Brasoil or Petrobras punctually pays all premiums, calls, contributions or other sums payable in respect of all such insurances, and shall produce or procure that Brasoil or Petrobras produces all relevant receipts for inspection by SANA, whenever so required by SANA.

7.6 Guarantee Required By Club

Petro-Deep shall arrange or procure, throughout the Post-Delivery Period, that Brasoil or Petrobras arranges for the execution of such guarantees as may from time to time be required by the P & I Club.

7.7 Application of Insurance Recoveries

(1) Insurance Proceeds received by SANA

Subject always to the terms of the Assignment of Insurances, Petro-Deep shall apply or procure that Brasoil or Petrobras applies any sums received by it from the Insurers in respect of any loss of or damage to the Vessel for the purposes of full repair of all damage to the Vessel and in respect of any loss or damage caused by the Vessel in full discharge of all liabilities of SANA, the Mortgagees, Petro-Deep, Brasoil and the Vessel in respect of which the insurance recoveries shall be received.

(2) Insurance Proceeds received by SANA, Mortgagees or Petro-Deep

All insurance proceeds received or to be received by SANA, the Mortgagees and Petro-Deep shall be applied in accordance with the terms of the Assignment of Insurances and the Trust Deed.

7.8 Wreck Removal

In the event of the Vessel becoming a wreck or obstruction to navigation, Petro-Deep shall indemnify SANA against any sums which SANA shall become liable to pay, and Petro-Deep shall pay all damage, penalty fees, costs, expense and other sums of money of any kind whatsoever in respect of the removal or destruction of the wreck or obstruction under statutory powers but only to the extent that such has not been recovered by SANA, Petro-Deep or the Mortgagees, as the case may be, from the Insurer or any third party.

7.9 Insurance Taken Out by SANA

In the event that at any time during the Post-Delivery Period any provision of Clause 7 hereof shall not be complied with, then SANA shall be at liberty to effect, at Petro-Deep's expense, such



additional insurances as SANA may in its discretion (reasonably exercised) determine to be necessary or desirable to protect the interests of SANA under this Agreement and Petro-Deep shall on demand reimburse SANA for all insurance premiums and other reasonable expenses paid or incurred by SANA together with interest thereon at the per annum interest rate of two per cent (2%) above the actual cost at which SANA will obtain the funds from its financiers for the purpose of paying such premiums and expenses, from the date on which SANA paid or incurred the same.

Nothing herein contained shall, however, release Petro-Deep of its obligation to take out and keep in effect or to procure that Brasoil or Petrobras takes out and keeps in effect the insurances pursuant hereunder.

8 USE OF VESSEL AND BELONGINGS

8.1 Use of Vessel

Petro-Deep shall have the full use of the Vessel during the Payment Period and may operate the Vessel or employ her or permit such operation or employment by Brasoil or Petrobras in the Brazilian territorial waters (employment elsewhere is subject to SANA's prior approval, which shall not be unreasonably withheld) provided, always, that:

(1) Registration

Petro-Deep shall not do or suffer to be done anything whereby the registration of the Vessel at the relevant authority of the Republic of Italy in the name of SANA as an Italian floating production unit may be forfeited or imperilled.

(2) Lawful Employment

Petro-Deep shall not employ the Vessel nor suffer her employment in any trade or business which is forbidden by international law or is otherwise illicit or in carrying illicit or prohibited goods or in any manner whatsoever which may render her liable to condemnation in a Prize Court or to destruction, seizure or confiscation and, in the event of hostilities in the Brazilian territorial waters (whether war be declared or not), Petro-Deep shall not employ the Vessel nor suffer her employment in carrying any contraband goods and shall not permit or suffer the Vessel to enter or trade in any zone which is declared a war zone by the Vessel's War Risks Insurers unless there shall have been effected by Petro-Deep, Brasoil or Petrobras, at the expense of Petro-Deep, Brasoil or Petrobras (as the case may be), such special insurance cover as SANA may require.

(3) Bareboat Charter and Purchase Agreement

Petro-Deep shall, during the Post-Delivery Period, charter the Vessel to Brasoil under the Bareboat Charter and Purchase Agreement.

(4) Information

Petro-Deep shall promptly furnish to SANA all such information as it may from time to time require regarding the Vessel, her employment, position and engagements, particulars of all salvages and copies of all charters and other contracts for her employment or otherwise howsoever concerning her. Petro-Deep shall be entitled to delete any confidential commercial information contained within any such documents before passing copies on to SANA and SANA agrees to hold as confidential and not disclose to third parties any and all documents provided to it pursuant to this Clause.

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(5) **Compliance with Insurance Requirements**

Petro-Deep shall not use or permit the use of the Vessel in any manner or for any purpose excepted from any insurance policy or policies taken out in accordance with the provisions of Clause 7 hereof and shall not do or permit to be done anything which would invalidate any of the said insurance policy or policies, provided, however, that Petro-Deep shall be entitled to breach such warranty limits by first covering the Vessel or procuring that the Vessel is covered with additional insurances reasonably satisfactory in all respects to SANA.

(6) **Payment of Taxes, Wages, etc.**

Petro-Deep shall promptly pay all tolls, dues, taxes, charges, expenses of any kind and other outgoings whatsoever in respect of the possession or operation of the Vessel by Petro-Deep pursuant to this Agreement.

(7) **Manning**

Petro-Deep shall carry or shall procure that ~~Brasil~~ or Petrobras carries the full number of officers and crew necessary to meet the requirements, if any, of the Italian Government for the Vessel at all times and shall ensure that the master and other personnel on board are at all times duly certified in accordance with such requirements. Petro-Deep shall or shall procure that Brasil or Petrobras shall, upon request and at the expense of Petro-Deep, Brasil or Petrobras (as the case may be), furnish SANA with particulars of the members' nationality and qualification of the master and other personnel on board.

(8) **No Sub-Lease**

Without prejudice to the requirement under Clause 8.1(3), Petro-Deep shall not, without the prior written approval of SANA, lease or let the Vessel to any third party under any lease agreement, bareboat charterparty, other charterparty by demise or any contract or arrangement whatsoever which shall or would, in the reasonable opinion of SANA, cause the whole or any part of the Vessel and/or the Belongings to be possessed or controlled by any third party.

8.2 Use of Belongings

(1) **Right to Use**

Without limitation and subject to the rights of SANA hereunder, Petro-Deep shall, during the Payment Period, have the use of all Belongings.

(2) **Replacement, etc.**

Petro-Deep shall, at its own expense from time to time during the Post-Delivery Period, replace, renew, or obtain substitutions for such items of equipment as shall be so damaged or worn as to be unfit for use, having regard to the then age of the Vessel and in the same class as aforesaid. In any such case title to any part replaced, renewed or substituted shall remain with SANA until the part which replaced it or the new or substituted part becomes the property of SANA or is replaced, renewed or substituted by a part which thereupon becomes the property of SANA; and Petro-Deep agrees that if any replacement, renewed or substituted part is not the property of SANA it will as soon as practicable replace the same with a part which thereupon becomes the property of SANA.





(3) Additional Equipment

Petro-Deep may at any time fit any additional equipment required to render the Vessel so as to comply with the provisions of this Agreement. Any additional equipment so fitted by Petro-Deep shall be considered the property of Petro-Deep who may remove such additional equipment at any time provided always that Petro-Deep shall be liable and shall pay for the cost of repair of any damage occasioned by the removal of such additional equipment. Provided, however, that all such additional equipment shall become SANA's property unless all such additional equipment is removed before Petro-Deep is obliged to commence redelivery of the Vessel to a safe port pursuant to Clauses 13.3(2) and (3) hereof.

9 MAINTENANCE AND OPERATION

9.1 No Modification To Vessel

Petro-Deep shall not, throughout the Post-Delivery Period (without the prior consent in writing of SANA), make or permit to be made any modification to the Vessel which would involve material alteration of her structure, type or class nor (without the prior consent in writing of SANA, which shall not be unreasonably withheld or delayed and which is hereby given for the Upgrade) make or permit to be made any modification to the Vessel which would involve material alteration of her performance characteristics.

9.2 Maintenance of Class

Petro-Deep shall, throughout the Post-Delivery Period and at its own expense, keep the Vessel in a good and efficient state of repair so as to maintain the highest class of RINA and so as to comply with the provisions of all laws, regulations and requirements (statutory or otherwise) from time to time applicable to vessels registered under the laws and flag of the Republic of Italy, the master and other personnel on board and procure that all repairs to or replacement of any damaged, worn or lost parts or equipment shall be effected promptly and in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel.

9.3 Periodical or Other Survey

Petro-Deep shall, regularly during the Post-Delivery Period and at its own expense, submit the Vessel to such periodical or other surveys as may be required for classification purposes and shall comply with all requirements and recommendations of the classification society by which the Vessel shall then be classed and shall supply to SANA copies of all survey reports issued in respect thereof.

9.4 Salvage

All salvage and towage and all proceeds from derelicts shall be for Petro-Deep's benefit and the cost of repairing damage occasioned thereby shall be borne by Petro-Deep.

9.5 Arrangement by SANA for Survey and Repairs

Petro-Deep shall or shall procure that Brasoil or Petrobras shall permit SANA and the Mortgagees, by surveyors or other persons appointed by them and/or any of them on their and/or its behalf, (i) to board the Vessel at all reasonable times, upon advance notice of no less than ninety-six (96) hours to Petro-Deep, for the purpose of inspecting her condition or for the purpose of satisfying themselves in regard to proposed or executed repairs and shall afford all proper facilities for such inspection (if such inspection shall disclose a need to effect repairs) and (ii) to cause the Vessel to be made good and repaired at the expense of Petro-Deep, should Petro-Deep fail to do so.

Provided always that in exercising this right SANA and the Mortgagees shall not impede the operation of the Vessel.

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Petro-Deep shall promptly notify SANA sufficiently in advance to enable SANA's representatives to be present at all repairs or surveys of the Vessel involving damage of US\$1,000,000 or more, and shall furnish SANA with copies of all reports made pursuant to such surveys.

9.6 Supplemental Covenants

Petro-Deep undertakes and agrees that throughout the Payment Period it will:

- (1) not do or suffer to be done anything, or omit to do anything, the doing or omission of which could or might result in the Vessel's registration under the laws of the Republic of Italy or any Italian Port Authority being forfeited or imperilled or which could or might result in the Vessel being required to be registered otherwise than under the laws of the Republic of Italy or any Italian Port Authority;
- (2) not register or permit the registration of the Vessel (whether on a parallel or dual or bareboat or other basis) under any other flag outside Italy;
- (3) maintain or ensure the maintenance of the Vessel in the highest applicable class of RINA, which is currently RINA 100-A-1.1-Nav.I.L.-PF Ice Notation ID (Transit only), DSO, FPSO, free of recommendations and qualifications and comply with, and ensure that the Vessel at all times complies with, all laws from time to time applicable to vessels registered under the laws of the Republic of Italy and any Italian Port Authority or otherwise applicable to the Vessel.

10 LIENS AND INDEMNITY

10.1 No Liens and Notice

Neither Petro-Deep, nor the master of the Vessel shall have any right, power or authority to create, incur or permit to be imposed upon the Vessel any liens whatsoever except for those imposed by operation of law. Petro-Deep agrees to carry or ensure that there is carried a properly certified copy of this Agreement with the Vessel's papers and to exhibit or ensure the exhibition of the same to any person having business with the Vessel which might give rise to any lien thereon other than liens for crew's wages and salvage. Petro-Deep further agrees to fasten or ensure that there is fastened to the Vessel in a conspicuous place and to keep or ensure kept so fastened at all times during the Post-Delivery Period a notice reading as follows:

"This Vessel is registered in the name of and is legally owned by Societa Armamento Navi Appoggio SpA. This Vessel shall be purchased by Petro-Deep Inc. ("Petro-Deep") who has chartered the Vessel to Braspetro Oil Services Company ("Brasoil") who has in turn chartered the Vessel to Petroleo Brasileiro S.A. ("Petrobras") and by the terms of the said purchase and charter neither Petro-Deep, Brasoil, Petrobras nor the Master has the right, power or authority to create, incur or permit to be imposed on the Vessel any liens whatsoever except for crew's wages and salvage."

10.2 Discharge of Lien

Petro-Deep shall, during the Post-Delivery Period, pay and discharge all debts, damages and liabilities whatsoever which have given or may give rise to maritime or possessory liens on or claims enforceable against the Vessel and, in the event of arrest of the Vessel pursuant to legal process or in the event of her detention in the exercise or purported exercise of any such lien as aforesaid, procure the release of the Vessel from such arrest or detention within thirty (30) days after the existence of the same shall first be known to Petro-Deep by providing bail or otherwise as the circumstances may require.

In the event that any claim or lien is asserted against the Vessel for loss, damage or expense which is covered by insurances required hereunder, and it is necessary for Petro-Deep to obtain a bond or to supply other security to prevent arrest of the Vessel or to release the Vessel from



arrest on account of such claim or lien, SANA, at the request of Petro-Deep or its agent, may subject always to the terms of the Assignment of Insurances, in the sole discretion of SANA and at the cost and expense of Petro-Deep, assign to any person, firm or corporation executing a surety or guarantee bond or other agreement to save or release the Vessel from such arrest, all right, title and interest of SANA in and to said Insurances covering said loss, damage or expense, as collateral security to indemnify against liability under said bond or other agreement.

In the event that a writ, complaint or libel shall be filed against the Vessel, or the Vessel shall be otherwise attached, arrested, levied upon, or taken into custody, or detained or sequestered by virtue of any proceeding in any court or tribunal or by governmental or other authority, Petro-Deep will promptly give a notice to SANA of such event, and (provided such proceeding does not result from any default by either SANA or a Mortgagee) Petro-Deep, at Petro-Deep's expense, within thirty (30) days thereafter will cause the Vessel to be released and will cause all liens on the Vessel in connection with such action to be discharged, and will forthwith advise SANA of such discharge. If, within the said thirty (30) day period, the Vessel is not so released and any such lien is not discharged, SANA may, at its option but without obligation to do so (save where SANA or a Mortgagee is in default when SANA shall be obliged to take such action at its own expense), obtain such release and discharge, and all direct and reasonable expenses of SANA in connection therewith shall be reimbursed by Petro-Deep on demand.

Where proceedings have been commenced and served on the Vessel and the amount of the claim exceeds SANA's liability limitation in respect of the Vessel Petro-Deep shall commence limitation proceedings in that action and where appropriate shall obtain a declaration or order from the Court seized of the action that Petro-Deep is entitled to limit its liability to the limitation fund.

If the Vessel is sold by order of judicial or other authority while under arrest (except for causes which SANA has created or for which it is responsible), Petro-Deep shall pay to SANA the Termination Payment and the Other Indebtedness together with the Over-due Interest thereon. Any receipt by SANA or any Mortgagee of the whole or any part of the proceeds of such sale, provided Petro-Deep shall have paid the Termination Payment, the Other Indebtedness and Over-due Interest in full, shall be promptly paid to Petro-Deep.

10.3 Personnel on Board not Servant of SANA

Any and all master and other personnel (whether on board or ashore) of the Vessel (except for any person(s) appointed as surveyor(s) in accordance with Clause 9.6 hereof) shall not, during the Post-Delivery Period, be deemed to be agents and servants of SANA for any purposes and in any respect whatsoever.

10.4 No Liability and Indemnity

Petro-Deep hereby assumes liability for, and hereby agrees with effect from the Pre-Delivery Date (whether or not any of the transactions contemplated hereby are consummated) to indemnify and keep harmless SANA, its successors and assigns, from and against, and to reimburse SANA forthwith upon demand (together with interest at the per annum rate of two per cent (2%) above the actual cost at which SANA will obtain the funds from American, and/or European first class bank(s), on the amount of any such expenditure in respect of the period (as well after as before judgment) from the date of such expenditure incurred by SANA, on the basis of a year of 360 days, until the date of such payment with respect to:

- (1) any and all liabilities, obligations, taxes (other than tax imposed on the overall net income of SANA), losses, damages, penalties, fees, claims, actions, suits, direct costs excluding consequential damages such as loss of profit or business interruption, expenses and disbursements (including legal fees, fees for lawyers and expenses and costs of investigations) of whatsoever kind and nature which may be imposed on, incurred by or asserted at any time (whether during or after the Payment Period) against

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SANA or the Vessel in consequence of or in any way relating to or arising out of this Agreement, the ownership, documentation, delivery, possession, use, operation, chartering, sub-chartering, condition, maintenance or repair of the Vessel by any person including, without limitation, claims or penalties arising from any violation of the laws of any foreign country or political subdivision thereof; any claim as a result of latent or other defects, whether or not discoverable by SANA or Petro-Deep and any claims for patent, trademark or copyright infringement and any claims for injury or damage caused by pollution, leaking or spillage of cargo; and any claims by owners of cargo or other third parties arising in connection with any of the matters aforesaid;

- (2) all liabilities of whatsoever nature (including penalties, claims, demands, orders or judgments) which SANA may suffer or incur and which arise out of the use or operation of the Vessel or otherwise in connection with this Agreement or which arise out of the use or operation of any other vessel owned by or chartered to or by Petro-Deep or any of its subsidiaries or associated companies;
- (3) any sums which SANA shall become liable to pay for the removal or destruction of the wreck or obstruction in the event of the Vessel becoming a wreck or an obstruction to navigation or in connection with the abandonment of the Vessel; and
- (4) any direct costs and expenses incurred by SANA in the exercise by SANA of any of its rights and powers following the occurrence of a Termination Event.

10.5 Notification

Petro-Deep shall or shall procure that Brasoil or Petrobras shall notify SANA forthwith by telex or facsimile (thereafter confirmed by letter) of (i) any accident to the Vessel involving repairs the cost whereof will or is likely to exceed in the aggregate the sum of US\$1,000,000 (or the equivalent in any other currency), (ii) any occurrence in consequence whereof the Vessel has become or is likely to become a Total Loss, (iii) any material requirement or recommendation made by any Insurer, P & I Club or classification society, or by any competent authority (iv) any arrest of the Vessel, or the exercise or purported exercise of any lien or attachment on the Vessel or her Earnings or Insurances.

10.6 Payment of Outgoings

Petro-Deep shall, throughout the Post-Delivery Period, promptly pay all tolls, dues and other outgoings whatsoever in respect of the Vessel and shall keep proper books of account in respect of the Vessel.

10.7 Prohibition of Encumbrances etc.

Petro-Deep shall not, throughout the Post-Delivery Period, (without the prior consent in writing of SANA which SANA shall have full liberty to give or withhold and then only subject to such terms as SANA may impose) mortgage, charge, assign, transfer or encumber the Vessel or her Insurances (other than pursuant to the Assignment of Insurances), Earnings (other than pursuant to the Participation Agreement) or her Requisition Compensation (other than pursuant to the Participation Agreement) or suffer the creation of any such mortgage, charge, assignment, transfer or encumbrance as aforesaid to or in favour of any person other than SANA or such other person as SANA may nominate.

Nothing herein shall prohibit in any respect Petro-Deep's right to charter the Vessel to Brasoil pursuant to the terms and conditions of the Bareboat Charter and Purchase Agreement.

10.8 Disbursement of Expenses

Petro-Deep shall pay to SANA, on demand, all moneys whatsoever which SANA shall expend, be put to, or become liable for, in or about the protection, maintenance or enforcement of any rights or powers created hereby or any of the powers vested in SANA hereunder and/or otherwise, and



Petro-Deep shall also pay interest thereon at the per annum rate of two per cent (2%) above the actual cost at which SANA will obtain the funds from American and/or European first class bank(s), for days actually elapsed on a 360-day year basis, from the date on which such expense or liability was incurred by SANA until the date of payment.

10.9 Vessel Mortgage

(1) Creation and Registration

SANA shall, with the prior written approval of Petro-Deep hereunder and Brasoil pursuant to the Bareboat Charter and Purchase Agreement (which approval shall not be unreasonably withheld), have the full rights and liberty to create any one or more mortgages on the Vessel and the Belongings at any time and execute and register any and all Vessel Mortgages (the terms of which Petro-Deep must have approved hereunder), provided that all new Vessel Mortgages shall be granted only in favour of first class banks, provided further that the outstanding amount secured by all Vessel Mortgages shall, in no event, exceed at any time the then applicable Loss Payment hereunder, provided further that all expenses and costs (including all legal fees and registration fees of Petro-Deep, Brasoil and Petrobras) in connection with the drafting, negotiation and execution of all Vessel Mortgages shall be borne by SANA, provided further that all new Vessel Mortgages shall have a provision to the effect that so long as Petro-Deep is in compliance with its obligations hereunder, any remedial action granted to the Mortgagee(s) under the Vessel Mortgage(s) will not be taken which might interfere with Petro-Deep's, Brasoil's or Petrobras' interest, use and operation of the Vessel, the purchase of the Vessel by Petro-Deep under this Agreement or by Brasoil under the Bareboat Charter and Purchase Agreement, the oil activities or the normal course of business of Petro-Deep, Brasoil or Petrobras, provided further that SANA undertakes that (a) it shall duly and punctually perform, observe and comply with the covenants, terms and conditions contained in the Vessel Mortgage; (b) it shall indemnify Petro-Deep against all and any costs and expenses of Petro-Deep, Brasoil and Petrobras, resulting from any acts which may be taken in violation of the provisions contained in this Clause 10.9(1), provided further that the Mortgagee enters into the Quiet Possession Agreement on terms reasonably acceptable to Petro-Deep.

(2) Performance of Vessel Mortgage

Petro-Deep hereby agrees that this Agreement and its rights are in all respects subject to any and all Vessel Mortgages and the rights of the Mortgagee thereunder.

Notwithstanding anything to the contrary herein contained, Petro-Deep shall at its own expense promptly do all necessary acts and things so that the covenants, terms and conditions under any and all Vessel Mortgages shall be deemed to have been performed, observed and complied with, by or on the part of SANA, and Petro-Deep shall do nothing which shall or would impair any of the Mortgagees' rights or powers thereunder.

Provided that so long as Petro-Deep is in compliance with its obligations hereunder, SANA undertakes to procure that each and every Mortgagee will be at all times bound by the terms of the Quiet Possession Agreement.

10.10 Notice of Mortgage

Petro-Deep shall, upon demand by SANA, or shall ensure that Brasoil or Petrobras shall, so long as any Vessel Mortgage remains undischarged, carry on board the Vessel a duly certified copy of such Vessel Mortgage (which shall form part of the Vessel's documents), cause the same to be shown to any person having business with the Vessel which might create or imply any

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commitment or encumbrance whatsoever on the Vessel and place and maintain in a conspicuous place in the navigation room and in the cabin of the master of the Vessel a printed notice in the following form:

NOTICE OF MORTGAGE

This Vessel is mortgaged to [] in accordance with the laws of the Republic of Italy pursuant to the terms of a First Preferred Ship Mortgage, a Second Preferred Ship Mortgage, a Third Preferred Ship Mortgage and a Fourth Preferred Ship Mortgage certified copies of which are preserved with the Vessel's papers. Therefore, neither SANA nor Petro-Deep nor any charterer (whether by demise or not by demise) nor the Master of this Vessel nor any other person has any power, right or authority whatever to create, incur or permit the imposition on this Vessel of any liens whatsoever except for salvage.

11 TOTAL LOSS

11.1 Loss Payment

Notwithstanding anything to the contrary contained in this Agreement, if the Vessel shall become a Total Loss or if for any reason Petro-Deep, Brasoll or Petrobras shall be permanently deprived of her use prior to the end of the Payment Period, Petro-Deep shall pay or procure the payment to SANA (out of the proceeds of an insurance claim or claims and/or from Requisition Compensation and/or by payment by Petro-Deep direct) of the Loss Payment and all Other Indebtedness within 90 days of the occurrence of such Total Loss or permanent deprivation.

11.2 Payment of Over-due Interest

Notwithstanding and in addition to the payment of the Loss Payment and all Other Indebtedness, Petro-Deep shall pay to SANA the Over-due Interest on the Loss Payment from the date such payment is declared due and all Other Indebtedness until the receipt by SANA thereof in full.

11.3 Reacquisition of Vessel

Petro-Deep's obligations under Clauses 11.1 and 11.2 hereof shall not be affected by the fact that the Vessel has been returned to SANA or any Company from the Compulsory Acquisition, requisition for hire, seizure, detention, capture, arrest or confiscation.

If such return takes place after the full payment of the Loss Payment, the Other Indebtedness and the Over-due Interest, SANA shall, subject to any right of the Insurers, transfer the title to the Vessel to Petro-Deep or its nominee on the conditions described in Clauses 14.1 and 14.2 hereof, but otherwise SANA shall have the full rights and powers but no liabilities except those caused by SANA's fault with respect to the Vessel until and unless the full payment of the Loss Payment, the Other Indebtedness and the Over-due Interest.

11.4 After Full Payment

Upon the full payment of the Loss Payment, the Other Indebtedness and the Over-due Interest, the Price for the Vessel shall be deemed to be paid in full and Petro-Deep shall ensure that Petro-Deep shall (i) subject to any right of the Insurers be subrogated to all rights which SANA and any Mortgagee shall have with respect to the Vessel, (ii) receive from SANA a bill of sale transferring to Petro-Deep or its nominee (on an "as is where is" basis and without recourse, representation or warranty and otherwise on the same terms and conditions as set forth in Clause 14.2) all of SANA's right, title and interest, if any, in the Vessel, including its right, title and interest in and to any insurance proceeds or claims for damages or other compensation arising out of such event, and (iii) have the right to abandon the Vessel to underwriters on behalf of SANA as well as itself.

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12 PAYMENT OF PRICE

12.1 Price

Petro-Deep shall, on each and every Payment Date, pay to SANA the portion of the Price then due consisting of (i) the Instalment and (ii) the Supplemental Payment then payable.

Petro-Deep hereby agrees with SANA that, subject only to the express terms of Clauses 12.5 and 12.6 hereof, Petro-Deep shall continue to pay the Price or shall pay the Loss Payment or the Termination Payment (as the case may be) in the currency, in the manner, at the times and in the full amounts required by this Agreement notwithstanding:

- (1) any set-off, deduction, counterclaim or possible counterclaim, recoupment, defence or other right whatsoever which either party may have or acquire at any time;
- (2) any unavailability of the Vessel at any time or for any period, whether in connection with the performance of the Upgrade or for any other reason;
- (3) any loss of the Vessel including, but not limited to, any Total Loss or any Compulsory Acquisition;
- (4) any failure or delay on the part of any party to this Agreement or any of the Related Documents, whether with or without fault on its part, in performing or complying with any of the terms or conditions of this Agreement or (as the case may be) the Related Documents;
- (5) any insolvency, bankruptcy, reorganisation, arrangement, readjustment of debt, dissolution, liquidation or similar proceedings by or against any of the parties to any of the Related Documents or any other person or any change in the constitution of any of the parties to any of the Related Documents or any other person;
- (6) any invalidity or unenforceability or lack of due authorisation of or other defect in this Agreement or in any of the Related Documents; or
- (7) any other cause or contingency which would or might but for this provision have the effect of suspending or terminating or frustrating or in any other way whatsoever affecting this Agreement or any obligation of Petro-Deep under this Agreement or the chartering of the Vessel to Petro-Deep hereunder.

12.2 Payment of Instalments

- (1) Petro-Deep shall, throughout the Payment Period, pay the Instalments to SANA for the Vessel on any and each of the Payment Dates up to (and including) 31 December 2008.
- (2) The amount of any and each of the Instalments to be payable on 1st through last Payment Dates shall be (i) zero (0) for the first (1st) to (and including) the eighteenth (18th) Payment Dates; (ii) Lire 11,458,333,333.00 for the nineteenth (19th) to (and including) the forty-seventh (47th) Payment Dates; and (iii) the aggregate of Lire 11,458,333,333.00 and the Final Payment on the forty-eight (48th) Payment Date.

12.3 Payment of Supplemental Payment

(1) General

Except as provided herein as otherwise payable, Petro-Deep shall, on each and every Payment Date, pay to SANA the Supplemental Payment for the Payment Period then ending, provided, always, that the amount of such Supplemental Payment for the Payment Period then ending shall be calculated in accordance with Clause 12.3(2).



(2) **Amount of Supplemental Payment**

The amount of Supplemental Payment to be due and payable by Petro-Deep on each and every Payment Date or on any relevant date shall be an amount equal to the Subsidy due to SCN on or before such date and not already paid to SCN but only to the extent that SCN has not received such Subsidy from the Italian Ministero della Marina Mercantile because of the breach by Petro-Deep of the Supplemental Covenants (or because of a breach by Brasoll of covenants in the Bareboat Charter and Purchase Agreement or a breach by Petrobras of covenants in the Bareboat Sub-Charter Agreement, in both cases in the same terms as the Supplemental Covenants).

For the purpose of this Clause 12.3(2) only, SCN includes any subsequent assignee of Sestri Cantieri Navale S.p.A. or of SANA as is entitled to receive the Subsidy (in part or in full).

12.4 Method of Payment

(1) Notwithstanding anything to the contrary contained in this Agreement, all payments due by Petro-Deep hereunder in Dollars (whether by way of Price or otherwise), shall be made as follows:

- (a) not later than 11.00 am (New York City time) on the date on which the relevant payment is due under the terms of this Agreement; and
- (b) in funds with the same day value through the New York Clearing House Interbank Payment System (or in such other funds as may for the time being be customary for the settlement of international financial transactions in Dollars) to the account of such bank or banks in New York City as may from time to time be notified by SANA to Petro-Deep by not less than seven (7) days' prior written notice for the account under reference "Petrobras 36".

(2) Notwithstanding anything to the contrary contained in this Agreement, all payments due by Petro-Deep hereunder in Italian Lire, shall be made as follows:

- (a) not later than 11.00 am (Milan time) on the date on which the relevant payment is due under the terms of this Agreement; and
- (b) in Italian Lire in immediately available funds (or in such other funds as may for the time being be customary for the settlement of international financial transactions in Italian Lire) to the account of such bank or banks in Milan as may from time to time be notified by SANA to Petro-Deep by not less than seven (7) days' prior written notice for the account under reference "Petrobras 36".

(3) If any day for the making of any payment under this Agreement is not a business day, the due date for payment of the same shall be the next following business day unless the next following business day falls in the following calendar month, in which case the due date for the relevant payment shall be the immediately preceding business day.

12.4 For the avoidance of doubt, Petro-Deep shall continue to pay the Price under this Agreement notwithstanding that the Vessel shall have become a Total Loss or subject to Compulsory Acquisition provided always that no further instalments or Supplemental Payments shall become due and payable after the date on which all sums due under Clause 11.1 shall have been received in full by SANA, and the Payment Period shall terminate on that date.

12.5 For the avoidance of doubt, Petro-Deep shall continue to pay the Price under this Agreement notwithstanding termination of the chartering of the Vessel pursuant to Clauses 13 or 15 provided



always that no further instalments or Supplemental Payments shall become due and payable after the date on which all sums due under Clauses 13 and 15 shall have been received in full by SANA, and the Payment Period shall terminate on that date.

13 TERMINATION EVENT

13.1 Termination Event

A Termination Event shall mean any or each of the following events, states of affairs, conditions and acts (whether any such event, state of affairs, condition or act shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) (It is expressly agreed and confirmed that Clause 11 hereof shall apply to, and Clause 13 shall not apply to, the case in which any event or act which falls within the scope of a Total Loss and where a Termination Event occurs or exists):

(1) Default in Payment

When the Price, or any part thereof, or any other amount due under or pursuant to this Agreement or any Fixed hire due from Brasoil or Petrobras under the Participation Agreement (in respect of either the Bareboat Charter and Purchase Agreement or the Bareboat Sub-Charter Agreement) is not paid by Petro-Deep, Brasoil or Petrobras (as the case may be) (i) upon its due date and remains unpaid more than five (5) Banking Days after its original due date, or, (ii) in the case of a sum expressed to be payable on demand under this Agreement within five (5) Banking Days after receipt of notice or demand.

(2) Petro-Deep's Other Default

When Petro-Deep makes any default (other than default in payment) under any material provision of this Agreement which is not remedied to SANA's entire satisfaction within fifteen (15) days after notice to Petro-Deep from SANA requesting action to remedy the same.

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(3) Brasoil's Default

When Brasoil makes any default under any material provision of its acknowledgment and undertaking in respect of the Participation Agreement and/or the Bareboat Charter and Purchase Agreement which default is not remedied to SANA's entire satisfaction within fifteen (15) days after notice to Brasoil from SANA requesting action to remedy the same.

(4) Petrobras' Default

When Petrobras makes any default under any material provision of Petrobras' Letter of Comfort and/or its acknowledgement and undertaking in respect of the Participation Agreement and/or the Bareboat Sub-Charter Agreement which default is not remedied to SANA's entire satisfaction within fifteen (15) days after notice to Petrobras from SANA requesting action to remedy the same.

(5) Misrepresentation or Breach of Warranty

When any representation or warranty made by Petro-Deep, pursuant to the relevant provisions of this Agreement or the Related Documents to which Petro-Deep is a party, proves to have been incorrect in any material respect; or when any representation or warranty made by any Company, pursuant to the relevant provisions of any of the



Related Documents to which such Company is a party proves to have been incorrect in any material respect.

(6) Modification, Suspension or Cancellation of Approvals, etc.

When any consent, authority, approval, waiver, resolution, licence or permit from governmental or other authorities in respect of any transaction or obligation contemplated herein, in the Related Documents or any other related agreements is modified in a manner which materially prejudices SANA's right or is wholly or partially revoked, withdrawn, suspended or terminated or expires and is not renewed or otherwise fails to remain in full force, validity and effect and such circumstances are material.

(7) Defaults under Other Agreements etc.

When any other loan, guarantee or other indebtedness of Petro-Deep in excess of One Hundred Thousand United States Dollars (US\$100,000) or of Brasoll or Petrobras in excess of One Million United States Dollars (US\$1,000,000) is declared due prematurely by reason of a default by any Company in its obligations in respect of the same, or any Company fails to make any payment in excess of that amount on the due date for such payment or the security for any such other loan, guarantee or other indebtedness becomes enforceable, unless that said loan, guarantee or other indebtedness is (aa) contested or disputed by any Company on justifiable legal grounds or (bb) in dispute under judicial proceeding or arbitration or administrative proceeding or (cc) covered by insurance or indemnity.

(8) Insolvency, etc.

When a petition for bankruptcy, liquidation, compromise or any other legal insolvency proceeding is filed against any Company with any competent court either by itself or by any person; or a liquidator, receiver or trustee, of any Company or of all or a substantial part of its assets, is appointed by any competent court or other authority or by its resolution or when any creditor of any of the Companies exercises a contractual right to take control over the whole or any substantial part of their respective business or to assume financial or managerial control thereof.

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(9) Dissolution or Winding-Up

When dissolution or winding-up of any Company is determined or ordered by its Board of Directors, its shareholders' meeting or otherwise by itself or by any competent court or other appropriate authority.

(10) Dishonour of Note, etc.

When any promissory note or cheque issued by Petro-Deep or any bill of exchange payable by Petro-Deep in an amount exceeding US\$100,000 or by Brasoll or Petrobras in an amount exceeding US\$500,000 is dishonored and remains unpaid more than five (5) Banking Days from the original due date.

(11) Attachment, etc.

When a petition or application for an order or decree or judgment for attachment, provisional attachment or provisional disposal is filed against any Company, the Vessel (other than for reasons attributable to SANA) or any asset or property owned by any Company with any competent court or other appropriate authority, or any *in rem* proceeding or arrest proceeding of any kind against the Vessel (other than for reasons



attributable to SANA) is initiated or threatened to be initiated in any country, unless an order for such attachment or disposal of such proceeding is dismissed or ends, or the Vessel or such asset or property is otherwise released, by any adequate security therefor or otherwise within the relevant time period therefor under the law applicable to such order, disposal or release.

(12) General Stoppage of Payments etc.

When any Company stops payment to its creditors generally, or is unable or admits inability to pay its debts when and as they fall due, or enters into any composition or other arrangement (such as contractual compromise for reduction/exemption of interest or reschedule of loan) with its creditors generally.

(13) Cessation of Business

When any Company ceases or threatens to cease to carry on business; or a substantial part of the business, properties or assets of any Company are seized or appropriated.

(14) Impossibility or Unlawfulness

When it becomes impossible or unlawful for any Company to fulfil any of the covenants or obligations contained herein or in the any of the Related Documents or other related agreements as appropriate, or for SANA to exercise any of the material rights, powers or remedies vested in it under or pursuant hereto or otherwise.

(15) Unlawfulness of Security

When by reason of any order of any court of competent jurisdiction, or any change in, or extension of, any applicable law, order, regulation or regulatory requirement, or in the official interpretation or application thereof by any governmental or other authority charged with the administration thereof (save where the same arises out of or in connection with any action, claim or proceeding brought by SANA or any person acting on behalf of or claiming through SANA), it becomes unlawful for SANA to have, or be granted or allowed to have, any material right, interest, power, security, remedy or claim which is or shall be in the future given or granted to SANA hereunder or under any of the Related Documents.

(16) Imperilment of Security

When any Company does or omits any material thing which or the result of which, in the reasonable opinion of SANA, may imperil the security created hereby or by any of the Related Documents and which is not remedied within fifteen (15) days after the notice from SANA requesting action to remedy the same.

(17) Inability

When any of Petro-Deep, Brasoil and Petrobras becomes and continues for more than fifteen (15) days thereafter to be unable to perform any of its material obligations hereunder or under any of the Related Documents, in the reasonable judgment of SANA.

(18) When there exists or occurs any event defined as "Termination Event" in any of the Related Documents and any relevant grace period has expired and/or notice has been served and where capable of remedy the relevant event has not been remedied within the time specified.



as its agent to receive on its behalf service of the summons and complaint, and any other process which may be served in any action or proceeding.

SANA hereby irrevocably appoints Midland and Scottish Resources PLC ("SANA's Process Agent") with an office at the date hereof at First Floor South, Three Quays, Lower Thames Street, London EC3R 6DS as its agent to receive on its behalf service of the summons and complaint, and any other process which may be served in any action or proceeding.

The service, as herein provided, of such summons and complaint or other process shall be deemed personal service and accepted by SANA or Petro-Deep as such. In the event the foregoing agent or any other agent appointed by SANA or Petro-Deep shall not be conveniently available for such service, SANA or Petro-Deep, only after having been properly notified by the other party to that effect, hereby irrevocably agrees to appoint a substitute process agent reasonably acceptable to the other. If SANA or Petro-Deep fails so to appoint a substitute process agent within 30 days of being notified that the process agent named herein is not conveniently available for service, the other party shall be entitled to appoint such third party as is conveniently available to act as process agent for the party failing to appoint a substitute and such appointment shall be binding on that party.

Nothing in this Clause 22.2 shall affect the rights of SANA or Petro-Deep to serve legal process in any other manner permitted by law or affect the rights of SANA or Petro-Deep to bring any action or proceeding against the other party or its property in the courts of any other jurisdiction.

23 NOTICES AND MISCELLANEOUS

23.1 Financial Information etc.

Petro-Deep shall as soon as possible but in no event later than six calendar months after the end of its financial year provide SANA with the audited Balance Sheet, Statement of Loss and Profit and Accounts for such year for itself, Brasoil and Petrobras, such accounts to have been prepared in accordance with generally accepted international accounting principles and practices and to give a true and fair view of the financial condition of the relevant Company.

Petro-Deep shall provide SANA with such additional financial or other similar information as SANA may reasonably request.

23.2 Notice to SANA

All notices, requests, demands, consents, approvals or other communications, including those under Clause 22.2 hereof, to SANA shall be addressed to the following:

SOCIETÀ ARMAMENTO NAVI APPOGGIO S.p.A
Via Edouardo Jenner 136,
Roma,
Italy.

23.3 Notice to Petro-Deep

All notices, requests, demands, consents, approvals or other communications, including those under Clause 22.2 hereof, to Petro-Deep shall be addressed to the following:

PETRO-DEEP INC.
c/o Fiduciary Trust (Cayman) Limited,
P.O. Box 7062,
One Capital Place,
George Town,
Grand Cayman, B.W.I.

IN WITNESS whereof the parties hereto have duly executed this Agreement on the date and at the place above written.



SOCIETÀ ARMAMENTO NAVI APPOGGIO
S.p.A.

PETRO-DEEP INC.

by:

[Signature]
J P W HAWKSLEY

by:

[Signature] Director
Linda Massae

WITNESS

[Signature]

[Signature]

B. T. DAVIES

Solicitor

59/67 Graham Street

London EC2V 7JA

WITNESS

[Signature] Secretary

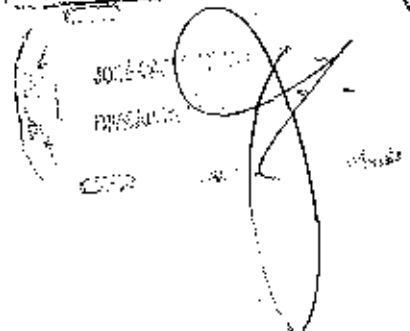
GATH HEWLETT

Box 438

Road Town

Torona, B.V.I.

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23.4 Means of Notice

Any notice, request, demand, consent, approval or other communication required to be given or made under or pursuant to this Agreement shall be made in writing delivered personally or by prepaid letter, telex, facsimile, telegram or cable (confirmed, in the case of a telex, facsimile, telegram or cable, by letter delivered personally or sent by registered prepaid mail within twenty-four (24) hours of the dispatch of such telex, facsimile, telegram or cable, provided that no failure to deliver or dispatch or delay in delivering or dispatching such letter shall in any way affect the original notice given) and shall be effective at the time of such receipt of such letter, telex, telegram or cable.

23.5 Language

Each document, instrument, certificate, statement, notice, request, demand, consent, approval or other communication referred to in this Agreement or to be delivered under or pursuant to this Agreement shall be in the English language or accompanied by a certified English translation thereof which translation shall be the governing version.

23.6 Non-Waiver

Time is of the essence in this Agreement, but, unless stated to the contrary, no failure or delay on the part of SANA or Petro-Deep in exercising or enforcing any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise or enforcement by SANA or Petro-Deep of any right, power or remedy under this Agreement preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and are not exclusive of any rights, powers and remedies provided by law.

23.7 Severability

Any provision of this Agreement prohibited by or unlawful or unenforceable under any applicable law actually applied by any court of competent jurisdiction shall, to the extent required by such law, be severed from this Agreement and rendered ineffective so far as is possible without modifying the remaining provisions of this Agreement. Where however the provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by such law to the end that this Agreement shall be a valid and binding agreement enforceable in accordance with its terms.

23.8 Headings

All Clause headings and other headings are inserted only for ease of reference, and therefore, shall be ignored in construing this Agreement.

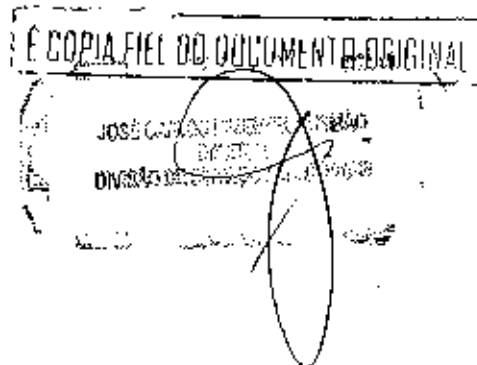




Exhibit "A"

Certificate for commencement of payments

This certificate, dated 1997, is given pursuant to Clause 4.2 of the Bareboat Sub-Charter Agreement dated 1997 ("Agreement") between BRASPETRO OIL SERVICES COMPANY ("Brasoll") and PETROLEO BRASILEIRO S.A. - PETROBRAS ("Petrobras"). Terms in this certificate have the same meanings as in the Agreement.

Petrobras confirms that the following conditions have either been fulfilled to its satisfaction or, for the purposes of this certificate, are waived:

- (1) The receipt by Petrobras of certified copies of board resolutions of each party to each Related Document, or other written confirmation satisfactory to Petrobras, approving that party entering into each of the Related Documents to which it is a party;
- (2) The execution by all the parties thereto of each of the Related Documents in a form acceptable to Petrobras;
- (3) The completion of a due diligence exercise to be undertaken by or on behalf of Petrobras into the operations and affairs of SANA in connection with or arising out of the construction, financing and delivery of the Vessel to the satisfaction of Petrobras;
- (4) Legal opinions from such legal advisors as Petrobras deems fit on the legality, validity and binding nature of the Agreement and the Related Documents and the ability of each party to each such agreement to enter into and be bound by such agreement;
- (5) The issue by the Government of Italy (or any relevant ministry, department, body, agency or other authority thereof) or any other regulatory body of any licence, authorisation, approval, permission, consent and/or any other clearance necessary or desirable for or in respect of the proposed charter upgrade and sale of the Vessel, to enjoy the proposed charter, upgrade and sale of the Vessel, either unconditionally or subject to conditions which do not adversely affect Petrobras's rights to enjoy the benefits of the Agreement for the term of the Agreement;
- (6) The Vessel having reached (and being situated in) waters which are not Italian territorial waters and which are subject to a jurisdiction acceptable to Petrobras;
- (7) The completion to Petrobras's satisfaction of any other matter which it deems to be relevant to the charter of the Vessel hereunder and the charter and purchase of the Vessel under the Bareboat Charter and Purchase Agreement.

For and on behalf of Petrobras

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JOSE GILBERTO SILVA
DIRETOR GERAL



DATE: 20 June, 1997

**BAREBOAT CHARTER AND PURCHASE
AGREEMENT**

of

The Semi-submersible Production Platform named
Spirit of Columbus (to be renamed Petrobras-36)

between

PETRO-DEEP INC.

and

BRASPETRO OIL SERVICES COMPANY

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and
Director

LINKLATERS & PAINES

Barrington House
59-67 Gresham Street
London EC2V 7JA

Tel: 0171-606 7080

Re: SYC



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SECRETARIA DE SEGURANÇA
RIO DE JANEIRO, 15 DE ABRIL DE 1964

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THIS BAREBOAT CHARTER AND PURCHASE AGREEMENT is made on the 20 day of June, 1997



BETWEEN:-

(1) PETRO-DEEP INC., a corporation duly organised and existing under the laws of the Cayman Islands, having its registered office at c/o The Fiduciary Trust, P.O. Box 1062, One Capital Place, George Town, Grand Cayman, Cayman Islands, B.W.I. (hereinafter called "Petro-Deep");

and

(2) BRASPETRO OIL SERVICES COMPANY, a corporation duly organised and existing under the laws of the Cayman Islands, having its registered office at BankAmericaTrust and Banking Corp. (Cayman) Ltd., P.O. Box 1092GT, Grand Cayman, Cayman Islands, B.W.I. (hereinafter called "Brasoll").

WHEREAS, by the "Head Purchase Agreement" to be entered into between Petro-Deep and SANA on the date first above written, Petro-Deep proposes to purchase the Vessel, subject to the terms and conditions therein; and

WHEREAS, the parties hereto have agreed that the Vessel shall be chartered on a bareboat basis to Brasoll under the terms and conditions hereinafter set forth and that title to and the ownership of the Vessel shall be transferred to Brasoll forthwith (i) upon the expiration of twelve (12) consecutive years charter period provided that all obligations of Brasoll herein provided shall have been fulfilled or (ii) upon the full prepayment to Petro-Deep by Brasoll of a certain amount of moneys herein agreed, whichever is earlier.

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NOW, THEREFORE, in consideration of the premises herein contained, and each party intending to be legally bound thereby, the parties hereto agree as follows:-

1 DEFINITIONS

The following terms shall have the meanings set forth below, provided that any word denoting the singular only shall include the plural and vice versa:

"ABC" means the Arab Banking Corporation (B.S.C.) a company duly organised and existing under the laws of Bahrain having its principal office in England at 1/5 Moorgate, London EC2R 6AB;

"ABC Loan" means a loan made by ABC to Tortin pursuant to a facility agreement dated 10 April 1990 as amended, the repayment of which is secured by the ABC Security;



"ABC Security" means the guarantee of SANA, a first priority Vessel Mortgage and the other security held by ABC in respect of the facility agreement dated 10 April 1990 and other related documentation between ABC and Tortin;

"ABI Rate" means the ABI prime rate as published in Il Sole-24Ore for Italian Lire;

"Acceptance Date" means 1 January 1997;

*del by
of Amendment
July 1997*
"Aggregate Drawings" has the meaning given in the Debt Purchase Agreement
"this Agreement" and the agreement referred to by the expression "hereof", "herein" or "hereunder" mean this Agreement as originally executed or as it may at any time be supplemented or amended (which supplements or amendments must be agreed in writing by the parties hereto);

"Assignment of Insurances" means the assignment of the benefits of the insurances in favour of the Trustee entered into by Petrobras, Brasoil, Petro-Deep and SANA;

"Banking Day" means a day (other than Saturday) on which commercial banks are open for business of the kind herein contemplated in London and New York for payments in US\$ and in London and Milan for payments in Italian Lire;

"Bareboat Sub-Charter Agreement" means a certain bareboat sub-charter agreement between Brasoil as disponent owner and Petrobras as charterer, as of the date first above written, pursuant to which Petrobras agrees to charter the Vessel subject to the terms and conditions therein;

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"Basic Hire" means the amount in US\$ of each Fixed Hire that cannot be deferred pursuant Clause 20.5 or otherwise. Such amount to initially be the amount of charterhire specified in Exhibit "B". Petro-Deep and Brasoil may from time to time agree in writing, as provided for in the certificates referred to in Clause 20.5, to increase, but never decrease, the amount of Basic Hire;

"Belongings" means all boilers, engines, machinery, spares, riggings, ~~booms~~ anchors, cables, tackle, equipment and all other appurtenances to the Vessel, owned or acquired by SANA, Petro-Deep, Brasoil or Petrobras at the relevant time or during the relevant period, whether on board or not, and all additions, improvements and replacements made at any relevant time on the Vessel;

"Brasoil Mortgage" means the mortgage over the Vessel to be granted in favour of Brasoil by SANA pursuant to the Quiet Possession Agreement;



"Charter Hire" means the charterhire payable in respect of each Hire Period on each Hire Payment Date, consisting of the Fixed Hire and Supplemental Hire payable for the Hire Period then ending, except in respect of the first Hire Period which is then commencing;

"Charter Period" means a twelve (12) consecutive year period commencing on the 1 January 1997 and ending on 31 December 2008 or upon any earlier termination of this Agreement;

"Companies" means Brasoll and Petrobras; **"Company"** means each of them;

"Contractor" means any party with whom Petro-Deep enters into an Upgrading Contract;

"Contractor's Progress Certificate" means the certificate (howsoever called), signed by Petro-Deep, to be issued by the Contractor on completion of each part of the work to be performed by the Contractor under an Upgrading Contract and to be countersigned by Petrobras to evidence its acceptance of such work;

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"Compulsory Acquisition" means requisition of the Vessel for title or other compulsory acquisition of the Vessel or requisition for hire by any government or other authority or by any person, institution or organisation acting or purporting to act for such government or other authority;

"Debt Purchase Agreement" means an agreement to be entered into between Brasoll and ABC pursuant to which Brasoll agrees to purchase participations in the ABC Loan;

"Deposit Account" means the deposit account in the name of Petro-Deep Inc. with the Bank of New York (account number 6301311670) established for the purpose of receiving sums under this Agreement in accordance with Clause 12.2(2);

"Deposit Account Side Letter" means the letter from Brasoll in respect of the Deposit Account arrangements;

"Dollars" and the sign "\$" or "US\$" mean the lawful currency, at any relevant time during the Post Delivery Period, of the United States of America;

"Earnings" means collectively all charterhires and earnings payable to Brasoll with respect to the Vessel including but not limited to:-

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(1) all quarterly or other periodically payable charterhires and all other periodical payments (if any) from time to time due or to become due at any time during the Post-Delivery Period to Brasoll from each and any charterer under each or any of the Bareboat Sub-Charter Agreement and any charterparty of the Vessel to which Brasoll is a party;

(2) all other moneys and claims for moneys whatsoever due or to become due to Brasoll from such charterer under such Bareboat Sub-Charter Agreement or charterparty of the Vessel at any time during the Post-Delivery Period;

(3) all damages and claims for damages arising at any time during the Post-Delivery Period out of or in connection with such Bareboat Sub-Charter Agreement or charterparty of the Vessel;

"Excess Risks" means the proportion of claims for general average and salvage charges and under the ordinary running-down clause not recoverable in consequence of the value at which the Vessel is assessed for the purpose of such claim exceeding her insured value;

Amended by Deed
Amendment
7. July 1997

Aggregate Drawings

"Final Payment" means the sum payable by Brasoll to Petro-Deep, in order to effect transfer of title to the Vessel to Brasoll, equal to that amount of the ~~Outstanding Indebtedness~~ under the ABC Loan which Brasoll acquires from ABC pursuant to the Debt Purchase Agreement;

"Fixed Hire" means the amount paid or to be payable on each of the forty-eight Hire Payment Dates in accordance with Clause 12.2(2) hereof and "Fixed Hires" means two or more such Fixed Hires;

"Hire Payment Date" means the last day of each and any Hire Period, except in respect of the first Hire Period in which case it means the first day of that period; and (ii) the second Hire Period in which case it means the date on which delivery of the Vessel takes place pursuant to paragraph D of the Operating and Side letters

"Hire Period" means each of forty eight (48) successive periods of three calendar months commencing 1 January 1997 and ending on 31 December 2008;

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"Insurances" collectively means (i) any contract or policy of hull and machinery insurance, port risks insurance, water pollution liabilities insurance, wreck and debris removal insurance, war risks insurance or any other insurances which will be from time to time taken out in the joint names of SANA, Petro-Deep, Brasoll and/or Petrobras as co-assured on and/or in respect of the Vessel, or (ii) any entry of SANA, Petro-Deep, Brasoll and/or Petrobras as co-entry members in respect of the Vessel in protection and indemnity associations or clubs;

"Insurers" means collectively such insurance companies and insurers, underwriters, protection and indemnity associations or clubs and insurance brokers as SANA shall from time to time approve in writing, with or through whom any and all relevant insurance shall be taken out and kept effected; and "Insurer" means any one of them;

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"LIBOR" means, in relation to any amount:

(1) the nominal annual percentage rate of interest for Dollars shown on the page "London Interbank Offered Rates" (LIBOR) of the Reuters Monitor Money Rates Service in the column headed "Nat West Bank" (or any replacement or successor page); or

(2) If no such rate is shown, the rate per annum certified by Petro-Deep to be the rate at which National Westminster Bank plc offers Dollar deposits to leading banks in the London Interbank Market,

for six (6) months Dollar deposits at or about 11.00 am (London time) on the relevant Banking Day;

"Loss Payment" means a sum payable to Petro-Deep by Brasoll as liquidated damages in the case of any event described in Clause 11.1 hereof, in the amount equal to the aggregate of (i) all the outstanding instalments of Fixed Hire falling due under this Agreement and not paid, discounted to the date the payment is declared due, for amounts that fall due after such date, at the lower of nine per cent (9%) per annum and LIBOR plus three per cent (LIBOR + 3%) compounded annually, and (ii) all the Subsidy not yet paid, discounted to the date the payment is declared due, for amounts of Subsidy that fall due after such date, at the then prevailing ABI Rate compounded annually, and (iii) all Over-due Interest that remains unpaid on all payments that fell due prior to the date the payment is declared due;

"Mortgagee" means any one or more person, corporation, association, institution or other entity who shall at any relevant time be a mortgagee under any Vessel Mortgage including, but not limited to, ABC, SCN and the Trustee for as long as they are a mortgagee under a Vessel Mortgage and "Mortgagees" means two or more mortgagees under the Vessel Mortgages;

"Operating Costs Side Letter" means the letter to be issued by Brasoll to SANA pursuant to which Brasoll agrees to reimburse to SANA certain operating costs incurred by it from the Acceptance Date to the date of delivery of the Vessel;

"Other Indebtedness" means the aggregate sums of moneys owing by Brasoll to Petro-Deep hereunder and outstanding at any relevant time other than (i) Fixed Hires, (ii) Supplemental Hires, (iii) Loss Payment and (iv) Termination Payment;

*Amended by Deck of Amendment
7 July 1997*

~~"Outstanding indebtedness" has the meaning given to it in the Debt Purchase Agreement;~~

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"Over-due Interest" bears the meaning set out in Clause 17 hereof;

"Petrobras" means PETROLEO BRASILEIRO S.A.-PETROBRAS, a corporation duly organised and existing under the laws of Brazil and having its registered office at Edifício Marechal Ademar de Queiroz, Av. Republica do Chile 65, Rio de Janeiro-RJ, Brazil;

[Handwritten signature]



"Petrobras' Letter of Comfort" means a letter of comfort to be issued by Petrobras to and in favour of, inter alia, the Trustee;

"Participation Agreement" means the assignment of (A) any Requisition Compensation payable to any of SANA, Petro-Deep, Brasoil and Petrobras and (B) the hires and all other moneys and claims for moneys whatsoever due or to become due to (i) Brasoil from Petrobras under the Bareboat Sub-Charter Agreement, (ii) Petro-Deep from Brasoil under this Agreement and (iii) SANA from Petro-Deep under the Head Purchase Agreement to and in favour of the Trustee;

"P & I Club" means a protection and indemnity association or club reasonably acceptable to Petro-Deep;

"P & I Risks" means all risks (including, but not limited to, pollution, leakage and spillage risk covered by the Articles or Rules of a P & I Club and by a certificate of entry of the Vessel issued by such P & I Club or as it may at any time during the Post-Delivery Period be amended or supplemented and at least includes the usual risks covered by an English or American or Japanese protection and indemnity association or club including the proportion not recoverable in case of collision under the ordinary running-down clause included in the hull and machinery insurance referred to at Clause 7.2(1);

"Post-Delivery Period" means the period commencing on the date of issue of the certificate referred to in Clause 4.2 and terminating on the day on which all sums of money of whatsoever nature indebted or to be indebted by Brasoil to Petro-Deep hereunder or by law or otherwise in connection herewith or with the Vessel have been paid in full to Petro-Deep and no obligations of Brasoil of whatsoever nature to Petro-Deep or otherwise in connection herewith or with the Vessel remain unperformed;

"Pre-Delivery Date" means the date on which the Vessel leaves the Port of Palermo where it is moored as at the date of signature of this Agreement;

"Quiet Possession Agreement" means the agreement to be entered into by SANA, Petro-Deep, Brasoil, Petrobras, the Mortgagees and the Trustee among others pursuant to which SANA, Petro-Deep, Brasoil, Petrobras, the Mortgagees, the Trustee and others undertake not to interfere with Petrobras' quiet use and possession of the Vessel and the transfer of title to the Vessel to Brasoil;

"Related Documents" means the Relevant Documents other than this Agreement;

"Relevant Documents" means this Agreement, the Head Purchase Agreement, the Bareboat Sub-Charter Agreement, the Assignment of Insurances, the Brasoil Mortgage, the Participation Agreement, the Petrobras' Letter of Comfort, the Quiet Possession Agreement, the Trust Deed, the Vessel Mortgages and the Debt Purchase Agreement;



"Requisition Compensation" means all moneys or other compensation payable during the Post-Delivery Period by reason of the Compulsory Acquisition of the Vessel;

"RINA" means Registro Italiano Navale, the Italian classification society;

"SANA" means Società Armamento Navi Appoggio S.p.A, a company duly organised and existing under the laws of Italy having its registered office at Via E. Jenner 136, A/100151, Rome, Italy;

"SCN" means Sestri Cantieri Navale S.p.A., a corporation duly organised and existing under the laws of Italy having its registered office at Via Soliman No. 47/R, Genoa Sestri, Italy;

"Specification" means the specification for the Upgrade of the Vessel to be annexed to the Bareboat Sub-Charter Agreement;

"Subsidy" means the amount of Italian Lire 15,624,000,000 due to be paid on 1 January 1996 and each year thereafter up to and including 1 January 2006 pursuant to Law no. 361 dated 10 June 1982 as amended by Law no. 848 dated 11 December 1984 by the Italian Ministero della Marina Mercantile (now part of the Ministero dei Trasporti e della Navigazione) to SCN (pursuant to an assignment to it by SANA dated 25 May 1994);

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"Supplemental Covenants" means those covenants given by Brasoil in Clause 9.6;

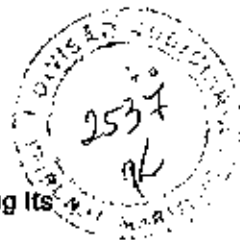
"Supplemental Hire" means an amount to be payable in Lire on each and every Hire Payment Date in accordance with Clause 12.3(2) hereof. "Supplemental Hires" means two or more such Supplemental Hires;

"Taxes" means all present and future taxes, levies, imposts, duties, fees or charges of whatsoever nature including, without limitation, corporation, capital gains, income, gross receipts, franchise, freight, transfer, sales, use, business, occupation, transaction, purchase, value added, excise, personal property, real property, stamp, documentary, national insurances or other taxes together with any interest thereon and any costs, charges or penalties in respect thereof save insofar as such costs, charges or penalties are attributable to the unreasonable delay or default of SANA;

"Termination Event" means any event, state of affairs or condition described in Clause 13 hereof;

"Termination Payment" means an amount equal to the Loss Payment payable by Brasoil to Petro-Deep as liquidated damages upon declaration by Petro-Deep pursuant to Clause 13 hereof in the event of the happening of any Termination Event;

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"Tortin" means Tortin Investments Limited, a company incorporated in Guernsey and having its registered office at 1 Le Marchant Street, St. Peter Port, Guernsey;

"Total Loss" means an actual, constructive, compromised or arranged total loss of the Vessel; or Compulsory Acquisition; or capture, seizure, detention, confiscation or requisition for hire of the Vessel by any government or any person acting or purporting to act on behalf of any government or by pirates, whether such capture, seizure, detention, confiscation or requisition is lawful or wrongful, unless the Vessel is released from such capture, seizure, arrest, detention, confiscation or requisition within 90 days after the occurrence thereof;

"Trustee" means The Law Debenture Trust Corporation (Cayman) Limited, a corporation duly organised and existing under the laws of the Cayman Islands and having its office at P.O. Box 219, Butterfield House, Grand Cayman, Cayman Islands, B.W.I. or its successor;

"Trust Deed" means the deed governing the appointment of the Trustee pursuant to which the Trustee is appointed and instructed in connection with, inter alia, the application of the benefits of the Participation Agreement and the Assignment of Insurances;

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"Upgrade" means the upgrade of the Vessel in accordance with the Specification;

"Upgrade Contract" means any contract acceptable to Brasoll which is entered into by Petro-Deep for or in respect of the Upgrade of the Vessel;

"Upgrade completion certificate" means the protocol of completion to be signed by Petro-Deep, Brasoll and Petrobras at such time as Brasoll is satisfied that the Vessel has been upgraded in accordance with the Specification;

"Vessel" means the Spirit of Columbus, a semi-submersible production platform registered at the port of Napoli, Italy, to be renamed "Petrobras 36";

"Vessel Mortgage" means any ship mortgage on the Vessel which may from time to time be executed and registered by SANA to and in favour of the Mortgagee or Mortgagees and "Vessel Mortgages" means all mortgages on the Vessel at the relevant time existing and being registered regardless of their priorities; and

"War Risks" means, for the purpose of the war risks insurances on or in respect of the Vessel provided in Clause 7.2 hereof, the risk of mines, and all risks excluded from the standard form of English, American or Japanese marine policies by the free of capture and seizure clauses.



2 REPRESENTATIONS AND WARRANTIES

2.1 Brasoll's Representations and Warranties

Brasoll hereby represents and warrants to Petro-Deep as follows:-

(1) **Standing and Power of Brasoll**

Brasoll is a corporation duly organised, registered and validly existing under the laws of the Cayman Islands and has the corporate power and authority to execute and perform this Agreement and the Related Documents to which it is a party and to carry on its business as presently conducted and contemplated hereby.

(2) **Binding Obligations**

This Agreement constitutes a legal, valid and binding agreement of Brasoll and the execution or performance by Brasoll of this Agreement and the Related Documents to which it is a party in accordance with the terms hereof and thereof is not inconsistent with and does not contravene any contractual legal commitment or undertaking existing as of the date hereof.

(3) **No Litigation**

To the knowledge of Brasoll and/or Petrobras, there are no actions, suits, proceedings or arbitrations (other than that described in Exhibit "E") pending or threatened, before any court, administrative agency, arbitrator or governmental body which if adversely determined would materially impair the ability of Brasoll and/or Petrobras to perform its respective obligations under this Agreement and/or the Related Document(s).

(4) **No Conflict**

Neither the execution, delivery or registration (if necessary) of this Agreement and the Related Documents to which it is a party nor any transaction herein contemplated nor the compliance with the terms hereof or thereof does or will:-

- (a) contravene any provision of law, statute, decree, rule or regulation to which Brasoll or Petrobras is subject or any judgment, decree, franchise or permit applicable to Brasoll or Petrobras; and
- (b) conflict with, or result in any breach of, any of the terms, covenants, conditions and provisions of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any property or assets of Brasoll or Petrobras pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which Brasoll or Petrobras is a party or is subject or by which it is bound.

(5) **No Termination Event**

No Termination Event has occurred.

(6) **No Breach**

To the best of the knowledge, information and belief of Brasoll, neither Brasoll nor Petrobras is in breach of or in default under any law or order applicable to it or under any agreement or other instrument, the potential liability for which breach or default is in excess of United States Dollars One Million (US\$1,000,000) or its equivalent in any other currency, to which Brasoll and/or Petrobras is a party or by which it or any of its assets or properties may be bound or affected.



(7) No Default

To the best of the knowledge, information and belief of Brasoil, no event or omission has occurred which entitles any creditor(s) of any Company to declare any indebtedness of any kind whatsoever due and payable prior to its specified maturity or to cancel or terminate any loan or other facility or to decline to make any advances or further advances thereunder which indebtedness, loan or other facility is in excess of United States Dollars One Million (US\$1,000,000) or its equivalent in any other currency.

2.2 Repetition of Representations and Warranties

Brasoil hereby agrees to ensure that the representations and warranties contained in Clauses 2.1(1), (2) and (4) will be complied with on each Hire Payment Date as if repeated on each such date by reference to the circumstances then existing.

3 AGREEMENT TO LET AND HIRE BY BAREBOAT CHARTERING

3.1 Bareboat Chartering of Vessel

Subject to the terms and conditions hereinafter set forth, (i) Petro-Deep hereby agrees to charter the Vessel to Brasoil and Brasoil hereby agrees to charter the Vessel from Petro-Deep on a bareboat basis for the Charter Period, and (ii) Petro-Deep agrees, upon the expiry of the Charter Period by effluxion of time or earlier termination, to transfer or procure the transfer of title to and ownership of the Vessel to Brasoil and Brasoil agrees to accept such transfer.

3.2 Charter Hire

Subject to the terms and conditions set forth herein, Brasoil shall pay each Charter Hire consisting of the relevant Fixed Hire and Supplemental Hire during the Charter Period in accordance with Clause 12 hereof.

4 CONDITIONS PRECEDENT

4.1 Conditions Precedent to Delivery

The obligation of Petro-Deep to deliver the Vessel to Brasoil pursuant to Clause 5 hereof is subject to the following conditions precedent being fulfilled to the satisfaction of Petro-Deep:

(1) Documents

All of the following documents shall be received by Petro-Deep simultaneously with the execution of this Agreement (with respect to items (a) to (j)) or on or prior to the Pre-Delivery Date (with respect to items (k) and (l)):

- (a) a copy of the Articles of Incorporation and ByLaws of Brasoil and Petrobras respectively duly certified as a true copy by a duly authorised officer of the relevant Company;
- (b) a copy of the most recent audited financial statements of Brasoil and Petrobras respectively;
- (c) a copy, duly certified as a true copy by a duly authorised officer of Brasoil, of the resolutions of the Board of Directors of Brasoil, approving the entry of Brasoil into this Agreement and the Related Documents (to which Brasoil is a party) and authorising the due execution thereof and the performance and discharge of duties and liabilities thereunder;

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- (d) a copy, duly certified as a true copy by a duly authorised officer of Petrobras, of the resolutions of the Board of Directors of Petrobras, approving the entry of Petrobras into the Related Documents (to which Petrobras is a party) and authorising the due execution thereof and performance and discharge of duties and liabilities thereunder;
- (e) a copy, duly certified as a true copy by a duly authorised officer of each of Brasoil and Petrobras, of the Bareboat Sub-Charter Agreement duly executed by the authorized officer of the parties thereto;
- (f) an acknowledgement and undertaking required under the Assignment of Insurances duly executed by the insurers;
- (g) one copy of Petrobras' Letter of Comfort duly executed by the authorised officer of Petrobras;
- (h) one original of the Participation Agreement duly executed by the authorised officer of Brasoil;
- (i) an original of the favourable opinion of Maples and Calder (or such other Cayman Islands law firm as approved by the parties hereto), addressed to Petro-Deep, within 30 calendar days from the date first above written;
- (j) an original of the favourable opinion of the Head of Legal Department of Petrobras, addressed to Petro-Deep, within five (5) calendar days from the date first above written;
- (k) all policies of the insurances and entry certificate of the P & I Club, on which a Notice of Assignment and Loss Payable and Notice of Cancellation Clause have been duly contained or endorsed as an integral part of these policies, certificates and contracts, and letters of undertaking from the relevant insurer and the P & I Club; and
- (l) a certified copy of the Assignment of Insurances duly executed by the authorised officer of Petrobras and Brasoil.

Truth and Accuracy of Representations and Warranties:

The representations and warranties contained in Clause 2 hereof all being true and correct in all respects as of the Pre-Delivery Date; no Termination Event having occurred or existing as of the Pre-Delivery Date.

(3) Licences:

Any necessary consents, authorisations, approvals, notices, regulations and filings being obtained from governmental or other authorities to execute and perform this Agreement and the Related Documents.

2 Conditions Precedent to Payment

The obligations of Brasoil pursuant to this Agreement shall be subject to the issuance by Petrobras pursuant to the Bareboat Sub-Charter Agreement of a certificate in the form of Exhibit "A" stating that the conditions set out in Clause 4.2 of the Bareboat Sub-Charter Agreement have been fulfilled. Brasoil undertakes to ensure that Petrobras shall proceed in good faith to the earliest issuance of the certificate and the issuance of the certificate will be irrevocable thereafter with regard to the payment of amounts due and other obligations of Brasoil hereunder but will not relieve Petro-Deep of any of its obligations under this Agreement.



4.3 Dissatisfaction of Conditions

If (i) any of the conditions set out in Clause 4.1 hereof is not satisfied or (ii) the certificate referred to in Clause 4.2 is not issued within 90 calendar days of the date of this Agreement first above written, or such later date as the parties may mutually agree in writing, Petro-Deep may, in the case of paragraph (i) hereof, terminate this Agreement by giving notice in writing to Brasoil or, in the case of paragraph (ii) hereof, either party may terminate this Agreement by giving notice in writing to the other. In the event of termination pursuant to this Clause each of Petro-Deep and Brasoil shall be released of all of its respective obligations hereunder and neither shall have any further liability to the other whatsoever as a result of such termination.

4.4 Suspension of Conditions

All of the provisions set out in Clause 4.1 hereof are set out only for the convenience and protection of Petro-Deep; therefore, if Petro-Deep declares that a certain provision or provisions of Clause 4.1 hereof need not be satisfied by the time required hereunder, the performance of the said provision or provisions shall no longer be a condition precedent to Petro-Deep's obligations hereunder. Provided, however, that any such provision or provisions shall in any case be satisfied by such later time as Petro-Deep may at its sole discretion nominate.

5 DELIVERY

5.1 Acceptance

If they have not already done so Brasoil and Petrobras shall make arrangements to inspect the Vessel and its records as soon as practicable so that each party can satisfy itself that the Vessel is in every respect suitable for their purpose. Promptly after such inspection, the acceptance of the Vessel by Brasoil shall be conclusively evidenced by the execution of a protocol of acceptance between SANA, Petro-Deep, Brasoil and Petrobras. Certain costs incurred by SANA from the Acceptance Date to the date of delivery hereunder will be reimbursed to SANA by Brasoil in accordance with the terms of the Operating Costs Side Letter.

5.2 Time and Place of Delivery

Following execution of the protocol of acceptance referred to in Clause 5.1, Brasoil agrees that the Vessel is in every respect ready for delivery to Brasoil and Brasoil undertakes that it will take delivery of the Vessel on an "as is where is" basis as soon as practicable on or after the Acceptance Date. The delivery of the Vessel to Brasoil shall be conclusively evidenced by the issue of the certificate in the form of Exhibit "A" referred to in Clause 4.2.

5.3 No Warranty/ Waiver of Claims

(1) No Warranty

The Vessel shall be delivered to Brasoil on an "AS IS, WHERE IS" basis "WITH ALL FAULTS", and therefore, PETRO-DEEP MAKES NO REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR DECLARATION, EXPRESS OR IMPLIED, AS TO SEAWORTHINESS, CONDITION, DESIGN, CLASS, OPERATION, MERCHANTABILITY OR FITNESS FOR THE USE OF THE VESSEL FOR ANY PARTICULAR PURPOSE OR AS TO THE ELIGIBILITY OF THE VESSEL FOR ANY PARTICULAR TRADE OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE VESSEL. The signing by Brasoil of the protocol of acceptance shall be conclusive proof, as between Petro-Deep and Brasoil, that the Vessel is seaworthy, in good working order and repair and without defect or inherent vice in condition, design, operation or fitness for use, whether or not discoverable by Petro-Deep or Brasoil as of the date of such acceptance.

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(2) **Waiver Of Claims**

BRASOIL HEREBY WAIVES ALL ITS RIGHTS IN RESPECT OF ANY WARRANTY OR CONDITION, EXPRESS OR IMPLIED (AND WHETHER STATUTORY OR OTHERWISE), ON THE PART OF PETRO-DEEP AND ALL CLAIMS AGAINST PETRO-DEEP HOWSOEVER AND WHENEVER THE SAME MIGHT ARISE AT ANY TIME IN RESPECT OF THE VESSEL OR ARISING OUT OF THE OPERATION OR PERFORMANCE OF THE VESSEL AND THE CHARTERING THEREOF UNDER THIS AGREEMENT (INCLUDING IN RESPECT OF SEAWORTHINESS, CONDITION, DESIGN, CLASS, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE VESSEL OR FOR ANY PARTICULAR PURPOSE OR IN RESPECT OF THE ELIGIBILITY OF THE VESSEL FOR ANY PARTICULAR TRADE OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER EXPRESS OR IMPLIED, WITH RESPECT TO THE VESSEL). In particular and without prejudice to the generality of the foregoing, Petro-Deep shall be under no liability whatever and howsoever arising in relation to any injury, death, loss, damage or delay of, or to, or in connection with any vessel (including the Vessel) or any person or property whatsoever, whether on board the Vessel or elsewhere, irrespective of whether such injury, death, loss, damage or delay shall arise from the unseaworthiness of or any defect in the Vessel. For the purposes of this Clause "delay" shall include delay in relation to the Vessel (whether in respect of delivery to Brasoil under this Agreement or otherwise) or any other delay whatsoever. Brasoil acknowledges that no representation (except for title to the Vessel) has been made by or on behalf of Petro-Deep in relation to the Vessel or any part thereof or any of the Belongings.

6 DOCUMENTATION AND HOUSE FLAG

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6.1 House Flag

The Vessel may be painted in such colours, display such insignia and fly such house flag as Brasoil may require. Brasoil shall be entitled to change the name of the Vessel to "Petrobras 36" and cause such change to be registered with the relevant authority in the Republic of Italy and Brasoil shall thereafter use such name for all purposes and in any documents, flags or other things. If Brasoil wishes to further change the name of the Vessel, Brasoil shall notify Petro-Deep of any intended new name of the Vessel, and, in such case, Petro-Deep shall cause the name of the Vessel to be changed to the new name thereof proposed by Brasoil, provided that Brasoil shall first pay in full all expenses (including lawyers' fees) for that purpose and further that it is possible to register the new name of the Vessel under SANA's name. Petro-Deep agrees that it will either itself and/or that it will procure that SANA will take such steps and execute such documents as Brasoil may reasonably require to effect the first and any subsequent change of name.

6.2 No Power to Brasoil

Nothing herein contained shall constitute the conferring by Petro-Deep upon Brasoil of any power to execute a document or documents of any kind whatsoever on behalf of Petro-Deep for the purposes of registration, documentation or amendment as aforesaid and it is hereby expressly understood that only if Brasoil first obtains a written and lawful power of attorney made and executed by Petro-Deep at the expense of Brasoil but not otherwise, Brasoil may and shall, thereafter, take all necessary steps for those purposes at the expense of Brasoil and in the name of Petro-Deep.



7 RISKS AND INSURANCES ON VESSEL AND BELONGINGS

7.1 Risks of Vessel and Belongings

The Vessel and Belongings shall, throughout the Post-Delivery Period, be in every respect at the risk of Brasoil who shall bear all risks howsoever arising whether out of or in connection with the navigation, operation or maintenance of the Vessel or otherwise. Brasoil agrees that Petro-Deep shall not be liable for, and Brasoil shall indemnify Petro-Deep and keep Petro-Deep indemnified against, any claim, loss, damage or expense of any kind or nature whatsoever, caused directly or indirectly by the Vessel, Brasoil, any sub-charterer, their respective agents or servants, any master, other personnel on board of the Vessel or otherwise in respect of the Vessel, or any inadequacy of the Vessel for any purpose or any deficiency or defect therein or the use or performance thereof or any repairs or services thereto or any delay in providing or failure to provide any service thereof or any interruption or loss of service or use thereof or any loss of business or other consequential damage whatsoever and howsoever caused.

7.2 The Insurance

Brasoil shall, not later than the Pre-Delivery Date, either take out and effect or procure the Petrobras takes out and effects the following insurances at Brasoil's or Petrobras' expense on and in respect of the Vessel and shall, throughout the Post-Delivery Period, maintain the said insurances effective with such insurer or insurers as are acceptable to SANA, at Brasoil's or Petrobras' own expense:

- (1) Hull and Machinery insurance shall be taken out and maintained to be effective in the joint names of SANA, Petro-Deep, Brasoil and Petrobras as co-assured with the insurer against such fire and usual marine risks including Excess Risks and under the Institute of London Underwriters "London Standard Platform Form (All Risks)" or under such similar terms as SANA shall approve in writing, including War Risks Insurance under the Institute of London Underwriters "Institute War and Strikes Clauses" or under such similar terms as SANA shall approve in writing, including also Political Risk, Expropriation and Nationalisation insurance.
- (2) P & I Club insurances (Protection and Indemnity insurance) shall be effected by an entry or entries of the Vessel with or in any P & I Club to protect and indemnify SANA, Petro-Deep, Brasoil and Petrobras as co-assured and the Vessel against all P & I Risks (including, but not limited to, pollution risks).

7.3 Conditions of Insurance

The terms and conditions of all insurances referred to in (1) and (2) of Clause 7.2 hereof and all rules and articles of the P & I Club shall be subject to the prior approval of SANA (such approval not to be unreasonably withheld or delayed). Furthermore, every Hull and Machinery Insurance and War Risk Insurance shall, throughout the Post-Delivery Period, be maintained to be effective in such amounts as shall at least be equivalent to the full commercial value of the Vessel, but in any event in such amounts as shall be not less than one hundred ten percent (110%) of the applicable Loss Payment in the relevant policy period.

7.4 Renewal

Brasoil shall renew or procure that Petrobras shall renew all such insurance at least fourteen (14) days before the relevant policies or contracts or certificates of entry expire, such renewal to take effect immediately upon the expiry of the then current insurance and Brasoil shall procure that the insurer and the P & I Club shall promptly confirm in writing to Petro-Deep as and when each such renewal is effected.



7.5 Payment of Premiums, etc.

Brasoll shall pay or procure that Petrobras, throughout the Post-Delivery Period, punctually pay all premiums, calls, contributions or other sums payable in respect of all such insurances, and produce all relevant receipts for inspection by Petro-Deep, whenever so required by Petro-Deep.

7.6 Guarantee Required By Club

Brasoll shall arrange or procure that Petrobras shall, throughout the Post-Delivery Period, arrange for the execution of such guarantees as may from time to time be required by the P & I Club.

7.7 Application of Insurance Recoveries

(1) Insurance Proceeds received by Brasoll

Subject always to the terms of the Assignment of Insurances, Brasoll shall or shall procure that Petrobras shall apply any sums received by Brasoll or Petrobras from the insurers in respect of any loss of or damage to the Vessel for the purposes of full repair of all damage to the Vessel and in respect of any loss or damage caused by the Vessel, full discharge of all liabilities of SANA, the Mortgagees, Petro-Deep, Brasoll and the Vessel in respect of which the insurance recoveries shall be received.

(2) Insurance Proceeds received by SANA, Mortgagees or Petro-Deep

All insurance proceeds received or to be received by SANA, the Mortgagees and Petro-Deep shall be applied in accordance with the terms of the Assignment of Insurances and the Trust Deed.

7.8 Wreck Removal

In the event of the Vessel becoming a wreck or obstruction to navigation, Brasoll shall indemnify Petro-Deep against any sums which Petro-Deep shall become liable to pay, and Brasoll shall pay all damage, penalty fees, costs, expense and other sums of money of any kind whatsoever in respect of the removal or destruction of the wreck or obstruction under statutory powers but only to the extent that such has not been recovered by SANA, Petro-Deep or the Mortgagees, as the case may be, from the insurer or any third party.

7.9 Insurance Taken Out by Petro-Deep

In the event that at any time during the Post-Delivery Period any provision of Clause 7 hereof shall not be complied with, then Petro-Deep shall be at liberty to, or shall be at liberty to procure that SANA shall, effect, at Brasoll's expense, such additional insurances as Petro-Deep or SANA (as the case may be) may in its discretion (reasonably exercised) determine to be necessary or desirable to protect the interests of Petro-Deep under this Agreement or SANA under the Head Purchase Agreement and Brasoll shall on demand reimburse Petro-Deep or SANA (as the case may be) for all insurance premiums and other reasonable expenses paid or incurred by Petro-Deep or SANA (as the case may be) together with interest thereon at the per annum interest rate of two per cent (2%) above the actual cost at which Petro-Deep or SANA (as the case may be) will obtain the funds from its financiers from the date on which Petro-Deep or SANA (as the case may be) paid or incurred the same.

Nothing herein contained shall, however, release Brasoll of its obligation to take out and keep in effect or procure that Petrobras takes out and effects the insurances pursuant hereunder.

8 USE OF VESSEL AND BELONGINGS

8.1 Use of Vessel

Brasoll shall have the full use of the Vessel during the Charter Period and may operate the Vessel or employ her or permit such operation or employment by Petrobras in the Brazilian territorial



waters (employment elsewhere is subject to SANA's prior approval, which shall not be unreasonably withheld) provided, always, that:

(1) Registration

Brasoil shall not do or suffer to be done anything whereby the registration of the Vessel at the relevant authority of the Republic of Italy in the name of SANA as an Italian floating production unit may be forfeited or imperilled.

(2) Lawful Employment

Brasoil shall not employ the Vessel nor suffer her employment in any trade or business which is forbidden by international law or is otherwise illicit or in carrying illicit or prohibited goods or in any manner whatsoever which may render her liable to condemnation in a Prize Court or to destruction, seizure or confiscation and, in the event of hostilities in the Brazilian territorial waters (whether war be declared or not), Brasoil shall not employ the Vessel nor suffer her employment in carrying any contraband goods and shall not permit or suffer the Vessel to enter or trade in any zone which is declared a war zone by the Vessel's War Risks Insurers unless there shall have been effected by Brasoil or Petrobras, at the expense of Brasoil or Petrobras, such special insurance cover as SANA may require.

(3) Bareboat Sub-Charter Agreement

Brasoil shall, during the Post-Delivery Period, let the Vessel to Petrobras under the Bareboat Sub-Charter Agreement.

(4) Information

Brasoil shall promptly furnish to Petro-Deep all such information as it may from time to time require regarding the Vessel, her employment, position and engagements, particulars of all salvages and copies of all charters and other contracts for her employment or otherwise howsoever concerning her. Brasoil shall be entitled to delete any confidential commercial information contained within any such documents before passing copies on to Petro-Deep and Petro-Deep agrees to hold as confidential and not disclose to third parties any and all documents provided to it pursuant to this Clause.

(5) Compliance with Insurance Requirements

Brasoil shall not use the Vessel in any manner or for any purpose excepted from any insurance policy or policies taken out in accordance with the provisions of Clause 7 hereof and shall not do or permit to be done anything which would invalidate any of the said insurance policy or policies, provided, however, that Brasoil shall be entitled to breach such warranty limits by first covering the Vessel or procuring that that Vessel is covered with additional insurances reasonably satisfactory in all respects to Petro-Deep.

(6) Payment of Taxes, Wages, etc.

Brasoil shall promptly pay or procure that Petrobras pays all tolls, dues, taxes, charges, expenses of any kind and other outgoings whatsoever in respect of the possession or operation of the Vessel by Brasoil pursuant to this Agreement.

(7) Manning

Brasoil shall carry the full number of officers and crew necessary to meet the requirements, if any, of the Italian Government for the Vessel at all times and shall

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ensure that the master and other personnel on board are at all times duly certified in accordance with such requirements. Brasoil shall or shall procure that Petrobras shall upon request and at its or Petrobras's expense, furnish Petro-Deep with particulars of the members' nationality and qualification of the master and other personnel on board.

(8) **No Sub-Lease**

Without prejudice to the requirement under Clause 8.1(3), Brasoil shall not, without the prior written approval of Petro-Deep, lease or let the Vessel to any third party under any lease agreement, bareboat charter party, other charterparty by demise or any contract or arrangement whatsoever which shall or would, in the reasonable opinion of Petro-Deep, cause the whole or any part of the Vessel and/or the Belongings to be possessed or controlled by any third party.

8.2 Use of Belongings

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(1) **Right to Use**

Without limitation and subject to the rights of Petro-Deep hereunder, Brasoil shall, during the Charter Period, have the use of all Belongings.

(2) **Replacement, etc.**

Brasoil shall, at its own expense from time to time during the Post-Delivery Period, replace, renew, or obtain substitutions for such items of equipment as shall be so damaged or worn as to be unfit for use, having regard to the then age of the Vessel and in the same class as aforesaid. In any such case title to any part replaced, renewed or substituted shall remain with SANA until the part which replaced it or the new or substituted part becomes the property of SANA or is replaced, renewed or substituted by a part which thereupon becomes the property of SANA; and Brasoil agrees that if any replacement, renewed or substituted part is not the property of SANA it will as soon as practicable replace the same with a part which thereupon becomes the property of SANA.

(3) **Additional Equipment**

Brasoil may at any time fit any additional equipment required to render the Vessel so as to comply with the provisions of this Agreement. Any additional equipment so fitted by Brasoil shall be considered the property of Brasoil who may remove such additional equipment at any time provided always that Brasoil shall be liable and shall pay for the cost of repair of any damage occasioned by the removal of such additional equipment. Provided, however, that all such additional equipment shall become SANA's property unless all such additional equipment is removed before Brasoil is obliged to commence redelivery of the Vessel to a safe port pursuant to Clauses 13.3(2) and (3) hereof.

9 MAINTENANCE AND OPERATION

9.1 No Modification To Vessel

Brasoil shall not, throughout the Post-Delivery Period (without the prior consent in writing of SANA), make or permit to be made any modification to the Vessel which would involve material alteration of her structure, type or class nor (without the prior consent in writing of SANA, which shall not be unreasonably withheld or delayed) make any modification to the Vessel which would involve material alteration of her performance characteristics.

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9.2 Maintenance of Class

Brasoll shall, throughout the Post-Delivery Period and at its own expense, keep the Vessel in a good and efficient state of repair so as to maintain the highest class of RINA and so as to comply with the provisions of all laws, regulations and requirements (statutory or otherwise) from time to time applicable to vessels registered under the laws and flag of the Republic of Italy, the master and other personnel on board and procure that all repairs to or replacement of any damaged, worn or lost parts or equipment shall be effected promptly and in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel.

9.3 Periodical or Other Survey

Brasoll shall, regularly during the Post-Delivery Period and at its own expense, submit the Vessel to such periodical or other surveys as may be required for classification purposes and shall comply with all requirements and recommendations of the classification society by which the Vessel shall then be classed and shall supply to Petro-Deep copies of all survey reports issued in respect thereof.

9.4 Salvage

All salvage and towage and all proceeds from derelicts shall be for Brasoll's benefit and the cost of repairing damage occasioned thereby shall be borne by Brasoll.

9.5 Arrangement by SANA for Survey and Repairs

Brasoll shall permit SANA and the Mortgagees, by surveyors or other persons appointed by them and/or any of them on their and/or its behalf, (i) to board the Vessel at all reasonable times, upon advance notice of no less than seventy-two (72) hours to Brasoll, for the purpose of inspecting her condition or for the purpose of satisfying themselves in regard to proposed or executed repairs and shall afford all proper facilities for such inspection (if such inspection shall disclose a need to effect repairs) and (ii) to cause the Vessel to be made good and repaired at the expense of Brasoll, should Brasoll fail to do so.

Provided always that in exercising this right SANA and the Mortgagees shall not impede the operation of the Vessel.

Brasoll shall promptly notify Petro-Deep sufficiently in advance to enable SANA's representatives to be present at all repairs or surveys of the Vessel involving damage of US\$1,000,000 or more, and shall furnish Petro-Deep with copies of all reports made pursuant to such surveys.

9.6 Supplemental Covenants

Brasoll undertakes and agrees that throughout the Charter Period it will:

- (1) not do or suffer to be done anything, or omit to do anything, the doing or omission of which could or might result in the Vessel's registration under the laws of the Republic of Italy or any Italian Port Authority being forfeited or imperilled or which could or might result in the Vessel being required to be registered otherwise than under the laws of the Republic of Italy or any Italian Port Authority;
- (2) not register the Vessel (whether on a parallel or dual or bareboat or other basis) under any other flag or at any other port outside Italy;
- (3) maintain the Vessel in the highest applicable class of RINA, which is currently RINA 100-A-1.1-Nav.I.L.-PF Ice Notation ID (Transit only), DSQ, FPSO, free of recommendations and qualifications and comply with, and ensure that the Vessel at all times complies with, all laws from time to time applicable to vessels registered under the laws of the Republic of Italy and any Italian Port Authority or otherwise applicable to the Vessel.



10 LIENS AND INDEMNITY

10.1 No Liens and Notice

Neither Brasoll nor the master of the Vessel shall have any right, power or authority to create, incur or permit to be imposed upon the Vessel any liens whatsoever except for those imposed by operation of law. Brasoll agrees to carry a properly certified copy of this Agreement with the Vessel's papers and to exhibit the same to any person having business with the Vessel which might give rise to any lien thereon other than liens for crew's wages and salvage. Brasoll further agrees to fasten to the Vessel in a conspicuous place and to keep so fastened at all times during the Post-Delivery Period a notice reading as follows:

"This Vessel is registered in the name of and is legally owned by Società Armamento Navi Appoggio SpA. This Vessel shall be purchased by Petro-Deep Inc. ("Petro-Deep") who has chartered the Vessel to Braspetro Oil Services Company ("Brasoll") who has in turn chartered the Vessel to Petroleo Brasileiro S.A. ("Petrobras") and by the terms of the said purchase and charter neither Petro-Deep, Brasoll, Petrobras nor the Master has the right, power or authority to create, incur or permit to be imposed on the Vessel any liens whatsoever except for crew's wages and salvage."

10.2 Discharge of Lien

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Brasoll shall, during the Post-Delivery Period, pay and discharge all debts, damages and liabilities whatsoever which have given or may give rise to maritime or possessory liens on or claims enforceable against the Vessel and, in the event of arrest of the Vessel pursuant to legal process or in the event of her detention in the exercise or purported exercise of any such lien as aforesaid, procure the release of the Vessel from such arrest or detention within thirty (30) days after the existence of the same shall first be known to Brasoll by providing bail or otherwise as the circumstances may require.

In the event that any claim or lien is asserted against the Vessel for loss, damage or expense which is covered by insurances required hereunder, and it is necessary for Brasoll to obtain a bond or to supply other security to prevent arrest of the Vessel or to release the Vessel from arrest on account of such claim or lien, Petro-Deep, at the request of Brasoll or its agent, may subject always to the terms of the Assignment of Insurances, in the sole discretion of Petro-Deep and at the cost and expense of Brasoll, assign to any person, firm or corporation executing a surety or guarantee bond or other agreement to save or release the Vessel from such arrest, all right, title and interest of Petro-Deep in and to said insurances covering said loss, damage or expense, as collateral security to indemnify against liability under said bond or other agreement.

In the event that a writ, complaint or libel shall be filed against the Vessel, or the Vessel shall be otherwise attached, arrested, levied upon, or taken into custody, or detained or sequestered by virtue of any proceeding in any court or tribunal or by governmental or other authority, Brasoll will promptly give a notice to Petro-Deep of such event, and (provided such proceeding does not result from any default by either SANA, a Mortgagee or Petro-Deep hereunder) Brasoll, at Brasoll's expense, within thirty (30) days thereafter will cause the Vessel to be released and will cause all liens on the Vessel in connection with such action to be discharged, and will forthwith advise Petro-Deep of such discharge. If, within the said thirty (30) day period, the Vessel is not so released and any such lien is not discharged, Petro-Deep may, at its option but without obligation to do so (save where Petro-Deep, SANA or a Mortgagee is in default when Petro-Deep shall be obliged to take such action at its own expense), obtain such release and discharge, and all direct and reasonable expenses of Petro-Deep in connection therewith shall be reimbursed by Brasoll on demand.

Where proceedings have been commenced and served on the Vessel and the amount of the claim exceeds Petro-Deep's liability limitation in respect of the Vessel Brasoll shall commence



limitation proceedings in that action and where appropriate shall obtain a declaration or order from the Court seized of the action that Brasoll is entitled to limit its liability to the limitation fund.

If the Vessel is sold by order of judicial or other authority while under arrest (except for causes which Petro-Deep has created or for which it is responsible), Brasoll shall pay to Petro-Deep the Termination Payment and the Other Indebtedness together with the Over-due Interest thereon. Any receipt by SANA, Petro-Deep or any Mortgagee of the whole or any part of the proceeds of such sale, provided Brasoll shall have paid the Termination Payment, the Other Indebtedness and Over-due Interest in full, shall be promptly paid to Brasoll.

10.3 Personnel on Board not Servant of Petro-Deep

Any and all master and other personnel (whether on board or ashore) of the Vessel (except for any person(s) appointed as surveyor(s) in accordance with Clause 9.5 hereof) shall not, during the Post-Delivery Period, be deemed to be agents and servants of Petro-Deep for any purposes and in any respect whatsoever.

10.4 No Liability and Indemnity

Brasoll hereby assumes liability for, and hereby agrees with effect from the Pre-Delivery Date (whether or not any of the transactions contemplated hereby are consummated) to indemnify and keep harmless Petro-Deep, its successors and assigns, from and against, and to reimburse Petro-Deep forthwith upon demand (together with interest at the per annum rate of two per cent (2%) above the actual cost at which Petro-Deep will obtain the funds from American and/or European first class bank(s), on the amount of any such expenditure in respect of the period (as well after as before judgment) from the date of such expenditure incurred by Petro-Deep, on the basis of a year of 360 days, until the date of such payment with respect to:

- (1) any and all liabilities, obligations, taxes (other than tax imposed on the overall net income of Petro-Deep), losses, damages, penalties, fees, claims, actions, suits, direct costs excluding consequential damages such as loss of profit or business interruption, expenses and disbursements (including legal fees, fees for lawyers and expenses and costs of investigation) of whatsoever kind and nature which may be imposed on, incurred by or asserted at any time (whether during or after the Charter Period) against Petro-Deep or the Vessel in consequence of or in any way relating to or arising out of this Agreement, the ownership, documentation, delivery, possession, use, operation, chartering, sub-chartering, condition, maintenance or repair of the Vessel by any person including, without limitation, claims or penalties arising from any violation of the laws any foreign country or political subdivision thereof; any claim as a result of latent or other defects, whether or not discoverable by Petro-Deep or Brasoll and any claims for patent, trademark or copyright infringement and any claims for injury or damage caused by pollution, leaking or spillage of cargo; and any claims by owners of cargo or other third parties arising in connection with any of the matters aforesaid;
- (2) all liabilities of whatsoever nature (including penalties, claims, demands, orders or judgments) which Petro-Deep may suffer or incur and which arise out of the use or operation of the Vessel or otherwise in connection with this Agreement or which arise out of the use or operation of any other vessel owned by or chartered to or by Brasoll or any of its subsidiaries or associated companies;
- (3) any sums which Petro-Deep shall become liable to pay for the removal or destruction of the wreck or obstruction in the event of the Vessel becoming a wreck or an obstruction to navigation or in connection with the abandonment of the Vessel; and
- (4) any direct costs and expenses incurred by Petro-Deep in the exercise by Petro-Deep of any of its rights and powers following the occurrence of a Termination Event.

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10.6 Notification

Brasoil shall notify SANA forthwith by telex or facsimile (thereafter confirmed by letter) of (i) any accident to the Vessel involving repairs the cost whereof will or is likely to exceed in the aggregate the sum of US\$1,000,000 (or the equivalent in any other currency), (ii) any occurrence in consequence whereof the Vessel has become or is likely to become a Total Loss, (iii) any material requirement or recommendation made by any Insurer, P & I Club or classification society, or by any competent authority (iv) any arrest of the Vessel, or the exercise or purported exercise of any lien or attachment on the Vessel or her Earnings or Insurances.

10.6 Payment of Outgoings

Brasoil shall, throughout the Post-Delivery Period, promptly pay all tolls, dues and other outgoings whatsoever in respect of the Vessel and shall keep proper books of account in respect of the Vessel.

10.7 Prohibition of Encumbrances etc.

Brasoil shall not, throughout the Post-Delivery Period (without the prior consent in writing of SANA which SANA shall have full liberty to give or withhold and then only subject to such terms as SANA may impose), mortgage, charge, assign, ~~transfer~~ or encumber the Vessel or her Insurances (other than pursuant to the Assignment of Insurances), Earnings (other than pursuant to the Participation Agreement) or her Requisition Compensation (other than pursuant to the Participation Agreement) or suffer the creation of any such mortgage, charge, assignment, transfer or encumbrance as aforesaid to or in favour of any person other than SANA or such other person as SANA may nominate.

Nothing herein shall prohibit in any respect Brasoil's right to charter the Vessel to Petrobras pursuant to the terms and conditions of the Bareboat Sub-Charter Agreement.

10.8 Disbursement of Expenses

Brasoil shall pay to Petro-Deep, on demand, all moneys whatsoever which Petro-Deep shall expend, be put to, or become liable for, in or about the protection, maintenance or enforcement of any rights or powers created hereby or any of the powers vested in Petro-Deep hereunder and/or otherwise, and Brasoil shall also pay interest thereon at the per annum rate of two per cent (2%) above the actual cost at which Petro-Deep will obtain the funds from American and/or European first class bank(s), for days actually elapsed on a 360-day year basis, from the date on which such expense or liability was incurred by Petro-Deep until the date of payment.

10.9 Vessel Mortgage

(1) Creation and Registration

SANA shall, with the prior written approval of Brasoil (which approval shall not be unreasonably withheld), have the full rights and liberty to create any one or more mortgages on the Vessel and the Belongings at any time and execute and register any and all Vessel Mortgages (the terms of which Brasoil must have approved hereunder), provided that all new Vessel Mortgages shall be granted only in favour of first class banks, provided further that the outstanding amount secured by all Vessel Mortgages shall, in no event, exceed at any time the then applicable Loss Payment hereunder, provided further that all expenses and costs (including all legal fees and registration fees of Brasoil and Petrobras) in connection with the drafting, negotiation and execution of all Vessel Mortgages shall be borne by SANA, provided further that all new Vessel Mortgages shall have a provision to the effect that so long as Brasoil is in compliance with its obligations hereunder, any remedial action granted to the Mortgagee(s) under the Vessel Mortgage(s) will not be taken which might interfere with Brasoil's or Petrobras' interest, use and operation of the Vessel, Brasoil's right to purchase the

Vessel under this Agreement, the oil activities or the normal course of business of Brasoil or Petrobras, provided further that Petro-Deep undertakes that it or it shall procure that SANA (a) shall duly and punctually perform, observe and comply with the covenants, terms and conditions contained in the Vessel Mortgage; (b) indemnify Brasoil against all and any costs and expenses of Brasoil and Petrobras, resulting from any acts which may be taken in violation of the provisions contained in this Clause 10.9(1), provided further that the mortgagee enters into the Quiet Possession Agreement on terms reasonably acceptable to Brasoil.

(2) **Performance of Vessel Mortgage**

Brasoil hereby agrees that this Agreement and its rights are in all respects subject to any and all Vessel Mortgages and the rights of the Mortgagee thereunder.

Notwithstanding anything to the contrary herein contained, Brasoil shall at its own expense promptly do all necessary acts and things so that the covenants, terms and conditions under any and all Vessel Mortgages shall be deemed to have been performed, observed and complied with, by or on the part of Petro-Deep, and Brasoil shall do nothing which shall or would impair any of the Mortgagees' rights or powers thereunder.

Provided that, so long as Brasoil is in compliance with its obligations hereunder, Petro-Deep undertakes to procure that each and every Mortgagee will be at all times bound by the terms of the Quiet Possession Agreement.

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JOSE CARLOS FERNANDES
DIRETOR
DIVISÃO DE SERVIÇOS

10.10 Notice of Mortgage

Brasoil shall, upon demand by Petro-Deep, so long as any Vessel Mortgage remains undischarged, carry on board the Vessel a duly certified copy of such Vessel Mortgage (which shall form part of the Vessel's documents), cause the same to be shown to any person having business with the Vessel which might create or imply any commitment or encumbrance whatsoever on the Vessel and place and maintain in a conspicuous place in the navigation room and in the cabin of the master of the Vessel a printed notice in the following form:-

NOTICE OF MORTGAGE

This Vessel is mortgaged to [] In accordance with the laws of the Republic of Italy pursuant to the terms of a First Preferred Ship Mortgage, a Second Preferred Ship Mortgage, a Third Preferred Ship Mortgage and a Fourth Preferred Ship Mortgage certified copies of which are preserved with the Vessel's papers. Therefore, neither SANA nor Petro-Deep nor any charterer (whether by demise or not by demise) nor the Master of this Vessel nor any other person has any power, right or authority whatever to create, incur or permit the imposition on this Vessel of any liens whatsoever except for salvage.

11 TOTAL LOSS

11.1 Loss Payment

Notwithstanding anything to the contrary contained in this Agreement, if the Vessel shall become a Total Loss or if for any reason Brasoil shall be permanently deprived of her use prior to the end of the Charter Period, Brasoil shall pay or procure the payment to Petro-Deep (out of the proceeds of an insurance claim or claims and/or from Requisition Compensation and/or by payment by Brasoil direct) of the Loss Payment and all Other Indebtedness within 90 days of the occurrence of such Total Loss or permanent deprivation.



11.2 Payment of Over-due Interest

Notwithstanding and in addition to the payment of the Loss Payment and all Other Indebtedness, Brasoil shall pay to Petro-Deep the Over-due Interest on the Loss Payment from the date such payment is declared due and all Other Indebtedness until the receipt by Petro-Deep thereof in full.

11.3 Reacquisition of Vessel

Brasoil's obligations under Clauses 11.1 and 11.2 hereof shall not be affected by the fact that the Vessel has been returned to any Company, SANA or Petro-Deep from the Compulsory Acquisition, requisition for hire, seizure, detention, capture, arrest or confiscation.

If such return takes place after the full payment of the Loss Payment, the Other Indebtedness and the Over-due Interest, Petro-Deep shall subject to any right of the Insurers or shall procure that SANA shall subject to any right of the Insurers transfer the title to the Vessel to Brasoil on the conditions described in Clauses 14.1 and 14.2 of the Head Purchase Agreement and this Agreement, but otherwise Petro-Deep shall have the full rights and powers but no liabilities except those caused by Petro-Deep's fault with respect to the Vessel until and unless the full payment of the Loss Payment, the Other Indebtedness and the Over-due Interest.

11.4 After Full Payment

Upon the full payment of the Loss Payment, the Other Indebtedness and the Over-due Interest, the Charter Hire for the Vessel shall cease to accrue and Brasoil shall or Petro-Deep shall ensure that Brasoil shall (i) subject to any right of the Insurers be subrogated to all rights which Petro-Deep, SANA and any Mortgagee shall have with respect to the Vessel, (ii) receive from SANA a bill of sale transferring to Brasoil or its nominee (on an "as is, where is" basis and without recourse, representation or warranty and otherwise on the same terms and conditions as set forth in Clause 14.2) all of SANA's right, title and interest, if any, in the Vessel, including its right, title and interest in and to any insurance proceeds or claims for damages or other compensation arising out of such event, and (iii) have the right to abandon the Vessel to underwriters on behalf of SANA as well as itself.

12 PAYMENT OF CHARTER HIRES

12.1 Charter Hires

Brasoil shall, on each and every Hire Payment Date, pay to Petro-Deep the Charter Hire consisting of (i) the Fixed Hire and (ii) the Supplemental Hire then payable.

Brasoil hereby agrees with Petro-Deep that, subject only to the express terms of Clauses 12.5, 12.6, 20.4 and 20.5 hereof, Brasoil shall continue to pay hire or shall pay the Loss Payment or the Termination Payment (as the case may be) in the currency, in the manner, at the times and in the full amounts required by this Agreement notwithstanding:

- (1) any set-off, deduction, counterclaim or possible counterclaim, recoupment, defence or other right whatsoever which either party may have or acquire at any time;
- (2) any unavailability of the Vessel at any time or for any period, whether in connection with the performance of any Upgrading Contract or for any other reason;
- (3) any loss of the Vessel including, but not limited to, any Total Loss or any Compulsory Acquisition;
- (4) any failure or delay on the part of any party to this Agreement or any of the Related Documents, whether with or without fault on its part, in performing or complying with any of the terms or conditions of this Agreement or (as the case may be) the Related Documents;

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- (5) any insolvency, bankruptcy, reorganisation, arrangement, readjustment of debt, dissolution, liquidation or similar proceedings by or against any of the parties to any of the Related Documents or any other person or any change in the constitution of any of the parties to any of the Related Documents or any other person;
- (6) any invalidity or unenforceability or lack of due authorisation of or other defect in this Agreement or in any of the Related Documents;
- (7) any breach by Petro-Deep of Clause 20.1; or
- (8) any other cause or contingency which would or might but for this provision have the effect of suspending or terminating or frustrating or in any other way whatsoever affecting this Agreement or any obligation of Brasoll under this Agreement or the chartering of the Vessel to Brasoll hereunder.

12.2 Payment of Fixed Hire

- (1) Brasoll shall, throughout the Charter Period, pay the Fixed Hires to Petro-Deep for the Vessel on any and each of the Hire Payment Dates up to (and including) 31 January 2008 *31 December 2008*
- (2) The amount of any and each of the Fixed Hires to be payable on 1st through last Hire Payment Dates shall be equal to 1/48th of the total hire payable in respect of the bareboat charter of the Vessel hereunder calculated at the rate of US\$149,800.00 per day from 1 January 1997 to the twelfth anniversary thereof being US\$13,678,612.50 per quarter. The amount of US\$13,482,000.00 paid by Brasoll into the Deposit Account on 10 January 1997 is in respect of the first Fixed Hire and Petro-Deep hereby acknowledges receipt of that payment on account of the first Fixed Hire hereunder.

12.3 Payment of Supplemental Hire

(1) General

Except as provided herein as otherwise payable, Brasoll shall, on each and every Hire Payment Date, pay to Petro-Deep the Supplemental Hire for the Hire Period then ending, provided, always, that the amount of such Supplemental Hire for the Hire Period then ending shall be calculated in accordance with Clause 12.3(2).

(2) Amount of Supplemental Hire

The amount of Supplemental Hire to be due and payable by Brasoll on each and every Hire Payment Date shall be an amount equal to the Subsidy due to SCN on or before such date and not already paid to SCN, but only to the extent that SCN has not received such Subsidy from the Italian Ministero della Marina Mercantile because of the breach by Brasoll of the Supplemental Covenants (or because of a breach by Petrobras of covenants in the Bareboat Sub-Charter Agreement in the same terms as the Supplemental Covenants).

For the purpose of this Clause 12.3(2) only, SCN includes any subsequent assignee of Sestri Cantieri Navale S.p.A. or of SANA as is entitled to receive the Subsidy (in part or in full).

12.4 Method of Payment

- (1) Notwithstanding anything to the contrary contained in this Agreement, all payments due by Brasoll hereunder in Dollars (whether by way of Charter Hire or otherwise) shall be made as follows:

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- (a) not later than 11.00 am (New York City time) on the date on which the relevant payment is due under the terms of this Agreement; and
- (b) in funds with the same day value through the New York Clearing House Interbank Payment System (or in such other funds as may for the time being be customary for the settlement of international financial transactions in Dollars) to the account of such bank or banks in New York City as may from time to time be notified by Petro-Deep to Brasoll by not less than seven (7) days' prior written notice for the account under reference "Petrobras 36".

(2) Notwithstanding anything to the contrary contained in this Agreement, all payments due by Brasoll hereunder in Italian Lire shall be made as follows:

- (a) not later than 11.00am (Milan time) on the date on which the relevant payment is due under the terms of this Agreement; and
- (b) in immediately available funds (or in such other funds as may for the time being be customary for the settlement of international financial transactions in Italian Lire) to the account of such bank or banks in Milan as may from time to time be notified by Petro-Deep to Brasoll by not less than seven (7) days' prior written notice for the account under reference "Petrobras 36".

(3) If any day for the making of any payment under this Agreement is not a business day, the due date for payment of the same shall be the next following business day unless, in the case of a payment of hire hereunder, the next following business day falls in the following calendar month, in which case the due date for the relevant payment of hire shall be the immediately preceding business day.

12.5 For the avoidance of doubt, Brasoll shall continue to pay hire under this Agreement notwithstanding that the Vessel shall have become a Total Loss or subject to Compulsory Acquisition provided always that no further instalments of hire shall become due and payable after the date on which all sums due under Clause 11.1 shall have been received in full by Petro-Deep, and the Charter Period shall terminate on that date.

12.6 For the avoidance of doubt, Brasoll shall continue to pay hire under this Agreement notwithstanding termination of the chartering of the Vessel pursuant to Clauses 13 or 15 provided always that no further instalments of hire shall become due and payable after the date on which all sums due under Clauses 13 and 15 shall have been received in full by Petro-Deep, and the Charter Period shall terminate on that date.

13 TERMINATION EVENT

13.1 Termination Event

A Termination Event shall mean any or each of the following events, states of affairs, conditions and acts (whether any such event, state of affairs, condition or act shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) (It is expressly agreed and confirmed that Clause 11 hereof shall apply to, and Clause 13 shall not apply to, the case in which any event or act which falls within the scope of a Total Loss and where a Termination Event occurs or exists):

(1) Default in Payment

When any Charter Hire, or any part thereof, or any other amount due under or pursuant to this Agreement or the Participation Agreement (in respect of the Bareboat Sub-

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Charter Agreement) is not paid by either Brasoil or Petrobras (i) upon its due date and remains unpaid more than five (5) Banking Days after its original due date, or, (ii) in the case of a sum expressed to be payable on demand under this Agreement within five (5) Banking Days after receipt of notice or demand.

(2) Brasoil's Other Default

When Brasoil makes any default (other than default in payment) under any material provision of this Agreement which is not remedied to SANA's entire satisfaction within fifteen (15) days after notice to Brasoil from SANA requesting action to remedy the same.

(3) Petrobras' Default

When Petrobras makes any default under any material provision of Petrobras' Letter of Comfort and/or its acknowledgement and undertaking in respect of the Participation Agreement and/or the Bareboat Sub-Charter Agreement which default is not remedied to SANA's entire satisfaction within fifteen (15) days after notice to Petrobras from SANA requesting action to remedy the same.

(4) Misrepresentation or Breach of Warranty

When any representation or warranty made by Brasoil, pursuant to the relevant provisions of this Agreement or the Related Documents to which Brasoil is a party, proves to have been incorrect in any material respect; or when any representation or warranty made by any Company, pursuant to the relevant provisions of any of the Related Documents to which such Company is a party proves to have been incorrect in any material respect.

(5) Modification, Suspension or Cancellation of Approvals, etc.

When any consent, authority, approval, waiver, resolution, license or permit from governmental or other authorities in respect of any transaction or obligation contemplated herein, in the Related Documents or any other related agreements is modified in a manner which materially prejudices Petro-Deep's right or is wholly or partially revoked, withdrawn, suspended or terminated or expires and is not renewed or otherwise fails to remain in full force, validity and effect and such circumstances are material.

(6) Defaults under Other Agreements etc.

When any other loan, guarantee or other indebtedness of any Company in excess of One Million United States Dollars (US\$1,000,000) is declared due prematurely by reason of a default by any Company in its obligations in respect of the same, or any Company fails to make any payment in excess of that amount on the due date for such payment or the security for any such other loan, guarantee or other indebtedness becomes enforceable, unless that said loan, guarantee or other indebtedness is (aa) contested or disputed by any Company on justifiable legal grounds or (bb) in dispute under judicial proceeding or arbitration or administrative proceeding or (cc) covered by insurance or indemnity.

(7) Insolvency, etc.

When a petition for bankruptcy, liquidation, compromise or any other legal insolvency proceeding is filed against any Company with any competent court either by itself or by any person; or a liquidator, receiver or trustee, of any Company or of all or a substantial



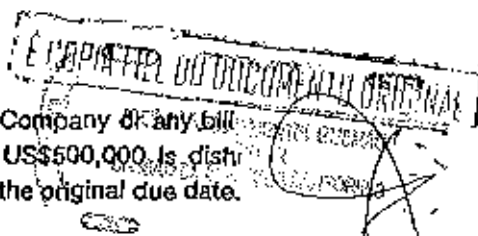
part of its assets, is appointed by any competent court or other authority or by its resolution or when any creditor of any of the Companies exercises a contractual right to take control over the whole or any substantial part of their respective business or to assume financial or managerial control thereof.

(8) Dissolution or Winding-Up

When dissolution or winding-up of any Company is determined or ordered by its Board of Directors, its shareholders' meeting or otherwise by itself or by any competent court or other appropriate authority.

(9) Dishonour of Note, etc.

When any promissory note or cheque issued by any Company or any bill payable by any Company in an amount exceeding US\$500,000, is dishonoured or remains unpaid more than five (5) Banking Days from the original due date.



(10) Attachment, etc.

When a petition or application for an order or decree or judgment for attachment, provisional attachment or provisional disposal is filed against any Company, the Vessel (other than for reasons attributable to Petro-Deep or SANA) or any asset or property owned by any Company with any competent court or other appropriate authority, or any *in rem* proceeding or arrest proceeding of any kind against the Vessel (other than for reasons attributable to Petro-Deep) is initiated or threatened to be initiated in any country, unless an order for such attachment or disposal of such proceeding is dismissed or ends, or the Vessel or such asset or property is otherwise released, by any adequate security therefor or otherwise within the relevant time period therefor under the law applicable to such order, disposal or release.

(11) General Stoppage of Payments etc.

When any Company stops payment to its creditors generally, or is unable or admits inability to pay its debts when and as they fall due, or enters into any composition or other arrangement (such as contractual compromise for reduction/exemption of interest or reschedule of loan) with its creditors generally.

(12) Cessation of Business

When any Company ceases or threatens to cease to carry on business; or a substantial part of the business, properties or assets of any Company are seized or appropriated.

(13) Impossibility or Unlawfulness

When it becomes impossible or unlawful for any Company to fulfil any of the covenants or obligations contained herein or in any of the Related Documents or other related agreements as appropriate, or for Petro-Deep to exercise any of the material rights, powers or remedies vested in it under or pursuant hereto or otherwise.

(14) Unlawfulness of Security

When by reason of any order of any court of competent jurisdiction, or any change in, or extension of, any applicable law, order, regulation or regulatory requirement, or in the official interpretation or application thereof by any governmental or other authority charged with the administration thereof (save where the same arises out of or in connection with any action, claim or proceeding brought by SANA or Petro-Deep or any person acting or behalf of or claiming through SANA or Petro-Deep), it becomes



unlawful for Petro-Deep to have, or be granted or allowed to have, any material right, interest, power, security, remedy or claim which is or shall be in the future given or granted to Petro-Deep hereunder or under any of the Related Documents.

(15) Imperilment of Security

When any Company does or omits any material thing which or the result of which, in the reasonable opinion of SANA, may imperil the security created hereby or by any of the Related Documents and which is not remedied within fifteen (15) days after the notice from SANA requesting action to remedy the same.

(16) Inability

When either of Brasoil and Petrobras becomes and continues for more than fifteen (15) days thereafter to be unable to perform any of its material obligations hereunder or under any of the Related Documents, in the reasonable judgment of SANA.

(17) When there exists or occurs any event defined as "Termination Event" in any of the Related Documents and any relevant grace period has expired and/or notice has been served and where capable of remedy the relevant event has not been remedied within the time specified.

(18) When any of the Related Documents is terminated or cancelled by reason of material default by any Company.

(19) When Brasoil consents, without the prior written consent of SANA (which shall not be unreasonably withheld), to any modification and/or amendment, which would involve a material alteration of the terms or conditions of the Bareboat Sub-Charter Agreement, or to termination of the Bareboat Sub-Charter Agreement, or Brasoil waives, without the prior written consent of SANA, any of its material rights and interest under the Bareboat Sub-Charter Agreement.

(20) When any judgment or decree for money damages or for a fine or penalty in excess of Five Hundred Thousand United States Dollars (US\$500,000) or its equivalent in any other currency is entered against any of the Companies and such judgment or decree is not paid within thirty (30) days and is neither subject to further appeal nor covered by insurance or indemnity nor both.

(21) When the whole or a substantial part of the business or assets of any of the Companies shall, without the prior written consent of SANA (which shall not be unreasonably withheld), be confiscated for any reason or sold, transferred or otherwise disposed of.

(22) When Brasoil is in default in the maintenance of the Insurances it is required to effect pursuant to this Agreement.

13.2 Special Powers

(1) Upon the occurrence of a Termination Event and at any time thereafter so long as the same shall be continuing, Petro-Deep may, at its option, exercise all or any one or more of the following powers at any time and as often as Petro-Deep may think fit:

- (a) To declare by notice given to Brasoil the Termination Payment and all Other Indebtedness to be immediately due and payable whereupon the same shall become immediately due and payable and Brasoil shall pay the same together with any Over-due Interest thereon for the period from the date the Termination Payment is declared due until the full payment thereof;



- (b) To take any action at law or in equity to collect the Termination Payment and all Other Indebtedness then due and thereafter to become due and the Over-due Interest thereon or to enforce performance and observance of any obligation, agreement or covenant of Brasoil under this Agreement; and
- (c) To receive all of the insurance proceeds and recoveries which Petro-Deep may use for payment of repair or liability.

- (2) Upon the occurrence of a Termination Event and at any time thereafter so long as the same shall be continuing, Petro-Deep may declare, by notice given to Brasoil, that this Agreement (other than the powers described in Clause 13.2(1)) is terminated and may exercise all or any one of the powers described in Clause 13.2(1) hereof.

13.3 Settlement of Claim

(1) Payment of Termination Payment

After Brasoil receives Petro-Deep's notice of declaration of the Termination Payment and Other Indebtedness being due, Brasoil shall pay within sixty (60) days the Termination Payment and Other Indebtedness together with all Over-due Interest thereon from the date the Termination Payment is declared due until the full payment of such Termination Payment and Other Indebtedness, and upon the full payment of the Termination Payment and Other Indebtedness, together with such Over-due Interest Petro-Deep shall, without any warranty or guarantee as to the condition of the Vessel or otherwise in respect of the Vessel procure that SANA shall deliver to Brasoil a bill of sale executed and notarised at Brasoil's expense transferring the title to and ownership of the Vessel on the terms set out in Clause 14.2: Upon payment in full by Brasoil to Petro-Deep of the sums referred to in this paragraph Petro-Deep shall have no further or other remedy in respect of termination of this Agreement pursuant to this Clause 13.

(2) In the Case of Private Sale

If Brasoil fails to comply with Clause 13.3(1) above within the 60 days provided for, Brasoil shall immediately re-deliver or cause any person to re-deliver the Vessel to Petro-Deep at a safe port to be mutually agreed upon within 7 days of the expiry of the 60 day period (failing which agreement to any port within a country which is a member of the European Community or such other port as Petro-Deep may reasonably direct), within the permitted insurance trading limits, in the manner set out in Clause 13.3(4) and Petro-Deep shall have the right to retake and, subject to any rights of the Mortgagees, sell the Vessel or allow the Vessel to be sold at private public or judicial sale prior to the full payment of the Termination Payment, all Other Indebtedness and Over-due Interest thereon as mentioned in the preceding paragraph, the proceeds of the said sale shall be the sole property of Petro-Deep, provided, however, that the Termination Payment, Other Indebtedness and Over-due Interest then due by Brasoil shall be reduced by the net proceeds of such sale received by Petro-Deep after first deducting all expenses and costs of the sale of whatsoever kind (including fees for lawyers) from the said proceeds and any excess after such application shall be paid to Brasoil as a rebate of the Charter Hire.

(3) In the Case of Petro-Deep's Use

If Brasoil fails to comply with Clause 13.3(1) above within the 60 days provided for, Brasoil shall immediately re-deliver or cause any person to re-deliver the Vessel to Petro-Deep at a safe port to be mutually agreed upon within 7 days of the expiry of the 60 day period (failing which agreement to any port within a country which is a member

of the European Community or such other port as Petro-Deep may reasonably direct, within the permitted insurance trading limits, in the manner set out in Clause 13.3(4) and Petro-Deep shall have the right to retake the Vessel and use the same for the purposes other than sale, provided, however, that the Termination Payment, Other Indebtedness and Over-due Interest then due by Brasoll shall be reduced by the net proceeds of such use as and when actually received by Petro-Deep and any excess after such application shall be paid to Brasoll as a rebate of the Charter Hire.

(4) **Redelivery in Good Condition**

If Brasoll is required to re-deliver the Vessel hereunder it shall be re-delivered to Petro-Deep in good working order and seaworthy and merchantable condition, fair wear and tear alone excepted and having regard to the age of the Vessel and in the class and state of repair and operating condition satisfactory to Petro-Deep and free from any lien or mortgage (save for the Vessel Mortgages created by SANA) with all required certificates and papers in full force. Brasoll shall, at its own expense before such re-delivery, make all repairs and do all work, or, at Brasoll's option, shall discharge its obligation to do so by payment to Petro-Deep of a sum sufficient to provide at the price current at the time and place of re-delivery for such work and repairs, as may be necessary to place the Vessel in such state, condition and class which sum shall be estimated by Petro-Deep at its reasonable discretion.

(5) **Manner of Exercise of Powers**

No power referred to in this Clause is intended to be exclusive, but each shall be cumulative. The exercise of any one of those powers shall not prevent the simultaneous or later exercise of any other power nor shall it prevent the later exercise of the same power. Any delay of exercise of any power shall not constitute a waiver of such power or any other power. No waiver, express or implied, by Petro-Deep of any Termination Event shall in any case constitute a waiver of any power or any future or subsequent Termination Event. Nothing herein contained shall prevent Petro-Deep from exercising any rights or powers granted by law.

13.4 Waiver of Claim

To the extent permitted by applicable law, Brasoll waives all claims, damages and demands (other than those attributable to Petro-Deep) against Petro-Deep arising out of its repossession, removal, retention or sale of the Vessel. Brasoll agrees that if any notification of intended disposal of the Vessel is required by law, such notification shall be deemed reasonably and properly given if given at least ten days before such intended disposition.

14 PURCHASE AND TRANSFER OF TITLE

14.1 Purchase

In consideration of the full payment of (i) all Charter Hires hereunder or, if the Vessel becomes a Total Loss or there is earlier termination of the Charter Period, the Loss Payment or the Termination Payment respectively, (ii) all Other Indebtedness and (iii) all accrued Over-due Interest, Petro-Deep shall or shall procure that SANA shall transfer the legal title to and ownership of the Vessel to Brasoll or its nominee pursuant to the terms of this Clause by means of delivery of a bill of sale executed and notarized at Brasoll's expense; provided always that Brasoll has paid the Final Payment to Petro-Deep and has performed all of its other obligations under this Agreement.



14.2 No Warranty and Indemnity

The transfer in accordance with Clause 14.1 hereof shall be made in all respects at Brasoll's expense on an "as is, where is" basis and Petro-Deep shall give Brasoll no representations, warranties, agreement or guarantees whatsoever concerning or in connection with the Vessel, the insurance, the Earnings, the Vessel's condition, state or class or anything related to the Vessel (save for the title free from any mortgage, charge, lien or other encumbrance created or caused by SANA or Petro-Deep), expressed or implied, statutory or otherwise.

Petro-Deep shall and will procure that SANA shall take such steps and execute such documents as are required (i) to effect the transfer of title to the Vessel to Brasoll free and clear of all mortgages, charges, liens and other encumbrances created by or as a result of an act or omission of SANA or Petro-Deep and (ii) if Brasoll so requires, to effect the deregistration of the Vessel from the Italian register.

Brasoll shall, upon transfer of title, confirm to such parties as Petro-Deep or SANA require that SANA and Petro-Deep have and will have no interest, concern or connection with the Vessel after the date on which such transfer takes place and Brasoll shall indemnify SANA and Petro-Deep and keep SANA and Petro-Deep indemnified forever against any claims made by any person arising in connection with the Vessel unless SANA or Petro-Deep will become again interested in the Vessel in the future.

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15 OPTIONAL TERMINATION

Brasoll shall have the option at any time, by at least 120 days' prior written notice to Petro-Deep, to terminate this Agreement and purchase the Vessel by payment of (i) the Loss Payment, (ii) all Over-due Interest and (iii) all Other Indebtedness; provided, however, that (i) no Termination Event has occurred or is continuing and remains unremedied, (ii) all Charter Hires having been due prior to the date of such termination shall have been paid in full on or prior to the date of termination and (iii) there are no restrictions imposed on such termination by any government or other authority. In such case, forthwith upon the full payment of those sums of moneys, this Agreement shall terminate and Petro-Deep shall procure the execution of a bill of sale and cause the same to be notarized and deliver the same to Brasoll. For such transfer of title, the provisions of Clauses 14.1 and 14.2 shall apply mutatis mutandis.

16 TERMINATION

The termination of this Agreement for any cause whatsoever shall not affect the right of Petro-Deep to recover from Brasoll any money due to Petro-Deep on or before the termination in consequence thereof and all other rights of Petro-Deep reserved hereunder.

17 OVER-DUE INTEREST

In the event of any failure by Brasoll to pay on the due date for payment thereof, or in the case of any sum payable on demand, the date of demand therefor, any hire or other amount payable by it under this Charter (including, without limitation, any amounts payable under Clauses 11.1 or 13.3 or 15 (but not including amounts not paid due to the exercise by Brasoll of its entitlement to defer or suspend payments pursuant to Clauses 20.4 and 20.5 in which case no interest will be payable under the provisions of this Clause 17)), Brasoll shall pay to Petro-Deep on demand interest on such hire or other amount from the date of such failure to the date of actual payment (both before and after any relevant judgement or winding-up of Brasoll) at the rate determined by Petro-Deep and certified by it to Brasoll either (i) in respect of such payment in Dollars hereunder to be the greater of 9% and that rate which is the aggregate of:

- (1) two per cent (2%); and



- (2) the London Inter-Bank Offered Rate for Dollar deposits of not more than one month's duration (as selected by Petro-Deep in the light of the likely duration of the default in question),

or (ii) in respect of such payment in Italian Lire hereunder, to be the greater of 9% and that rate which is the aggregate of:

- (1) two per cent (2%); and
(2) the ABI Rate (as selected by Petro-Deep in the light of the likely duration of the default in question),

and interest payable by Brasoll pursuant to this provision shall be compounded annually, shall accrue from day to day, shall be calculated on the actual number of days elapsed in a three hundred and sixty (360) day year and shall be payable on demand.

18 ASSIGNMENT

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This Agreement shall be binding upon, and enure to the benefit of, Brasoll, Petro-Deep and their respective successors and assigns, except that neither Petro-Deep nor Brasoll shall assign any of its rights, benefits or obligations under or pursuant to this Agreement without the prior written consent of all parties to the Quiet Possession Agreement.

19 PAYMENTS, FEES AND EXPENSES

19.1 Payments

All payments to be made by Brasoll under this Agreement shall be made without any set-off or counterclaim whatsoever and free and clear of and without any withholding or deduction for, or on account of, any Taxes now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of any country or any authority in any country having power to tax, unless Brasoll is required to withhold or deduct amounts for, or on account of, any Taxes.

If Brasoll is required to make any withholding or deduction from any payment to be made by it under this Agreement, the sum due from Brasoll in respect of such payment will be increased to the extent necessary to ensure that, after the making of such withholding or deduction, Petro-Deep receives and is entitled to retain a net sum equal to the amount which it would have received had no such deduction or withholding been required to be made, and Brasoll will promptly deliver to Petro-Deep any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any such deduction or withholding.

19.2 Expenses / General

Except where the context otherwise requires, all direct costs, expenses, premiums, charges, fees and other sums of moneys incurred in the performance or observance of or compliance with any of its obligations, covenants, undertakings, warranties and duties hereunder shall be borne by Brasoll, and therefore, if Petro-Deep shall pay or incur any of them, Brasoll shall, immediately upon demand, pay or reimburse the same to Petro-Deep, provided that in any event Brasoll shall not be required to pay any tax assessed on the overall net incomes of Petro-Deep imposed by Petro-Deep's jurisdiction of incorporation.

19.3 Disbursement or Payment of Expenses

Petro-Deep and Brasoll hereby each agree to bear their respective expenses (including all legal fees and fees payable to its counsels, attorneys, accountants or other professionals) incurred by it or its agent or correspondents in connection with the drafting, negotiation, preparation, production, execution, registration and recording of this Agreement.



20 UPGRADE CONTRACTS

20.1 Petro-Deep's undertakings with regard to upgrade

Petro-Deep undertakes that within twenty one (21) months of 3 March 1997 it will procure that the Vessel is upgraded in accordance with the Specification to the satisfaction of Brasol and Petrobras.

20.2 Upgrading Contracts

Petro-Deep is entitled to fulfil its undertaking in Clause 20.1 by entering into one or more Upgrading Contracts provided that:

- (1) Petro-Deep obtains Brasol's prior written approval of the Contract Upgrading Contract.
- (2) Petro-Deep obtains Brasol's prior written approval of the term Contract (other than price).
- (3) There is express provision in the Upgrading Contract for the rights and obligations under that Upgrade Contract to ~~be~~ transferable from Petro-Deep to Brasol or its nominee.

20.3 Brasol's Undertakings with regard to Upgrade

Brasol undertakes that it will:

- (1) make the Vessel available to the Contractor at the time and place, and in the condition, provided for in any Upgrading Contract;
- (2) countersign the Contractor's Progress Certificate on completion of the work related thereto;
- (3) immediately notify Petro-Deep of any matters which might give rise to claims against the Contractors under any Upgrading Contract;
- (4) provide and extend all reasonable assistance and co-operation to Petro-Deep and/or their representatives in connection with any actual or possible claims against the Contractors under any Upgrading Contract and (without limiting the generality of the foregoing) permit Petro-Deep and/or their representatives to inspect the Vessel and to investigate and collect evidence in relation to any actual or possible claims against the Contractors.

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JOSE CARLOS PIMENTEL OLIVEIRA
DIRETOR DE LOGÍSTICA E OPERAÇÕES

20.4 Delay in Upgrading

- (1) In the event that the Vessel is not upgraded in accordance with Clause 20.1 within the period referred to therein and Brasol does not then have the benefit of or is unable for any reason to call on any performance bond provided in respect of, inter alia, the completion of the Upgrade work, Brasol shall be entitled to suspend payment of that portion of the Fixed Hire that is in excess of the then prevailing Basic Hire, for each Fixed Hire that falls due after the expiry of that twenty one (21) month period until such time as the upgrading of the Vessel is complete (collectively "the Suspended Charter Hire Payments") without being in default hereunder.
- (2) On the date of issue of the Upgrade completion certificate the aggregate of the Suspended Charter Hire Payments (net of any interest thereon) shall be paid by Brasol to Petro-Deep.



20.5 Condition Precedent to Payment of Fixed Hire other than Basic Hire

Without in any way affecting the due date of any payment payable by Brasoil under this Agreement, Brasoil may elect once in writing in the form attached as Exhibit "C" to defer the payment of a portion of the Fixed Hire, equal to or less than the amount by which the Fixed Hire exceeds the Basic Hire, until the date of issuance by it of one or more certificates in the form attached as Exhibit "D" stating that:

- (1) Brasoil has counter-signed a Contractor's Progress Certificate and attach a copy; and
- (2) An amount of the Fixed Hire that Brasoil has previously elected to defer is now irrevocably payable and the Basic Hire is increased by such amount.

Brasoil undertakes to proceed in good faith to the earliest issuance of such certificates and the issuance of such certificates will be irrevocable thereafter with regard to the payment of amounts referred to therein but will not relieve Petro-Deep of any of its obligations under this Agreement.

20.6 Interest on Deferred Payments

The interest due on payments that are delayed because of the provisions of Clause 20.5 will be calculated from the date that they would otherwise have been payable and at a fixed rate of 9% per annum compounded semi-annually on a 360-day year basis.

21 INDEMNITY

21.1 General Indemnity

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- (1) Brasoil hereby undertakes and agrees to indemnify and hold harmless Petro-Deep, by payment in cash on demand, from and against any direct losses, costs, charges or expenses (including reasonable legal expenses) which it sustains or incurs as a consequence of any default in payment of any amount payable to it under or pursuant to this Agreement. The certificate of Petro-Deep as to the amount of any direct losses, costs, charges or expenses payable to it under this Clause 21.1 shall, in the absence of manifest error, be conclusive and binding on Brasoil.
- (2) Brasoil shall assume liability for and agrees to indemnify, protect, save and keep harmless Petro-Deep, its assigns and agents, from and against all costs of operating and maintaining the Vessel and replacing all parts, including (but without prejudice to the foregoing generality) all fuel, oil, port charges, fees, taxes, levies, charges, insurance premiums, victualling, crew, navigation, manning, operating and freight expenses and outgoings whatsoever payable by Petro-Deep or Brasoil or any sub-charterer approved by Petro-Deep, and further, against any and all liabilities, losses, damages, injuries, claims, demands, suits, proceedings (whether civil or criminal), judgments, awards, fines, sanctions, penalties (including in particular, but without limitation to the foregoing generality, liabilities arising from any oil, liquid, gas or other substance emanating or threatening to emanate from the Vessel) or settlements, salvage, general average and all expenses, legal or otherwise, of whatsoever kind and nature arising from or in connection with (i) any lien, charge or encumbrance of any nature on the Vessel or any claim of any nature by any third party, founded or unfounded, arising after the Pre-Delivery Date, arising directly or indirectly from the transactions contemplated by this Agreement, (ii) the ownership, chartering, use, condition, maintenance or operation of the Vessel, and by whomsoever chartered, used or operated including any sub-charterer approved by Petro-Deep, and (iii) any failure on the part of Brasoil to perform or comply with any of the terms of this Agreement. The indemnities and assumptions of liability under this Clause 21 shall not extend to events occurring prior to the Pre-Delivery Date or after the expiration of the Charter Period, but

as to events occurring during the Charter Period shall continue in full force and effect notwithstanding the expiration of the Charter Period, whether by Petro-Deep's exercise of its rights of termination under Clause 13, by expiration of time, by operation of law, by Brasoil's exercise of its rights under Clause 15 or otherwise.

21.2 Currency Loss Indemnity

If any sum due from Brasoil under this Agreement or any order or judgment given or made in relation to this Agreement has to be converted from the currency (the "first currency") in which the same is payable under this Agreement or under such order or judgment into another currency (the "second currency") for the purpose of (i) making or filing a claim or proof against Brasoil, (ii) obtaining an order or judgment in any court or other tribunal, or (iii) enforcing any order or judgment given or made in relation to this Agreement, Brasoil shall indemnify, and hold harmless Petro-Deep from and against any direct loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency, and (b) the rate or rates of exchange at which Petro-Deep may in the ordinary courses of business purchase the first currency with the second currency upon receipt of a sum paid to Petro-Deep in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from Brasoil under this Clause 21.2 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

22 CHARTERER'S CALCULATION

All amounts to be calculated in accordance with the rules set out hereunder shall be calculated by Petro-Deep and the result of such calculations shall be binding upon Brasoil, provided that the parties hereto may correct any mistakes in calculation.

23 APPLICABLE LAW AND JURISDICTION

23.1 Applicable Law

This Agreement shall be governed by and construed in all respects in accordance with the laws of England.

23.2 Jurisdiction

Each of Petro-Deep and Brasoil hereby irrevocably submits to the jurisdiction of the courts in England in any action or proceeding arising out of or relating to this Agreement, and each of Petro-Deep and Brasoil hereby irrevocably waives the defence of an inconvenient forum to the maintenance of such action or proceeding.

Brasoil hereby irrevocably appoints the General Manager from time to time of Petrobras' London office ("Brasoil's Process Agent") with an office at the date hereof at 1st Floor, 187 Knightsbridge, London SW7 1RB as its agent to receive on its behalf service of the summons and complaint, and any other process which may be served in any action or proceeding.

Petro-Deep hereby irrevocably appoints Curtis Davis Garrard ("Petro-Deep's Process Agent") with an office at the date hereof at Lancaster House, Northumberland Close, Staines TW19 7LN as its agent to receive on its behalf service of the summons and complaint, and any other process which may be served in any action or proceeding.

The service, as herein provided, of such summons and complaint or other process shall be deemed personal service and accepted by Petro-Deep or Brasoil as such. In the event the foregoing agent or any other agent appointed by Petro-Deep or Brasoil shall not be conveniently available for such service, Petro-Deep or Brasoil, only after having been properly notified by the other party to that effect, hereby irrevocably agrees to appoint a substitute process agent

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reasonably acceptable to the other. If Petro-Deep or Brasoil falls so to appoint a substitute process agent within 30 days of being notified that the process agent named herein is not conveniently available for service, the other party shall be entitled to appoint such third party as is conveniently available to act as process agent for the party failing to appoint a substitute and such appointment shall be binding on that party.

Nothing in this Clause 23.2 shall affect the rights of Petro-Deep or Brasoil to serve legal process in any other manner permitted by law or affect the rights of Petro-Deep or Brasoil to bring any action or proceeding against the other party or its property in the courts of any other jurisdiction.

24 NOTICES AND MISCELLANEOUS

24.1 Financial Information Etc.

Brasoil shall as soon as possible but in no event later than six calendar months after the end of its financial year provide Petro-Deep with the audited Balance Sheet, Statement of Loss and Profit and Accounts for such year for itself and Petrobras, such accounts to have been prepared in accordance with generally accepted international accounting principles and practices and to give a true and fair view of the financial condition of the relevant Company.

Brasoil shall provide Petro-Deep with such additional financial or other similar information as Petro-Deep may reasonably request.

24.2 Notice to Petro-Deep

All notices, requests, demands, consents, approvals or other communications to Petro-Deep shall be addressed to the following:

PETRO-DEEP INC.
c/o Fiduciary Trust (Cayman) Limited,
P.O. Box 1062,
One Capital Place,
George Town,
Grand Cayman, B.W.I.

24.3 Notice to Brasoil

All notices, requests, demands, consents, approvals or other communications, including those under Clause 23.2 hereof, to Brasoil shall be addressed to the following:

BRASPETRO OIL SERVICES COMPANY
c/o PETROBRAS INTERNATIONAL S.A.-BRASPETRO
Rua General Canabarro,
500-11 andar,
20.271-201, Maracana,
Rio de Janeiro-RJ,
Brazil

Attention: GEFIN

Telex: 021-22640

Fax: 021-566-3400

24.4 Means of Notice

Any notice, request, demand, consent, approval or other communication required to be given or made under or pursuant to this Agreement shall be made in writing delivered personally or by

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prepaid letter, telex, facsimile, telegram or cable (confirmed, in the case of a telex, facsimile, telegram or cable, by letter delivered personally or sent by registered prepaid mail within twenty-four (24) hours of the dispatch of such telex, facsimile, telegram or cable, provided that no failure to deliver or dispatch or delay in delivering or dispatching such letter shall in any way affect the original notice given) and shall be effective at the time of such receipt of such letter, telex, telegram or cable.

24.5 Transfer of Title by SANA to Petro-Deep

If SANA transfers legal title of the Vessel to Petro-Deep pursuant to the Head Purchase Agreement, any approvals to be given by SANA hereunder shall be deemed to be read as if such approvals are to be given by Petro-Deep and this Agreement shall be construed accordingly.

24.6 Language

Each document, instrument, certificate, statement, notice, request, demand, consent, approval or other communication referred to in this Agreement or to be delivered under or pursuant to this Agreement shall be in the English language or accompanied by a certified English translation thereof which translation shall be the governing version.

24.7 Non-Waiver

Time is of the essence in this Agreement, but, unless stated to the contrary, no failure or delay on the part of Petro-Deep or Brasoll in exercising or enforcing any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise or enforcement by Petro-Deep or Brasoll of any right, power or remedy under this Agreement preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and are not exclusive of any rights, powers and remedies provided by law.

24.8 Severability

Any provision of this Agreement prohibited by or unlawful or unenforceable under any applicable law actually applied by any court of competent jurisdiction shall, to the extent required by such law, be severed from this Agreement and rendered ineffective so far as is possible without modifying the remaining provisions of this Agreement. Where however the provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by such law to the end that this Agreement shall be a valid and binding agreement enforceable in accordance with its terms.

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24.9 Headings

All Clause headings and other headings are inserted only for ease of reference, and therefore, shall be ignored in construing this Agreement.

RECEBUELA
UNIDOC
1997



IN WITNESS whereof the parties hereto have duly executed this Agreement on the date above written.

PETRO-DEEP INC.

BRASPETRO OIL SERVICES COMPANY

by: *Linda Hassal* Director
Linda Hassal,

by: *Jayme Barroso*
JAYME BARROSO
Director

WITNESS

Glenn Hendrix Secretary

Glenn Hendrix

Box 438

Road Town

Toronto, Ont

WITNESS

Leila Fontes Gordin

LEILA FONTES GORDIN

ENGINEER

PETROLEO BRASILEIRO S.A. - PETROBRAS

Rua General Canabarro, 500

RIO DE JANEIRO - RJ - BRAZIL

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Exhibit "A"

Certificate for commencement of payments

This certificate, dated _____, is given pursuant to Clause 4.2 of the Bareboat Sub-Charter Agreement dated _____ 1997 ("Agreement") between BRASPETRO OIL SERVICES COMPANY ("Brasoil") and PETROLEO BRASILEIRO S.A. - PETROBRAS ("Petrobras"). Terms in this certificate have the same meanings as in the Agreement.

Petrobras confirms that the following conditions have either been fulfilled to its satisfaction or, for the purposes of this certificate, are waived:

- (1) The receipt by Petrobras of certified copies of board resolutions of each party to each Related Document, or other written confirmation satisfactory to Petrobras, approving that party entering into each of the Related Documents to which it is a party;
- (2) The execution by all the parties thereto of each of the Related Documents in a form acceptable to Petrobras;
- (3) The completion of a due diligence exercise to be undertaken by or on behalf of Petrobras into the operations and affairs of SANA in connection with or arising out of the construction, financing and delivery of the Vessel to the satisfaction of Petrobras;
- (4) Legal opinions from such legal advisors as Petrobras deems fit on the legality, validity and binding nature of the Agreement and the Related Documents and the ability of each party to each such agreement to enter into and be bound by such agreement;
- (5) The issue by the Government of Italy (or any relevant ministry, department, body, agency or other authority thereof) or any other regulatory body of any licence, authorization, approval, permission, consent and/or any other clearance necessary or desirable for or in respect of the proposed charter, upgrade and sale of the Vessel, either to enjoy the proposed charter, upgrade and sale of the Vessel, either unconditionally or subject to conditions which do not adversely affect Petrobras' rights to enjoy the benefits of the Agreement for the term of the Agreement;
- (6) The Vessel having reached (and being situated in) waters which are not Italian territorial waters and which are subject to a jurisdiction acceptable to Petrobras;
- (7) The completion to Petrobras' satisfaction of any other matter which it deems to be relevant to the charter of the Vessel hereunder and the charter and purchase of the Vessel under the Bareboat Charter and Purchase Agreement.

For and on behalf of Petrobras

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Exhibit "B"

Basic Hire

US \$ 13,678,612.50

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NOTA: O presente documento
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Exhibit "C"

Upgrade Deferment Election

This election, made on _____, is the first and sole election pursuant to Clause 20.5 of the Bareboat Charter and Purchase Agreement dated _____ 1997 ("Agreement") between PETRO-DEEP INC. ("Petro-Deep") and BRASOIL OIL SERVICES COMPANY ("Brasoil"). Terms in this election have the same meanings as in the Agreement.

Brasoil hereby elects that from the date of this election payment of the following portions of Fixed Hire payable under the Agreement will be deferred in accordance with Clause 20.5 of the Agreement until the achievement of the indicated milestones in the Upgrade Contract.

Milestone	Portion of Fixed Hire deferred until Milestone achieved
Execution of Upgrade Contract	US\$
For each one per cent of work completed under the Upgrade Contract an amount of US\$ [] totalling (for 100%)	US\$
Final completion certificate under Upgrade Contract	US\$
Total portion of Fixed Hire deferred	US\$

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Brasoil and Petro-Deep confirm that at the date of this election the Fixed Hire payable under the Agreement is US\$ _____, the Basic Hire agreed in accordance with the Agreement is US\$ _____ and that accordingly the Fixed Hire less the total portion of Fixed Hire deferred by this election equals or exceeds the Basic Hire as required by the Agreement.

Brasoil and Petro-Deep further confirm that from the date of this election the Basic Hire is increased to US\$ _____ being the Fixed Hire less the total Fixed Hire deferred pursuant to this election.

For and on behalf of Brasoil

For and on behalf of Petro-Deep

[Handwritten signatures]

Exhibit "D"

Upgrade Deferment Certificate

This certificate, dated _____, is given pursuant to Clause 20.5 of the Bareboat Charter and Purchase Agreement dated 1997 ("Agreement") between PETRO DEEP INC. ("Petro-Deep") and BRASPETRO OIL SERVICES COMPANY ("Brasoil"). Terms in this certificate have the same meanings as in the Agreement.

Brasoil confirms that the following milestone(s) have been achieved to its satisfaction (or waived for the purposes of this certificate) and accordingly the portion of Fixed Hire deferred by the Upgrade deferment election dated _____ until the achievement of such milestone(s) is now payable in accordance with Clause 20.6 of the Agreement.

Milestone	Portion of Fixed Hire no longer deferred
Execution of Upgrade Contract	US\$
and/or	
Work completed under the Upgrade Contract has increased from []% to []%. An increase of []% at US\$ [] per cent.	US\$
and/or	
Final Completion certificate under upgrade contract	US\$
Total portion of Fixed Hire that is no longer deferred	US\$

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Brasoil and Petro-Deep confirm that from the date of this certificate the Basic Hire is increased to US\$ _____ being the existing Basic Hire plus the total portion of Fixed Hire that is no longer deferred as a result of this certificate.

For and on behalf of Brasoil

For and on behalf of Petro-Deep



Exhibit "E"

Arbitration Pending

BRASPETRO OIL SERVICES COMPANY ("BRASOIL") is Claimant in arbitral proceedings initiated in 1991 before the International Chamber of Commerce (Paris) against the Libyan governmental agency named Great Man-Made River Authority ("GMRA" or "Client").

BRASOIL'S claims arise under a contract signed on July 6th, 1986 with GMRA whereby BRASOIL was in charge of the drilling of 270 water production wells and 48 piezometric wells in the Sarir and Tazerbo fields, under specifications prepared by GMRA's Engineer, the "Water and Soil Department". (Contract value of approximately US\$86 millions.)

After formal delivery of 126 wells in Sarir, some of them started to suffer ruptures, in an unprecedented occurrence which demanded from BRASOIL several technical studies in its search for the pertinent causes. The appraisal, which involved experts from outstanding international consultancy firms, led to consider the existence of unforeseen material difficulties entitling BRASOIL to exclude its liability for the ruptures (including the presence of microbiologically induced corrosion generated in the ancient waters of the aggressive underground environment).

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The proceedings are still running and GMRA offered its counterclaims, demanding that BRASOIL be considered liable for the wells failures and for the payment of an indemnification for its alleged default.

In its preliminary merits decision, on March 1995, the tribunal considered that BRASOIL had an "obligation de résultat", under the terms of the contract signed, and the burden of proof was on it to convince the tribunal that an external cause was responsible for the failures.

GMRA, however, according to the tribunal's decision, in order to obtain any sort of remedy for its alleged damages, in the second stage of the proceedings ("quantification phase"), will have to prove that it has actually suffered damages, that the same were caused by BRASOIL's breach of its obligations and that such damages are to be compensated either under the contract or under the applicable (Libyan) law or both.

Regarding the Tazerbo field, where BRASOIL was prevented by GMRA to proceed, and also regarding a number of claims presented by BRASOIL (including one concerning unpaid invoices), the arbitral tribunal decided in favour of the Company. The nature and type of reasoning adopted by the tribunal will demand a long and complex discussion in this second phase of the proceedings, with both parties continuing to present their factual and legal arguments to convince the arbitrators of their respective claims.

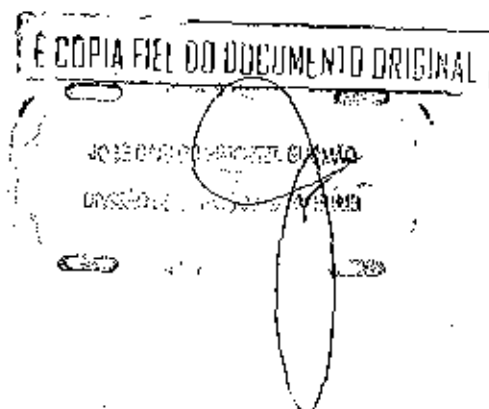
BRASOIL's position in this second phase will be assisted by the following points:

- (i) the overall Man-Made River Project is behind schedule and having problems with other contractors and with the land expropriations necessary to the development of the works, which may lead to the conclusion of existence of deficient planning and shortcomings in all the detailed engineering of the project, and may also prevent GMRA's allegation of indirect damages as a result of BRASOIL's contractual performance;

although GMRA has taken over BRASOIL's work and assets since 1991, so far the replacement of the contractor and the conclusion of the works under the contract has not satisfactorily occurred, which may be a good argument to prevent damages claimed from BRASOIL and also an



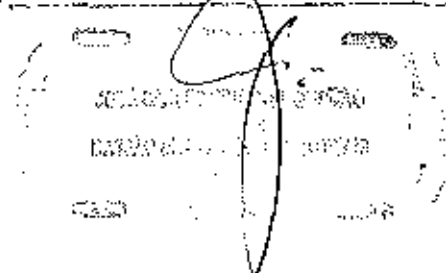
Indication of the existence of severe problems to solve or at least a confirmation of the difficult behaviour adopted by the client towards its contractors.





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Dated 20 June 1997



PETRO-DEEP INC.

and

PETROMEC INC.

and

SOCIETÀ ARMAMENTO NAVI APPOGGIO S.p.A.

UPGRADE AGREEMENT

**In relation to the Upgrade
of the Spirit of Columbus**

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SECRETARIA DE DEFESA
DIVISÃO DE DEFESA



This Upgrade Agreement is made on 20 June 1997 between:

- (1) **PETRO-DEEP INC.**, a corporation duly organised and existing under the laws of the Cayman Islands, having its registered office at c/o The Fiduciary Trust, P.O. Box 1062, One Capital Place, George Town, Grand Cayman, Cayman Islands, B.W.I. (hereinafter called "Petro-Deep");
- (2) **PETROMEC INC.**, a corporation duly organised and existing under the laws of the British Virgin Islands and having its registered office at The Tropic Isle Building, Wickhams Cay, Tortola, British Virgin Islands (hereinafter called "Petromec"); and
- (3) **SOCIETÀ ARMAMENTO NAVI APPOGGIO S.p.A.**, a company duly organised and existing under the laws of Italy having its registered office at Via E. Jenner 136, A/11 00151, Rome, Italy (hereinafter called "SANA").

WHEREAS, in terms of the Bareboat Charter and Purchase Agreement, Petro-Deep has undertaken to Brasoil to procure that the Vessel is upgraded in accordance with the Specification to the satisfaction of Brasoil and Petrobras within a specified period;

AND WHEREAS, Petro-Deep has agreed to contract with Petromec in relation to the performance of its said upgrade undertaking;

AND WHEREAS, SANA has agreed to grant a mortgage over the Vessel to secure the obligations of Petro-Deep to Petromec hereunder.

NOW, THEREFORE, in consideration of the premises herein contained, and each party intending to be legally bound thereby, the parties hereto agree as follows:

1 DEFINITIONS

The following terms shall have the meanings set forth below, provided that any word denoting the singular only shall include the plural and vice versa:

"Bareboat Charter and Purchase Agreement" means the Bareboat Charter and Purchase Agreement between Petro-Deep and Brasoil dated 20 June 1997 in respect of the charter and purchase of the Vessel;

"Brasoil" means Braspetro Oil Services Company;

"Contractor" means any party with whom Petromec enters into an Upgrading Contract;

"Contractor's Progress Certificate" means the certificate (howsoever called) to be issued by the Contractor on completion of each part of the work to be performed by the Contractor under an Upgrading Contract and to be countersigned by Petrobras to evidence its acceptance of such work;

"Petrobras" means Petroleo Brasileiro S.A. - Petrobras;

"Specification" means the specification to be annexed to the Bareboat Sub-Charter Agreement;

"Upgrade" means the upgrade of the Vessel in accordance with the Specification;

"Upgrade Basic Hire Payment" shall have the meaning ascribed to it in the Security Agency Agreement;

"Upgrading Contract" means any contract acceptable to Brasoil which is entered into by Petromec for or in respect of the Upgrade of the Vessel (or any part thereof);

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"Upgrade Other Hire Payment" shall have the meaning ascribed to it in the Security Agreement;

"Security Agency Agreement" means the Security Agency Agreement of even date herewith pursuant to which ABC International Bank plc (acting as security trustee) holds certain property on trust for the benefit of the beneficiaries named therein;

"Vessel" means the "Spirit of Columbus", a semi-submersible platform registered in the port of Napoli, Italy to be re-named "Petrobras-36".

2 UPGRADE OBLIGATIONS

2.1 Petromec's undertakings with regard to upgrade

Petromec undertakes to Petro-Deep that within twenty-one (21) months of 3 March 1997 it will procure that the Vessel is upgraded in accordance with the Specification to the satisfaction of Petro-Deep, Brasol and Petrobras.

2.2 Upgrading Contracts

Petromec is entitled to fulfil its undertaking in Clause 2.1 by entering into one or more Upgrading Contracts provided that:

- (1) Petromec obtains Petro-Deep's and Brasol's prior written approval of the Contractor selected for such Upgrading Contract;
- (2) Petromec obtains Petro-Deep's and Brasol's prior written approval of the terms of the Upgrading Contract (other than price);
- (3) There is express provision in the Upgrading Contract for the rights and obligations under that Upgrading Contract to be transferable from Petromec to Petro-Deep or its nominee.

2.3 Petro-Deep's Undertakings with regard to Upgrade

Petro-Deep undertakes that it will:

- (1) procure that the Vessel is made available to the Contractor at the time and place, and in the condition, provided for in any Upgrading Contract;
- (2) countersign the Contractor's Progress Certificate on completion of the work related thereto;
- (3) immediately notify Petromec of any matters which might give rise to claims against the Contractors under any Upgrading Contract or Petromec under this Agreement;
- (4) procure all reasonable assistance and co-operation to Petromec and/or their representatives including representatives from Brasol in connection with any actual or possible claims against the Contractors under any Upgrading Contract and (without limiting the generality of the foregoing) permit Petromec and/or those representatives to inspect the Vessel and to investigate and collect evidence in relation to any actual or possible claims against the Contractors.

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3 PERFORMANCE SECURITY

Petromec shall, for the benefit of Brasol, provide or procure the provision of security (whether by guarantee, bond or otherwise) in a form reasonably acceptable to Brasol for the due and punctual performance of the Upgrade of the Vessel.



8.4 Means of Notice

Any notice, request, demand, consent, approval or other communication required to be given or made under or pursuant to this Agreement shall be made in writing delivered personally or by prepaid letter, telex, facsimile, telegram or cable (confirmed, in the case of a telex, facsimile, telegram or cable, by letter delivered personally or sent by registered prepaid mail within twenty-four (24) hours of the dispatch of such telex, facsimile, telegram or cable, provided that no failure to deliver or dispatch or delay in delivering or dispatching such letter shall in any way affect the original notice given) and shall be effective at the time of such receipt of such letter, telex, facsimile, telegram or cable.

9 MISCELLANEOUS

9.1 Language

Each document, instrument, certificate, statement, notice, request, demand, consent, approval or other communication referred to in this Agreement or to be delivered under or pursuant to this Agreement shall be in the English language or accompanied by a certified English translation thereof which translation shall be the governing version.

9.2 Non-Waiver

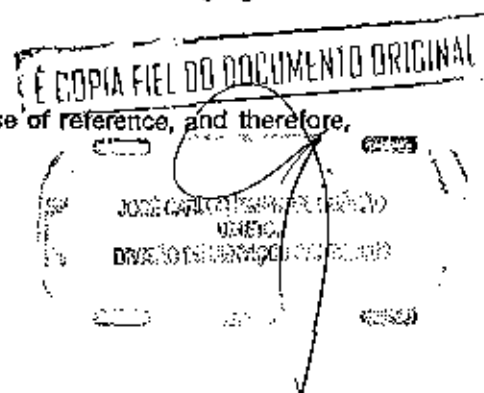
Time is of the essence in this Agreement, but, unless stated to the contrary, no failure or delay on the part of Petro-Deep or Petromec in exercising or enforcing any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise or enforcement by Petro-Deep or Petromec of any right, power or remedy under this Agreement preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and are not exclusive of any rights, powers and remedies provided by law.

9.3 Severability

Any provision of this Agreement prohibited by or unlawful or unenforceable under any applicable law actually applied by any court of competent jurisdiction shall, to the extent required by such law, be severed from this Agreement and rendered ineffective so far as is possible without modifying the remaining provisions of this Agreement. Where however the provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by such law to the end that this Agreement shall be a valid and binding agreement enforceable in accordance with its terms.

9.4 Headings

All Clause headings and other headings are inserted only for ease of reference, and therefore, shall be ignored in construing this Agreement.





IN WITNESS WHEREOF the parties hereto have duly executed this Agreement on the date first above written

PETRO-DEEP INC.

PETROMEC INC.

By

By

Witness

[Signature]
JEANNE CRUIE
LINKLATER & PAINES

Witness

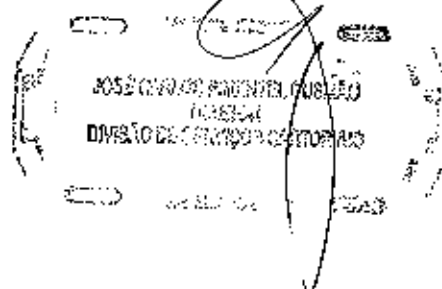
[Signature]
JEANNE CRUIE
LINKLATER & PAINES

SOCIETÀ ARMAMENTO NAVI APPOGGIO S.P.A.

By

Witness

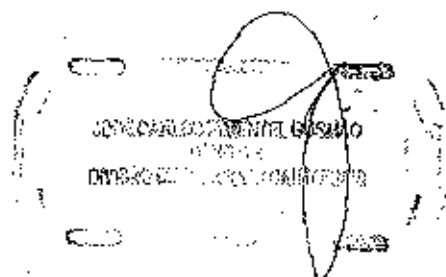
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Dated as of 20 June 1997



BRASPETRO OIL SERVICES COMPANY

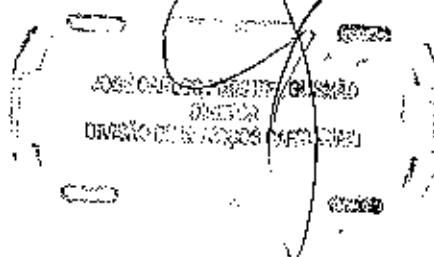
**PETRO-DEEP INC.
PETROMEC, INC.**

and

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

**SUPERVISION AGREEMENT
in respect of the Upgrade of the Spirit
of Columbus (to be renamed
Petrobras-36)**

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LINKLATERS & PAINES
One Silk Street
London EC2Y 8HQ

Tel: (+44) 171 456 2000

Ref: RYG

This Supervision Agreement is dated as of 20 June 1997 between:



- (1) **BRASPETRO OIL SERVICES COMPANY**, a company duly organised and existing under the laws of the Cayman Islands having its registered office at Bank America Trust and Banking Corp (Cayman) Ltd., P.O. Box 1092GT, Grand Cayman, B.W.I. (hereinafter called "Brasoil");
- (2) **PETRO-DEEP INC.**, a corporation duly organised and existing under the laws of the Cayman Islands, having its registered office at c/o The Fiduciary Trust, P.O. Box 1062, One Capital Place, George Town, Grand Cayman, Cayman Islands, B.W.I. (hereinafter called "Petro-Deep");
- (3) **PETROMEC, INC.**, a company duly organised and existing under the laws of the British Virgin Islands having its registered office at the Tropic Isle Building, Wickhams Cay, Tortola, British Virgin Islands (hereinafter called "Petromec"); and
- (4) **PETRÓLEO BRASILEIRO S.A. - PETROBRAS**, a company duly organised and existing under the laws of Brazil having its registered office at Edifício Marechal Ademar de Queiroz, Av. República do Chile 65, Rio de Janeiro - RJ, Brazil (hereinafter called "Petrobras").

Whereas:

- (A) In terms of the Bareboat Charter and Purchase Agreement, Petro-Deep has undertaken to Brasoil to procure that the Vessel is upgraded in accordance with the Original Specification to the satisfaction of Brasoil and Petrobras within a specified period;
- (B) In terms of the Upgrade Agreement Petromec has undertaken to Petro-Deep to ensure the Vessel is upgraded in accordance with the Original Specification to the satisfaction of Petro-Deep, Brasoil and Petrobras within a specified period; and
- (C) In terms of the Shipyard Contract the Shipyard has undertaken to Petromec to perform certain works on the Vessel as more particularly defined therein.

It is agreed as follows:

1 Interpretation

In this Agreement:

"Actual Delivery Date" means the date on which the Vessel, upgraded in accordance with the Amended Specification, is delivered to Brasoil or its nominee;

"Amended Specification" means the Original Specification as amended by Clause 11 of this Agreement and as further amended from time to time;

"Bareboat Charter and Purchase Agreement" means the Bareboat Charter and Purchase Agreement between Petro-Deep and Brasoil dated 20 June 1997 in respect of the charter and purchase of the Vessel;

"Contracts" means the contracts entered or to be entered into by Petromec and an Upgrade Contractor, including the Shipyard Contract, for the Work and "Contract" means any of such contracts as the context may require;

"Good Industry Practice" means the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced Supervisor acting in good faith and engaged in the same type of activity as that of Brasoil hereunder under the same or similar circumstances in a similar location;

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JOSE CARLOS MARCELINO
DELEGADO
MARITIMO



"Original Specification" means the specification annexed to the Bareboat Sub-Charter Agreement which contains the documents listed in Appendix A attached hereto and the deviations listed in Appendix B attached hereto;

"Shipyard" means Davie Industries Inc., a company duly organised and existing under the laws of Canada with its registered office at 22 George D Davie, Lévis, Québec, Canada G6V 8V5;

"Shipyard Contract" means the contract between Petromec and the Shipyard dated 14 July 1997;

"Suppliers" means the Shipyard and any other supplier, dealer, manufacturer, contractor, consultant, engineer, designer, surveyor or any other person who supplies, constructs, installs or otherwise provides any equipment or services to Petromec under any contract in connection with the Upgrade;

"Upgrade" means the upgrading of the Vessel in accordance with the Amended Specification;

"Upgrade Agreement" means the agreement between Petro-Deep and Petromec dated 20 June 1997 in respect of the Upgrade of this Vessel;

"Upgrade Contractors" means the Shipyard and other Suppliers approved by Brasol for the Upgrade of the Vessel;

"Vessel" means the Spirit of Columbus, a semi-submersible production platform registered at the port of Napoli, Italy, to be renamed "Petrobras 36"; and

"Work" means the performance of services and other works and the supply of equipment by the Upgrade Contractors pursuant to and in accordance with the Contracts.

2 Shipyard Contract

Subject to the rights of supervision herein granted;

- 2.1 Brasol hereby approves the terms of the Shipyard Contract for all purposes under the Bareboat Charter and Purchase Agreement.
- 2.2 Petro-Deep hereby approves the terms of the Shipyard Contract for all purposes under the Upgrade Agreement.

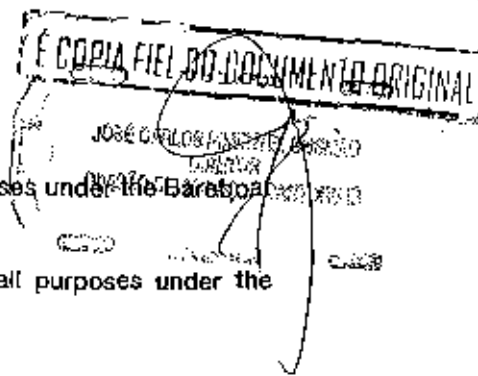
3 General Right of Supervision

Petrobras, Petro-Deep and Petromec hereby grant to Brasol or its nominee certain rights of supervision and approval in respect of the carrying out of the Work by the Upgrade Contractors upon the terms and conditions set out in this Agreement. Petromec agrees, where appropriate, to act in accordance with and/or be bound by the exercise of those rights, in accordance with the terms and conditions set out herein.

For the avoidance of doubt, neither Brasol nor Petrobras shall assume liability under any Contract by the exercise of these rights of supervision and approval, except as provided by Clause 4 of this Agreement.

4 Assignment of Contracts

- 4.1 Petromec hereby assign and agree to assign to Brasol all title, benefit and interest in each and any of the Contracts, such assignment to become effective only on the service of a notice in writing by Brasol to each party to the relevant Contract(s).





- 4.2 Petromec shall ensure that no Contract to which they are a party includes a provision prohibiting the assignment referred to in Clause 4.1 above.

5 Specific Rights of Supervision

- 5.1 Brasoil shall be entitled to approve (or otherwise):

- (i) the Upgrade Contractors;
- (ii) the Contracts other than price;
- (iii) any plans, drawings, specifications, calculations and other matters required under the terms of the Contracts and changes thereto;
- (iv) the material, workmanship and manner of construction and installation of the Work; and
- (v) any claim from any of the Upgrade Contractors made prior to the Actual Delivery Date of the Vessel for an extension of time for the completion of the Work.

- 5.2 Brasoil shall be entitled, at its reasonable discretion, to require Petromec:

- 5.2.1 promptly to provide to the relevant Upgrade Contractor details of any material defect or deficiency which Brasoil may discover in any Item of the Work during the term of any warranty or guarantee and take such steps as Brasoil reasonably considers necessary to obtain performance by that Upgrade Contractor of its obligations under such warranty or guarantee;
- 5.2.2 to reject any item or part thereof of the Work that is not in accordance with the Contracts on delivery or following the relevant supply or on completion of such Work and/or to pursue such remedies as are available to Petromec under or in connection with the Contracts;

and Petromec shall act forthwith in accordance with such requirements.

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- 5.3 Petromec shall not, without Brasoil's prior written consent (which shall not be unreasonably withheld):

- 5.3.1 agree to amend, vary, alter or modify the Contracts whether by executing further contractual documentation or by waiving breaches, forbearance or otherwise howsoever; or

- 5.3.2 enter into any Contract other than a Contract with a value of less than US\$1 million.

- 5.4 Petromec shall not issue any progress or completion certificates under the Contracts unless it has been approved by and signed by or on behalf of Brasoil, and Petromec shall ensure that each of the Contracts contains a provision providing that any such certificates that are to be issued shall be validly issued only when approved and signed in this manner.

6 Attendance at Meetings, Inspection and Testing

- 6.1 Brasoil shall be entitled to have one or more representatives present at any time on 3 days written notice to Petromec (except in the case of matters deemed by Brasoil to be urgent, where no notice is required) and:

- 6.1.1 at all inspections carried out by or on behalf of Petromec of the Work;
- 6.1.2 at all testing of the Work carried out by any Upgrade Contractor;



6.1.3 upon acceptance of the Work.

- 6.2 Notwithstanding Clause 6.1 above Petromec and Brasoil shall meet on a regular basis (but not less than once per month) to discuss the progress of the Work and Petromec shall, in the performance of its obligations and exercise of its rights under the Contracts, take into account any recommendations Brasoil may make at such meetings regarding such progress.

7 Supervisor's Staff

- 7.1 Brasoil hereby appoints those persons listed in Schedule 1 (the "Representatives") to act as its representatives hereunder who shall devote the whole of their working time and attention to the supervision of the Upgrade. The Representatives shall have full authority to represent Brasoil in the exercise of any of its rights hereunder. Brasoil may, by notice in writing to Petromec and the Shipyard, replace the Representatives or add other Representatives from time to time as it deems necessary.
- 7.2 Brasoil shall employ such qualified staff for the exercise of its rights under this Agreement as it shall consider necessary and such staff shall be the employees and at the responsibility and cost of Brasoil.

8 Brasoil's Obligations and Responsibility

- 8.1 In exercising any of its rights hereunder Brasoil shall act in accordance with Good Industry Practice and shall, as far as it is within their responsibility and control:

- 8.1.1 use all reasonable endeavours to ensure that no act or omission by it prevents the due and punctual observance and performance of all conditions, duties and obligations imposed on Petromec by the Contracts; and
- 8.1.2 take all reasonably practical steps to protect the interests of Petromec in relation to the Contracts.

- 8.2 Brasoil shall immediately notify Petromec of any matters of which it becomes aware which might give rise to claims against any Upgrade Contractor under any Contract and shall provide and extend all reasonable assistance and co-operation to Petromec and/or its representatives in connection with any actual or possible claims against any Upgrade Contractor under any Contract and (without limiting the generality of the foregoing) permit Petro-Deep and/or their representatives to inspect the Vessel and to investigate as appropriate in relation to any actual or possible such claims.

- 8.3 Notwithstanding the exercise by Brasoil of any of its rights under this Agreement in the manner set out in this Clause 8, Petromec shall be entirely and solely responsible for its acts and the acts of its agents, employees and representatives engaged in connection with the Upgrade of the Vessel.

9 Petromec's Obligations

- 9.1 Petromec shall:

- 9.1.1 ensure that Brasoil receives advance notice of all meetings, inspections and tests at which it is entitled to be present pursuant to Clause 6;
- 9.1.2 permit and/or procure such access to the premises of any Upgrade Contractor where any Work or manufacture in connection with the Upgrade of the Vessel is taking place as Brasoil requires in order to exercise its rights hereunder without restriction or delay;



9.1.3 ensure that Brasoil receives copies of:

- (i) all plans, drawings, specifications or calculations; and
- (ii) notices, applications or certificates;

which Petromec receives pursuant to the Contracts, within 5 days of receipt thereof.

9.1.4 ensure that the Upgrade is completed in accordance with the Specification, irrespective of default by any Upgrade Contractor.

9.2 For the avoidance of doubt this Agreement does not grant Brasoil any right to instruct directly the Shipyard or any other Upgrade Contractor to make any modification to the Work.

10 Change Orders

10.1 Both for the purposes of this Agreement and on an ongoing basis, Brasoil shall be entitled to instruct Petromec to propose:

10.1.1 any alteration to the Amended Specification; or

10.1.2 any change to any plan, drawing, specification, calculation or other document submitted to Brasoil pursuant to this Agreement; or

10.1.3 any alteration to the arrangements for the maintenance and repair of the Vessel prior to the Actual Delivery Date.

10.2 On receipt of an instruction pursuant to Clause 10.1 Petromec shall be obliged to use its best endeavours to agree the alteration(s) or change(s) set out in that instruction with the relevant Upgrade Contractor(s) pursuant to the terms of the relevant Contracts. If Petromec and the relevant Upgrade Contractors fail to agree on the alteration(s) or change(s) within fourteen (14) days of receipt by Petromec of such proposal, Brasoil shall be entitled to require Petromec to take such steps as may be appropriate to enable the alteration or change to be effected including (but without prejudice to the foregoing) replacing the relevant Upgrade Contractor(s).

11 Amendment to Specification

11.1 It is hereby agreed that, pursuant to Clause 10 hereof, the Original Specification is amended by:

- (i) Substituting for the General Technical Specification for the South Marlim Field in document ET.3010.38-1200-940-PPC-001 the Revision A which contains the requirements for the Roncador Field.
- (ii) Adding the Metocean Data - Roncador - contained in document ET.3010.56-1200-941-PPC-001, Revision 0.

12 Compensation

12.1 In consideration of Petromec's agreement to upgrade the Vessel in accordance with the Amended Specification Brasoil agrees to pay to Petromec an amount equal to the reasonable extra cost (if any) to Petromec of Upgrading the Vessel in accordance with the Amended Specification over and above the cost that Petromec might reasonably have incurred in Upgrading the Vessel in accordance with the Original Specification.

12.2 In the case of any further alterations or changes instructed by Brasoil pursuant to Clause 10 hereof, Brasoil agrees:



- (i) to pay to Petromec the reasonable costs (if any) incurred by Petromec and its contractors in progressing the engineering in accordance with such Specification as was agreed before the alteration or change;
- (ii) to pay to Petromec an amount equal to the reasonable extra cost (if any) to Petromec of Upgrading the Vessel in accordance with the Specification as altered or amended; and
- (iii) to extend the date by which Petromec must complete the Upgrade.

- 12.3 The additional costs referred to in Clauses 12.1 and 12.2 above will become due and payable on the production by Petromec of evidence of expenditure satisfactory to Brasol and Brasol being satisfied that such costs were reasonable and properly incurred.
- 12.4 Brasol agrees to negotiate in good faith with Petromec the extra costs referred to in Clauses 12.1 and 12.2 above and the extra time referred to in Clause 12.2 above and upon the determination of the same Brasol and Petromec agree to enter into one or more addendums to this Agreement specifying the amounts to be paid by Brasol to Petromec pursuant to this Clause 12 in good time for Petromec to meet its obligations to its contractors and specifying the date by which Petromec must complete the Upgrade of the Vessel in accordance with the Amended Specification.
- 12.5 All payment due from Brasol to Petromec pursuant to this clause are to be made to the Bank of New York, account name "Petromec Inc.", account number 630 13 11972, or as otherwise instructed by Petromec in writing.

13 Assignment

Petromec shall not and shall not purport to assign, charge or transfer any right or obligation under, or in any way deal with its interest in, this Agreement or any part thereof to any person without the prior written consent of Brasol.

Nothing contained herein is intended to limit Brasol's freedom to assign, charge or transfer to any way deal with its interest in, this Agreement.

14 Applicable Law and Jurisdiction

14.1 Applicable Law

This Agreement shall be governed by and construed in all respects in accordance with the laws of England.

14.2 Jurisdiction

Each of the parties hereto hereby irrevocably submits to the jurisdiction of the courts in England in any action or proceedings arising out of or relating to this Agreement, and each of the parties hereto hereby irrevocably waives the defence of an inconvenient forum to the maintenance of such action or proceeding.

Petrobras and Brasol hereby each irrevocably appoints the General Manager from time to time of Petrobras' London office (the "Petrobras' Process Agent") with an office at the date hereof at 1st Floor, 197 Knightsbridge, London SW7 1RB as its agent to receive on its behalf service of the summons and complaint, and any other process which may be served in any action or proceeding.

Petro-Deep and Petromec hereby each irrevocably appoints Curtis Davis Garrard with an office at the date hereof at Lancaster House, Northumberland Close, Staines TW19 7LN as its agent to receive on its behalf service of the summons and complaint, and any other process which may be served in any action or proceeding.



The service, as herein provided, of such summons and complaint or other process shall be deemed personal service and accepted by the parties hereto as such. In the event the foregoing agent or any other agent appointed by the parties hereto shall not be conveniently available for such service, the parties hereto, only after having been properly notified by the other party to that effect, hereby irrevocably agrees to appoint a substitute process agent reasonably acceptable to the other. If any of the parties hereto fails so to appoint a substitute process agent within 30 days of being notified that the process agent named herein is not conveniently available for service, the other party shall be entitled to appoint such third party as is conveniently available to act as process agent for the party failing to appoint a substitute and such appointment shall be binding on that party.

Nothing in this Clause 14.2 shall affect the rights of the parties hereto to serve legal process in any other manner permitted by law or affect the rights of the parties hereto to bring any action or proceeding against the other party or its property in the courts of any other jurisdiction.

15 Notices

15.1 Notices to Petrobras

All notices, requests, demands, consents, approvals or other communications, including those under Clause 14.2 hereof, to Petrobras shall be addressed to the following:

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
Rua General Canabarro
500-11 andar
20.271-201 Maracan
Rio de Janeiro - RJ
Brazil

Attention: Segen/Empab
Fax: 021 566 5634

15.2 Notices to Brasoil

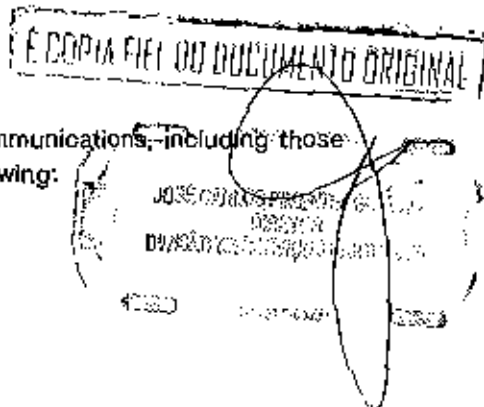
All notices, requests, demands, consents, approvals or other communications, including those under Clause 14.2 hereof, to Brasoil shall be addressed to the following:

BRASPETRO OIL SERVICES COMPANY
c/o Petrobras International SA - Braspetro
Rua General Canabarro
500-11 andar
20.271-201 Maracan
Rio de Janeiro - RJ
Brazil

Attention: GEFIN
Telex: 021 22640
Fax: 021 566 3400

15.3 Notices to Petro-Deep

All notices, requests, demands, consents, approvals or other communications, including those under Clause 14.2 hereof, to Petro-Deep shall be addressed to the following:





PETRO-DEEP INC
c/o Fiduciary Trust (Cayman) Limited
PO Box 1052
One Capital Place
George Town
Grand Cayman, B.W.I.

cc: Loeb Block & Partners
Attorneys at Law
505 Park Avenue
New York, NY 10022

Fax: 212 755 1777

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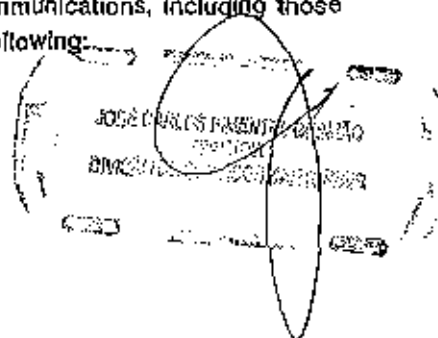
15.4 Notices to Petromec

All notices, requests, demands, consents, approvals or other communications, including those under Clause 14.2 hereof, to Petromec shall be addressed to the following:

PETROMEC
c/o Hamilton Trust and Management Company Limited
The Tropic Isle Building
PO Box 438
Road Town
Tortola, B.V.I.

Attention: Petromec Inc.
Fax: 809 494 5160

cc: Loeb, Block & Partners
Attorneys at Law
505 Park Avenue
New York, NY 10022



15.5 Means of Notice

All notices, requests, demands, consents, approvals or other communications required to be given or made under or pursuant to this Agreement shall be made in writing delivered personally or by prepaid letter, telex, facsimile, telegram or cable (confirmed, in the case of a telex, facsimile, telegram or cable, by letter delivered personally or sent by registered prepaid mail within twenty-four (24) hours of dispatch of such telex, facsimile, telegram or cable, provided that no failure to deliver or dispatch or delay in delivering or dispatching such letter shall in any way affect the original notice given) and shall be effective at the time of such receipt of such letter, telex, facsimile, telegram or cable.

15.6 Language

Each document, instrument, certificate, statement, notice, request, demand, consent or other communication referred to in this Agreement or to be delivered under or pursuant to this Agreement shall be in the English language or accompanied by a certified English translation thereof which translation shall be the governing version.



In witness whereof this Agreement has become effective as of the date stated at the beginning.

Signed for and on behalf of
PETROMECC, INC.

}

Date:

Signed for and on behalf of
BRASPETRO OIL SERVICES
COMPANY

}

Date: 17.08.1998

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JOSÉ CARLOS GONÇALVES
DE
DIVISÃO DE REGISTROS E ARQUIVOS

Signed for and on behalf of
PETRO-DEEP, INC.

}

Date:

Signed for and on behalf of
PETRÓLEO BRASILEIRO S.A.

}

Date: 17.08.1998

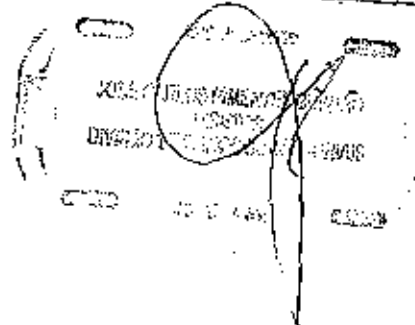


Schedule 1

Brasoll's Representatives:

Name	Specimen Signature	Specimen Initial

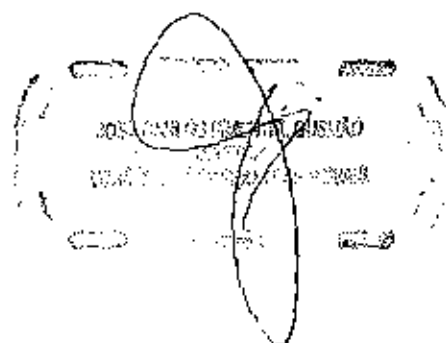
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CONTRACT

by and between

PETROMECC INC

and

AMEC PROCESS AND ENERGY LIMITED

for

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The carrying out by APEL of certain detailed design and procurement support services

JOSE CARLOS PIMENTEL GUSMÃO
DIRECTOR
DIVISÃO DE SERVIÇOS JURÍDICOS

in connection with

SPIRIT OF COLUMBUS UPGRADE

[Handwritten signature]

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SPIRIT OF COLUMBUS UPGRADE

DETAILED DESIGN 1997

This Contract is made the.....day of.....1997. Between Petromec Inc. a company having offices at The Tropic Isle Building, P.O. Box 438, Road Town, Wickhams Cay-Tortola, British Virgin Islands (hereinafter referred to as the PURCHASER) and AMEC Process and Energy Limited whose registered office is at Sandiway House, Hartford, Northwich, Cheshire, CW9 2YA (hereinafter referred to as APEL).

Whereas the PURCHASER has requested and APEL has agreed to supply the Services as described herein and on the terms and conditions hereinafter appearing,

Now this Agreement witnesseth as follows:

1.0 DEFINITIONS AND INTERPRETATION

1.1 "Contract" shall mean this Agreement and the Attachments numbered 1-4 listed below:

- Attachment 1 Scope of Work
- Attachment 2 Schedule
- Attachment 3 Schedules of Rates
- Attachment 4 Form of Bank Guarantee

1.2 "Services" shall mean all work to be carried out as described in Attachment 1 - Scope of Work or any variation thereto, including other services to be rendered by APEL in accordance with the Contract.

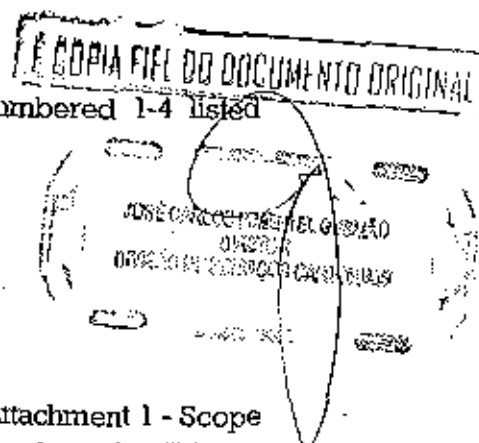
1.3 Words importing the singular shall also include the plural and vice versa where the context requires.

1.4 Headings in the Contract shall not be deemed to be part thereof and shall not be taken into consideration in the interpretation or construction of the Contract or any part thereof.

1.5 No approval or consent required to be obtained from or given by a party hereto shall be unreasonably withheld or delayed.

1.6 Any exclusion or limitation of liability under the Contract shall apply not only in contract but also in tort and otherwise at law and shall survive termination of the Contract for any reason whatsoever.

1.7 Notwithstanding the date first written above the effective date of the Agreement shall be 6th May 1997.





2.0 OWNERSHIP AND USE OF DOCUMENTS

- 2.1 The ownership in all design documents, drawings, plans, reports and other such documents supplied by the PURCHASER to APEL in connection with the Services shall be and remain vested in the PURCHASER.
- 2.2 APEL as beneficial owner hereby assigns to the PURCHASER with effect from completion of the Services or termination of the Contract if earlier the copyright and other proprietary rights in all details, plans, specifications, schedules, programmes, reports, calculations, and other work specifically prepared by APEL in the course of performing the Services.

The assignment of copyright hereinbefore mentioned shall not apply to the standard forms, computer programmes or other such details used by APEL in the normal course of its business.

3.0 WARRANTIES

- 3.1 APEL agrees to perform the Services as requested by the PURCHASER from time to time in a timely and efficient manner utilising appropriately qualified engineers to perform the tasks required.
- 3.2 APEL warrants that it shall promptly undertake to correct any discrepancy, error, defect or omission in or from any design, drawings, calculations, statements, reports or other documents prepared by APEL in the performance of the Services that have been notified to APEL by the PURCHASER in writing within twelve months from completion of the Services and to supply the PURCHASER with duly corrected designs, drawings, calculations, statements, reports or other documents as the case may be.
- 3.3 The cost of the corrective work referred to under (a) above shall, PROVIDED the discrepancy, error, defect or omission shall not have arisen by reason of faulty or incomplete information or instructions supplied by the PURCHASER be borne by APEL.
- 3.4 Save as expressly provided in this Clause APEL shall in no event be liable (whether in contract, tort or otherwise at law) for any loss or damage of whatever kind arising from or consequent on any such discrepancy, error, defect or omission.

4.0 TERMS OF PAYMENT

- 4.1 Upon entering into the Contract, ("the effective date of the Contract") the PURCHASER shall pay into APEL's nominated bank account, details of which are given in Sub-Clause 4.5 below, £364,725 (three hundred and sixty four thousand, seven hundred and twenty five pounds). APEL shall not be obliged to commence performance of the Services until such payment is received.



4.2 By the thirty-fifth day after the effective date of the Contract and thereafter at intervals of one month APEL shall submit an invoice to the PURCHASER for the value of the Services performed during the month preceding that in which the invoice is submitted. The PURCHASER shall pay 90% (ninety percent) of the value of each invoice within thirty days of the date of each invoice until such time as the outstanding 10% reaches £364,725 (three hundred and sixty four thousand, seven hundred and twenty five pounds) and thereafter the PURCHASER shall pay 100% (one hundred percent) of the value of each invoice within thirty days of the date of each invoice..

4.3 Invoices in respect of the Services as above described in Sub-Clause 4.2 shall where appropriate be supported by signed timesheets and/or such other documentary substantiation as may reasonably be required and shall be sent to the PURCHASER for approval.

4.4 To the extent that payments to be made under the Contract attract value added tax the proper amount of such value added tax shall be shown as a separate and additional item on the Invoice and shall be added to the amount payable for the Services.

4.5 The PURCHASER shall within thirty days from the date of each invoice give its approval or non-approval of each invoice or of part thereof and pay the approved amount by bank credit transfer into APEL's nominated bank account in London, details of which are set out below:

A/c No. 48046020
AMEC Process and Energy Limited
National Westminster Bank plc
P O Box 3034
57 Victoria Street
London SW1H 0HN
United Kingdom



4.6 Notwithstanding the foregoing provisions of this Clause 4.0 the amount specified in Sub-Clause 4.1 above shall be paid into the account specified in Sub-Clause 4.5 above upon the effective date of the Contract and receipt and approval of APEL's invoice therefor shall not be deemed to be conditions precedent to the PURCHASER's obligation to pay such amount.

4.7 All sums that become due for payment to APEL under the Contract, shall, with the exception of the 10% retention up to the value of the initial payment, be paid in full and free of any deduction whatsoever.

4.8 Upon completion of the Services, if the total value of the Services as calculated in accordance with the provisions of Attachment 4, is less than the total of all payments (including the amount paid pursuant to Sub-Clause 4.1) already made by the PURCHASER, APEL shall issue a Credit Note for and refund the amount of such overpayment to the PURCHASER within 30 (thirty) days therefrom. If the total value of the Services as calculated in accordance with the provisions of Attachment 4, is greater than the total of all payments (including the amount paid pursuant to Sub-Clause 4.1) already made by the PURCHASER, APEL shall submit its final invoice to



the PURCHASER for the amount of such underpayment and the PURCHASER shall pay such invoiced amount to APEL within 30 (thirty) days from receipt thereof.

5.0 TAX MATTERS AND INDEMNITY

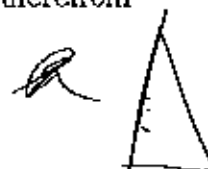
- 5.1 APEL shall duly pay, and shall procure that each of its sub-contractors hereunder shall duly pay, all taxes which shall be properly and lawfully assessed or imposed on APEL or such sub-contractor by any competent United Kingdom authority in connection with the carrying out of the Services under the Contract or any sub-contract hereunder.
- 5.2 APEL shall indemnify and keep indemnified the PURCHASER against all liabilities incurred as a consequence of breach by APEL of any of the obligations under sub-clause 5.1 above and all actions, proceedings, claims, damages charges, costs and expenses whatsoever in relation thereto.
- 5.3 APEL is deemed to have taken into account in its tender all United Kingdom taxes, levies or contributions having effect on the date of award of Contract. If, on or after the date of award of Contract there shall be any change in the level or in the incidence, or any new incidence or abolitions, of any United Kingdom tax, levy or contribution (excluding any tax on profits or gains, Employees National Insurance Contributions, and income tax) which are by law payable by APEL or any sub-contractor hereunder in respect of its employees working wholly on the Services and/or works or in respect of APEL's or any sub-contractor's activities under the Contract or any sub-contract hereunder, the net amount of such change or new incidence or abolitions shall constitute additions to, or deductions from, the sums payable to APEL under the Contract.
- 5.4 For the purpose of the foregoing provisions of this Clause only, "tax" other than VAT includes any tax, duty or charges and any penalty or interest thereon and any other costs and charges whatsoever assessed or imposed by any competent United Kingdom authority.

6.0 AUDIT

The PURCHASER shall have the right to audit the relevant books and accounts of APEL at its address herein in relation to any reimbursable items paid for by the PURCHASER under the Contract at any time until the expiry of twenty-four (24) months following the completion of the Services. Any incorrect payments made by the PURCHASER shall be adjusted in accordance with the findings of said audit.

7.0 INDEMNITY AND INSURANCE

- 7.1 APEL shall indemnify the PURCHASER and hold the PURCHASER harmless from and against any and all liabilities for death, illness or injury to any of APEL's personnel or for loss or damage to the property of APEL or the property of its personnel, and against all claims, demands, proceedings and causes of action resulting therefrom



howsoever caused including where such is caused by the negligence of the PURCHASER.



7.2 The PURCHASER shall indemnify APEL and hold APEL harmless from and against any and all liabilities for death, illness or injury to any of the PURCHASER's personnel or for loss of or damage to the property of the PURCHASER or the property of its personnel and against all claims, demands, proceedings and causes of action resulting therefrom howsoever caused including where such is caused by the negligence of APEL.

7.3 APEL shall maintain full and sufficient insurance cover with a first class insurance company in respect of its liabilities under Sub-Clause 7.1 and will, on request by the PURCHASER, produce evidence of such insurance and receipts evidencing payment of current premiums. APEL shall ensure that to the extent of any indemnities given by APEL hereunder its respective underwriters waive any and all of their rights of subrogation against the PURCHASER.

7.4 Each party hereto shall be responsible for its own loss of use, loss of revenue, loss of profit, loss of contracts, loss of product or production, loss of business opportunity and any consequential or indirect loss whatsoever, howsoever arising out of or in connection with the Contract and shall indemnify and hold harmless the other party from and against any liability (whether in contract, tort or otherwise at law) therefor.

8.0 SUSPENSION

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8.1 In the event of any delay in payment of any sum due to APEL under the Contract, APEL shall without prejudice to its other rights and remedies have the right by notice in writing to suspend further performance of the Services, and if such delay persists for more than ten days, terminate the Contract by further notice in writing to the PURCHASER to such effect.

8.2 The PURCHASER shall compensate APEL for the costs, losses and expenses reasonably incurred by APEL as a result of or in connection with suspension or termination of the Services pursuant to Sub-Clause 8.1 above.

9.0 ASSIGNMENT AND SUB-CONTRACTING

9.1 The PURCHASER may assign by way of security the benefit of this Contract to its lender and the PURCHASER may assign the benefit and obligation of the Contract to Brasil.

9.2 APEL shall not assign the Contract or any of its rights or obligations under the Contract without the prior written consent of the PURCHASER.

9.3 APEL shall not sub-contract any of the Services without the prior written consent of the PURCHASER. No approval by the PURCHASER with respect to such sub-contracting



shall in any way relieve APEL of its responsibility for due performance of the Services in accordance with the Contract.

10.0 PATENT RIGHTS

10.1 APEL shall indemnify and hold harmless the PURCHASER against all claims, liability, damages, costs and expenses arising from any infringement of any Patent, registered design or trade mark or any other protected right arising from the proper use of any design originating from APEL in the performance of the Services.

10.2 The PURCHASER shall indemnify and hold harmless APEL against all claims, liability, damages, costs and expenses arising from any infringement of any Patent, registered design or trade mark or any other protected right arising out of the supply by or through the PURCHASER to APEL of any process design, documentation or other information for the purposes of the Services.

11.0 NOTICES

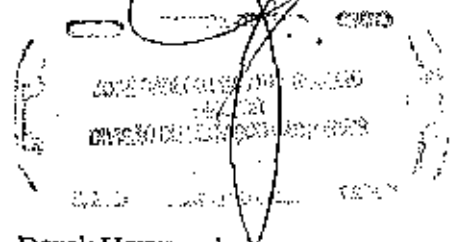
Any notice under the Contract shall be in writing. Notices and correspondence to either party shall be given at the addresses noted hereunder or at those addresses as such party shall specify from time to time by written notice to the other.

To the PURCHASER

Petromec Inc.
The Tropic Isle Building
P.O. Box 438
Road Town
Wickhams Cay-Tortola
British Virgin Islands

Attention: Domingos D'Arco
Telephone: (0171) 894 4099
Fax: (0171) 894 4084

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To APEL

AMEC Process and Energy Limited
1 Golden Lane
London
EC1Y 0RR

Attention: Derek Harwood
Telephone: (0171) 574 3000
Fax: (0171) 574 3900

12.0 CONFIDENTIALITY

12.1 All information obtained by APEL, its sub-contractors or their servants or agents in the course of performance of this Contract, shall be confidential and shall not, unless authorised in writing by the PURCHASER, be divulged by APEL or any sub-contractor or by its or their servants or agents to any person, firm or corporation. APEL shall not, without the prior approval of the PURCHASER give any lecture, address,

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broadcast or interview either directly or indirectly which relates to the affairs of the PURCHASER or the Contract.

12.2 APEL's confidentiality obligations under the provisions of Sub-Clause 12.1 above shall not apply in respect to any information which:

- (i) prior to its being obtained hereunder is either in the public domain or in the receiver's lawful possession not having been acquired either directly or indirectly from the PURCHASER or,
- (ii) at any time after it is obtained hereunder becomes part of the public domain other than through breach of APEL's confidentiality obligations under this Contract.

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13.0 TERMINATION

13.1 The PURCHASER shall have the right at any time and at its absolute discretion to terminate the Contract by giving APEL 20 (twenty) working days notice. In the event of termination at the discretion of the PURCHASER, but not because of the default of APEL pursuant to and in accordance with the provisions of Sub-Clause 13.2, the PURCHASER shall pay the price in accordance with the Rates in Attachment 4, of the Services performed up to the effective date of such termination.

13.2 If APEL commits a material breach of this Contract and after notice in writing from the PURCHASER giving details of such breach fails, within ten days from receipt of such notice, to take appropriate steps to commence and thereafter diligently proceed with action to remedy the same then at any time thereafter provided the breach remains un-remedied, the PURCHASER shall have the right by giving further notice in writing to APEL to terminate the Contract because of the default of APEL. In the event of such termination, the PURCHASER may retain any Monies that may be otherwise due to APEL for Services performed under the Contract and apply such monies towards any additional cost (over and above what would have been paid to APEL had APEL completed the Services in accordance with the Contract) incurred by the PURCHASER in having the Services completed by another party. If upon completion of the Services by another party, the additional cost (as defined above) incurred is less than the amount of monies retained by the PURCHASER, the difference shall be refunded to APEL.

Save and except as hereinabove provided, no other liability shall attach to APEL for or in connection with termination of the Contract because of the default of APEL.

14.0 ARBITRATION AND APPLICABLE LAW

14.1 If any dispute or difference of any kind whatsoever shall arise between the parties in connection with or arising out of the Contract which cannot be resolved by mutual agreement between the parties hereto the same shall be determined by an Arbitrator to be agreed upon between the parties within a reasonable time or failing agreement to be appointed by the Chartered Institute of Arbitrators, London, on the application of

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either party to the Registrar of that Institute. Any such reference shall be deemed to be a submission to arbitration within the meaning of the Arbitration Act of 1950 or any statutory modification or re-enactment thereof. Arbitration proceedings shall take place in London unless otherwise agreed by the parties.

- 14.2 The Contract shall be construed in all respects and take effect in accordance with English Law and subject to Sub-Clause 14.1 above the parties hereto hereby submit to the non-exclusive jurisdiction of the English Courts.

15.0 LIMITATION OF APEL's LIABILITY

- 15.1 Notwithstanding anything contained elsewhere in the Contract to the contrary, whether expressly or by implication, APEL's cumulative liability from all causes arising out of the Contract (whether in contract, tort or otherwise at law) shall in the aggregate in no event exceed 10% (ten per cent) of the Contract Price, PROVIDED ONLY that APEL's indemnity under Sub-Clause 7.1 shall not be included within the computation of such aggregate limit and shall be in addition thereto.

- 15.2 The provisions of this Clause 15.0 shall survive termination of the Contract for any reason whatsoever.

16.0 FORCE MAJEURE

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JOSE CARLOS RODRIGUES

No failure to omission by either party to carry out or observe any of the stipulations, conditions or obligations to be performed under the Contract shall, except for an obligation to pay monies hereunder, give rise to any claim against such party or be deemed to be a breach of the Contract if such failure or omission arises from any cause reasonably beyond the control of that party.

17.0 BANK GUARANTEE

- 17.1 The PURCHASER hereby undertakes to provide within fifteen days from the date of signing this Agreement, a Bank Guarantee in the form included as Attachment 4 hereto to be issued by a United Kingdom commercial bank in the amount of £450,000 (four hundred and fifty thousand pounds) and valid until 31 December 1998.
- 17.2 The bank charges incurred by the PURCHASER in providing the Bank Guarantee pursuant to sub-clause 17.1 above shall be for the account of APEL and may be deducted by the PURCHASER from any amount otherwise due to APEL under the Contract.
- 17.3 If at any time the PURCHASER fails to fulfil any of the conditions of the Contract and receives notice in writing from APEL of APEL's intention to make a demand under the Bank Guarantee, the PURCHASER shall not unreasonably withhold its agreement in writing to such demand.
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IN WITNESS WHEREOF APEL and the PURCHASER have caused this Contract to be signed and entered into on their behalf by their respective duly authorised representatives as of the day and year first above written.

For and on behalf of APEL

Signed:

David Harris

Name:

DAVID HARRIS

Position:

Director of Commercial Services - London

In the presence of:

Alan Gillingham



For and on behalf of PURCHASER

Signed:

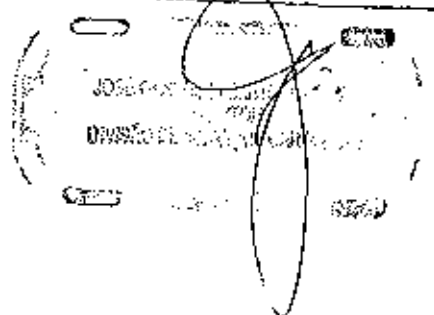
Alberto J. Padilla Lizondo
ALBERTO J. PADILLA LIZONDO

Name:

Position:

In the presence of:

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Attachment I

Engineering Scope of Work

1. General

APEL are responsible for the engineering design for the Spirit of Columbus upgrade that will provide a Floating Production Unit comprising a production and processing plant for processing 180,000 barrels/day of crude oil, for gas and oil production in the Roncador Field, Campos Basin, offshore the north coast of the State of Rio de Janeiro, Brasil.

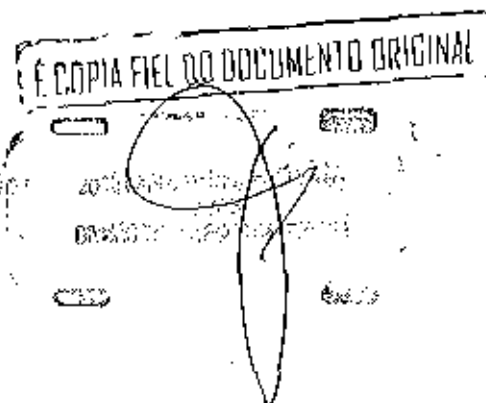
The Engineering Design shall assure that the following objectives will be met:

- a) Provide safe facilities
- b) Provide facilities that comply with the technical requirements
- c) Specify equipment that will allow optimum operation of the facility at the given design conditions while requiring a minimum of supervision, operating and maintenance
- d) Avoid environmental pollution
- e) Provide a facility that will be readily amenable to upgrade, but that also operates properly at start-up rates
- f) Provide the optimum use of deck space, yet allowing sufficient space for operation, maintenance functions, inspections and future upgrade.

2. Engineering Design Contractor Scope

The scope describes the minimum requirements of the responsible engineering design contractor to be followed in carrying out all stages of the Engineering Design for the Production and Processing Unit to be installed on the Roncador Field. The engineering design contractor shall complete the work in accordance with the Brasoil project specifications and directives and the requirements of the Classification Societies'. The scope shall cover the full range of services necessary for the successful completion of the work, which shall include but not be restricted to:

- ◊ Basic Design
- ◊ Detailed Design
- ◊ Material Take-Off
- ◊ Technical Specification of Packaged Equipment
- ◊ Interface Management
- ◊ Strip-out of existing equipment scope
- ◊ Topsides Weight Control
- ◊ Technical Support of Procurement
- ◊ Technical Support of Shipyard
- ◊ Technical Support to Process Start-Up
- ◊ Commissioning Procedures
- ◊ Operating and Maintenance Manuals
- ◊ Document control





Attachment I cont'd.

Engineering Design Contractor scope, cont'd.

- ◇ Safety Analysis
- ◇ Engineering Resource Planning
- ◇ Marine Engineering Co-Ordination of Noble Denton (non-technical)

3. Management

The organisation of the engineering group shall be determined by mutual agreement between Petromec and APEL. It is intended that engineering resource management will be integrated at Project and Engineering Manager level to provide clear focus on project deliverables to both Brasoil and the shipyard, Davie Industries, in an user friendly and timely fashion. On a basic level both Petromec and APEL management will re-locate into the open area of the office to encourage open discussion and resolution of the day to day project problems.

Below the management level it is expected that the initial detailed design organisation may be streamlined in order to reflect a changing role into a procurement and fabrication support function. Core package engineers will be assisted by a flexible multi-disciplined force of engineers and designers.

Manning levels will be determined by project workload and schedule. Petromec have a requirement to receive a technically compliant design, capable of easy fabrication and operation. This will be matched by an APEL commitment to achieve an approved design, delivered to the shipyard within the established schedule dates. Additionally APEL are committed to provide sufficient resources and support to attend to the full duration of the project from basic design until Brasoil acceptance offshore in the Roncador field, as may be requested by Petromec. APEL will advise Petromec in due course, regarding availability of suitable personnel for the various project stages.

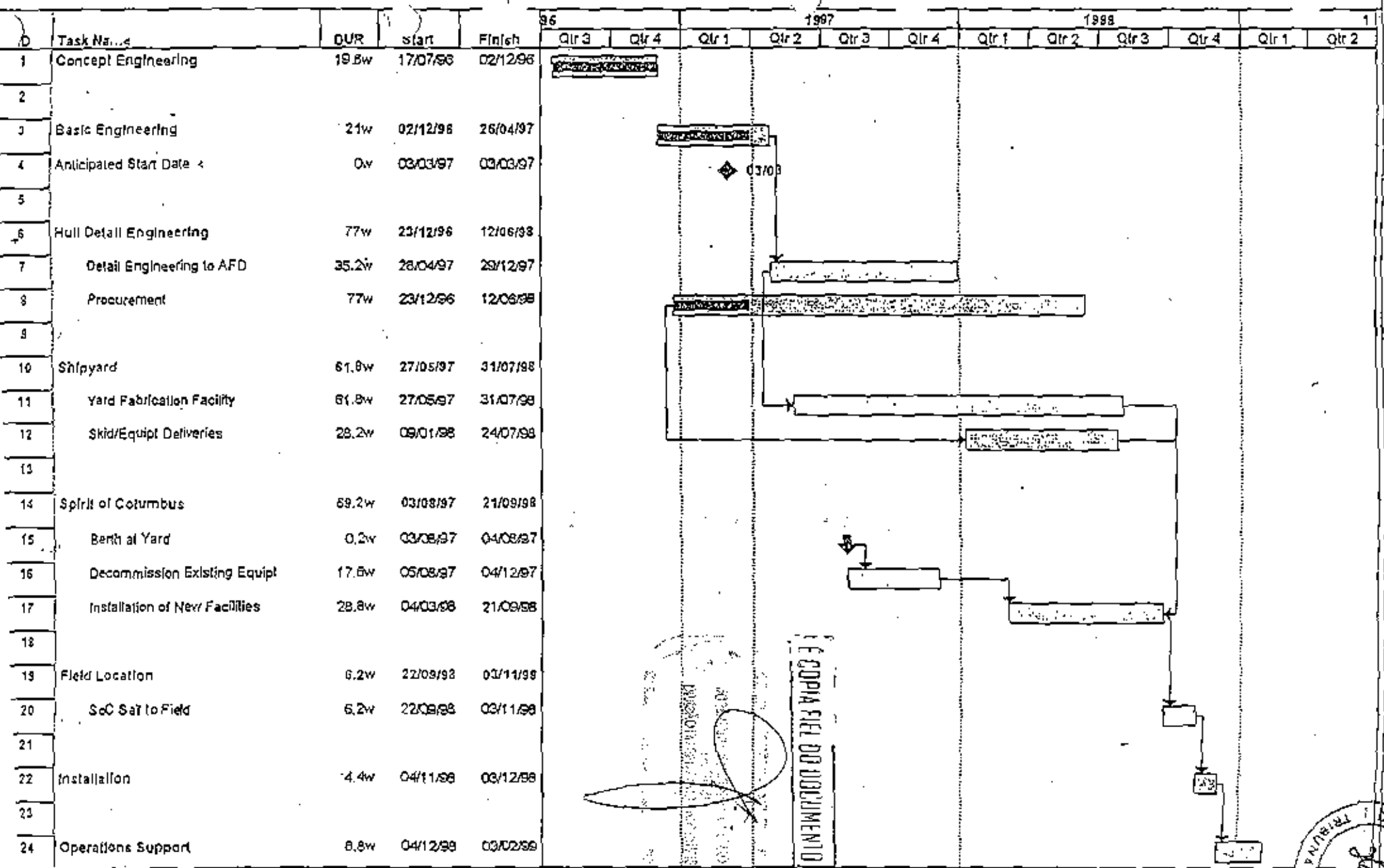
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Page 2

Level 1 Summary for Upgrading of the "Spirit of Columbus"



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ATTACHMENT 3
SCHEDULE OF RATES



1. **Manhours**

APEL's remuneration for provision of the Services shall be on a time and cost basis, as detailed below, for each manhour expended

Grade	Position	£/hour
1	Project Manager, Study Manager Lead Process Engineer	£65.75
2	Principal/Senior Process Engineers, Consultant, Construction Manager, Senior Package Manager	£55.50
3	Process Engineers, Lead Discipline Engineers, Chief Metallurgist, Package Manager	£49.50
4	Principal Engineers, QA Engineer	£46.75
5	Senior Engineers	£41.75
6	Engineers, Lead Document Controller	£38.75
7	Design Section Leader	£42.00
8	Designer, Draughtsman	£39.25
9	Document Controller, Secretary, Technical Clerk	£21.50

The above rates are inclusive of salaries, payroll burden, overheads, computer costs for APEL personnel, reproduction costs, and profit and shall be applicable for all hours worked, and travelling time, in the United Kingdom. In the event that personnel are required to work outside of the UK separate rates shall be negotiated based on the location and assignment terms.

The rates included in Section 1, Section 3 and Appendix A of this Attachment 3 shall remain fixed, not subject to escalation until 31 December 1998, and thereafter shall be subject to review. However, APEL reserves the right to make any necessary adjustment required as a result of any changes of a statutory nature, or other significant factor, coming into effect subsequent to the effective date of the Agreement.



2. Other Costs

All travel costs and living expenses shall be reimbursed to APEL at net cost.

All international communications charges shall be reimbursed to APEL at net cost.

Any other costs incurred with the prior agreement of the Purchaser shall be reimbursed to APEL at net cost.

3. Office Accommodation and Services for Non APEL Personnel

APEL shall, from the effective date of the Agreement until 31 December 1998, provide, free of charge, furnished office accommodation for non APEL personnel, in accordance with the following calculation :-

For each APEL employee assigned full time to the project, 20 (twenty) square feet of free accommodation for non-APEL personnel, up to a maximum of 1,000 (one thousand) square feet (gross).

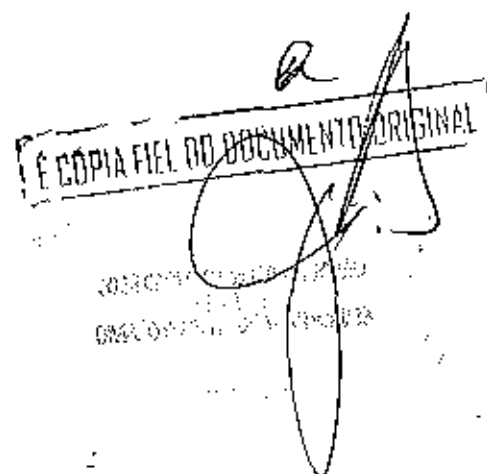
Thereafter, and for any additional office space for non APEL personnel, such space shall be charged at the rate of £45.00 per square foot per annum.

APEL shall, from the effective date of the Agreement until 31 December 1998, provide, free of charge, computer facilities, in accordance with the following calculation :-

For every five APEL employees assigned full time to the project, one desktop computer together with standard software as available on the APEL network free of charge, for the use of non APEL personnel, up to a maximum of ten. In addition, APEL will provide, free of charge, two laser printers until the number of desktop computers drops below five, at which time the number of laser printers will reduce to one.

Thereafter, and for any additional hardware and non standard software, such computer facilities shall be charged at the rates included in Appendix A to this Attachment 4.

All international communications charges shall be reimbursed to APEL at net cost.



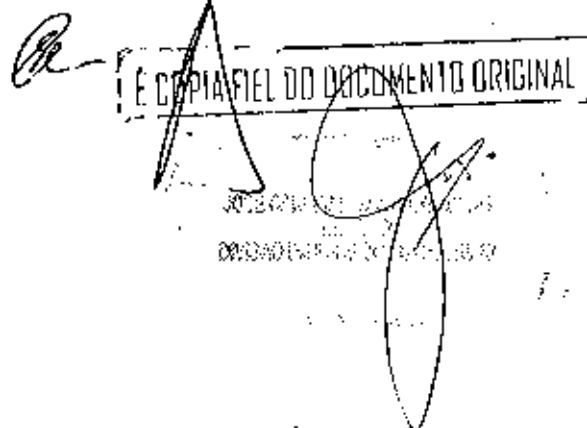


APPENDIX A TO ATTACHMENT 3

APEL London Computer Hardware Charges

Category	Description	Monthly Charge £
A	PC - 486's	* 170
B	PC - Pentium Standard up to P166 MHz	* 270
C	PC - Pentium Standard +	* 319
D	PC - Notebook	* 369
CAD1	2D Drafting Workstation	369
CAD2	Sun Workstation	493
CAD3	RAPID / SPEID Workstation	291
FS	Fileserver (Novell) Shared	In PC Rates
FSD	Fileserver (Novell) Dedicated	1,082
INTC	Intergraph Clipper Workstation	697
INTS	Intergraph Server	1,693
LA3	Laser Printer - A3	353
LA4	Laser Printer - A4	105
PLA0	Plotter - A0	307
PLA3	Plotter - A3	57
PLVD	Versatec Plotter - Dedicated	875
PLVS	Versatec Plotter - Shared	292
PONT	Laser Printer - High Speed / Pontis / Colour Copier	446
SGF	Silicon Graphics Fileserver	1,120
SGR	Review	1,205
SGT	Silicon Graphics	422

* Rates for PC's include a proportion of the fileserver, network charges and all standard software - MS Office, MS Mail and Scheduler etc.. Special software requirements are extra at the rates shown overleaf.





APPENDIX A TO ATTACHMENT 3

APEL London Computer Software Charges

Software Description	Monthly Charge £
Access	10
Artemis 7000	110
ASAS-H Offshore	150
At Risk	10
Autocad	150
AWCS	15
BR&E Simulation	270
BS5950 Gold	tba
C & E	tba
Cablemaster Designer	250
Cabsys	140
Caesar 2	130
Captor	90
Cascade2	488
Chemcad	190
Cobra	110
COBRA (96)	345
Compress	90
COMPRESS	90
Dapper	90
DataEase	20
Dragon	70
ELSI-DIAMOND System	90
Equipment & Weight database	99
ERACS	500
ESI	150
Finglow & Asme	30
FLARENET	300
Forest & Trees	23
Freelance v2 for Windows	30
GIDS	130
GIDS-LEASE	550
GRLWEAP	100
HTFS	146
Hydra	tba
Hysim	460
I*SIM	725
IMPOS	30

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APPENDIX A TO ATTACHMENT 3

APEL London Computer Software Charges

Software Description	Monthly Charge £
Instrucalc	16
ISOGEN	50
Linelist	130
Logan	50
Lotus 1-2-3	30
LUSAS from FEA	1,170
MATHCAD	20
Matproc	150
Medusa (incl Cascade 1)	720
Microstations	365
MMS	150
Moses	1,400
MS PROJECT	10
MS PUBLISHER	10
MULTIFLASH	tba
Omnipipe	120
OPENPLAN	190
OPERA	20
Oracle	10
PATHOS2	40
PCDCS - NTD	150
PDMS	630
PDS	1,500
Phoenix	625
PICS	65
Pipesim	160
Plato	560
PMTO	730
PMTO lite	950
Primavera	50
Process Shell	80
Proclash	440
Project data store	630
Q-PULSE	tba
Ramp	50
Rapid	1,416
RC Concrete	50
SDS	66

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APPENDIX A TO ATTACHMENT 3

APEL London Computer Software Charges

Software Description	Monthly Charge £
Seascope & Delta	80
SG Review	389
Specgen	1,000
Speid	1,100
Staad 3	50
Stress 3	50
Superbase	50
Superproject	50
Suppview	250
Tecjet	40
Telcom	50
Timesheet System	65
VERIFY - SUBSEA	1ba
VISIO	10
Visual Basic v2	25
Whazan	40
Zenpipe	40
ZYindex	30

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ATTACHMENT 4
FORM OF BANK GUARANTEE
(To be issued on Bank's headed paper)



(Date)

AMEC Process and Energy Limited
1 Golden Lane
London
EC1Y 0RR

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Dear Sirs,

OUR BANK GUARANTEE NUMBER

We have been informed that you have entered into a contract with Petromec Inc (the 'PURCHASER') with an effective date of the 6th May 1997 for the carrying out of certain services as defined thereunder.

Under the provisions of the said contract (hereinafter called "the Contract") the PURCHASER has agreed to provide you with a Bank Guarantee in the sum and in accordance with the details set out hereinafter.

Now we (name and address of bank) (hereinafter called the "Guarantor") hereby unconditionally and irrevocably guarantee to pay a maximum aggregate sum of £450,000 (four hundred and fifty thousand pounds sterling) and accordingly covenant and agree as follows:-

- a) on the PURCHASER'S failure to fulfil any of the conditions of the Contract as determined by you in your absolute judgement the Guarantor shall forthwith on receipt of a demand made by you in writing at our branch office at (address of branch) such demand to be accompanied by either:-
- i) PURCHASER'S written agreement to such demand; or
 - ii) a determination by a court of competent jurisdiction that the amount demanded is due and payable

pay you such amount or amounts as you shall require not exceeding in aggregate the above mentioned amount of £450,000 (four hundred and fifty thousand pounds sterling).

- (b) Any payment made thereafter shall be made free and clear of, and without deduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any nature whatsoever and by whomsoever imposed.
- (c) The covenants herein contained constitute unconditional and irrevocable direct obligations of the Guarantor. No alteration in the terms of the Contract or in the extent or nature of the work to be performed thereunder and no allowance of time by you or other forbearance or concession or any other act or omission by you which but for this provision might exonerate or discharge the Guarantor shall in any way release the Guarantor from any liability thereunder.
- (d) This Guarantee shall remain valid and in full force and effect until all of the PURCHASER's obligations under the Contract have been duly performed or until the thirty first day of December nineteen hundred and ninety eight whichever is the earlier.
- (e) This Guarantee may only be assigned with our prior consent in writing, which consent shall not be unreasonably withheld.
- (f) This Guarantee shall be governed by and construed in accordance with English law and be subject to the exclusive jurisdiction of the English courts.



Yours faithfully,
for and on behalf of
(name of Bank)

R.

(Name)

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AMEC PROCESS AND ENERGY



Offshore Project Experience

AMEC has engineered 25 offshore projects with oil (and/or condensates) and gas production facilities. Of these projects, 22 are fixed platforms, 1 is a semi-submersible vessel and 2 are shipshape FPS platforms.

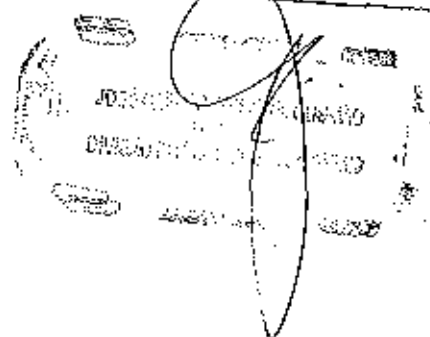
A spreadsheet summarising the principal process systems included on each of these projects follows.

AMEC is a 'total capability' company having expertise and experience in offshore oil and gas engineering, procurement, fabrication, installation (with alliance partners), hook-up, commissioning, project management, offshore operations and maintenance.

AMEC objectives within all of these activities are to :-

- Design/provide safe, operable and maintainable facilities
- Meet client requirements
- Provide facilities which avoid unnecessary environmental pollution

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SHELL SHEARWATER	1998	✓	✓	✓	✓	✓	✓	✓	✓	✓
SHELL CURLEW	1996	✓	✓	✓	✓	✓	✓	✓	✓	✓
CONOCO/CHEVRON BRITANNIA	1995	✓	✓	✓	✓	✓	✓	✓	✓	✓
BRITISH GAS ARMADA	1994	✓	✓	✓	✓	✓	✓	✓	✓	✓
TOTAL DUNBAR	1991	✓	✓	✓	✓	✓	✓	✓	✓	✓
AGIP TIFFANY	1990	✓	✓	✓	✓	✓	✓	✓	✓	✓
SHELL/ENTERPRISE NELSON	1990	✓	✓	✓	✓	✓	✓	✓	✓	✓
SHELL GANNET	1989	✓	✓	✓	✓	✓	✓	✓	✓	✓
MARATHON EAST BRAE	1988	✓							✓	
AMOCO INDEFATIGABLE 'D'	1987	✓								
BP MV SEILLEAN (SWOPS)	1984	✓	✓							
SHELL EIDER	1984	✓	✓	✓	✓	✓	✓	✓	✓	✓
BP S E FORTIES 'ECHO/ALPHA'	1984	✓	✓	✓	✓	✓	✓	✓	✓	✓
ARCO SHIP SHOAL 332A	1984	✓	✓	✓	✓	✓	✓	✓	✓	✓
MARATHON BRAE 'B' (NORTH)	1983	✓							✓	
SABAH SHELL BAYAN 'A'	1982	✓	✓	✓						
BRITISH GAS MORECAMBE BAY	1981	✓							✓	
MARATHON BRAE 'A' (SOUTH)	1979	✓	✓	✓	✓	✓	✓	✓	✓	✓
BP MAGNUS	1978	✓	✓	✓	✓	✓	✓	✓	✓	✓
BP BUCHAN 'A'	1977	✓	✓	✓					✓	
CONOCO MURCHISON	1976	✓	✓			✓	✓	✓	✓	
MOBIL STATEFJORD 'A'	1974	✓	✓	✓	✓	✓	✓	✓	✓	✓
SHELL CORMORANT 'A'	1974	✓	✓	✓	✓	✓	✓	✓	✓	✓
OCCIDENTAL CLAYMORE 'A'	1974	✓	✓	✓	✓	✓	✓	✓	✓	✓
SHELL BRENT 'C'	1974	✓	✓	✓	✓	✓	✓	✓	✓	✓
		CONTRACT AWARD	WELL CONTROL	OIL (& CONDENSATES), WATER & GAS SEPARATION	OIL (& CONDENSATES) PROCESSING, TREATMENT & TRANSFER	WATER INJECTION	GAS COMPRESSION	GAS PROCESSING & TRANSFER	GAS INJECTION	ELECTRIC POWER GENERATION & DISTRIBUTION

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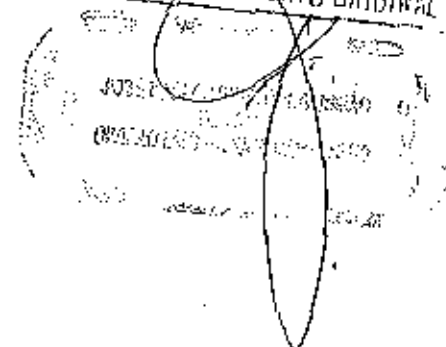


Floating Production Systems:

AMEC Process and Energy have experience in floating systems as follows:-

YEAR	CLIENT	PROJECT	DESCRIPTION	AMEC RESPONSIBILITIES
1977	BP	BUCHAN 'A'	Semi-sub conversion	Engineering
1984	BP	SWOPS	Single well oil production system, new build shipshape MV Seillan	Engineering
1995	Shell	Anasuria	Teal, Guillemot, new build shipshape FPSO	Fabrication
1996	Shell	Curlew	New build shipshape FPSO	Engineering
1996	Reading and Bates	IOLAIR	Semi-sub conversion	Engineering
1996	Texaco	CAPTAIN	Well head platform and FPSO	Operations

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Project Profiles

The following offshore project profiles are included in this section:-

PROJECT	YEAR AWARDED	F/J
Shell Shearwater	1998	J
Shell Curlew	1998	F
Anasuria (Teal Guillemot)	1995	F
Conoco/Chevron Britannia	1996	J
British Gas Armada	1994	J
Total Dunbar	1991	J
Shell Brent Refurbishment	1990	J
AGIP Tiffany	1990	J
Shell/Enterprise Nelson	1990	J
Shell Cannel	1989	J
Marathon East Brae	1988	J
AMOCO Indefatigable 'D'	1987	J
BP MV Seillean (BWOPB)	1984	F
Shell Eider	1984	J
BP E E Forties 'Echo/Alpha'	1984	J
Marathon Brae 'B' (North)	1983	J
British Gas Moracamba Bay	1981	J
BP Buchan 'A'	1977	F
Mobil Statfjord 'A'	1974	J
Shell Cormorant 'A'	1974	J
Occidental Claymore 'A'	1974	J

F = Floating

J = Jacket

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AMEC

Offshore

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Curlew



Background

The Curlew Field located in the Central North Sea area with reserves of 71 million barrels of oil and 244 billion cubic feet of gas is being developed via subsea facilities feeding into an FPSO (floating production, storage and offloading) system. The main elements of the development are an FPSO vessel, a shuttle tanker and a subsea system. The FPSO is based on the conversion of an existing 100,000 tonnes tanker, the Maersk Dorset. It will have a production capacity of 45,000 barrels of oil and 100 MMscfd (2.8 MMscmd) of gas and a storage capacity of 560,000 barrels of oil.

Scope of work

The Curlew development is being undertaken on an Alliance basis known as the MAS Alliance which consists of Maersk, AMEC and SBM (Single Buoy Moorings). The contract for the development is an EPIC (engineer, procure, install, commission) with Maersk owning and operating the vessel. AMEC Process and Energy are responsible for the overall engineering and procurement of the topside facilities and utilities, topsides construction, installation, hook-up and precommissioning, installation of the turret and management of the CSO (Collexip Stens Offshore) subsea contract. SBM will design the turret, swivel slack and the mooring system.

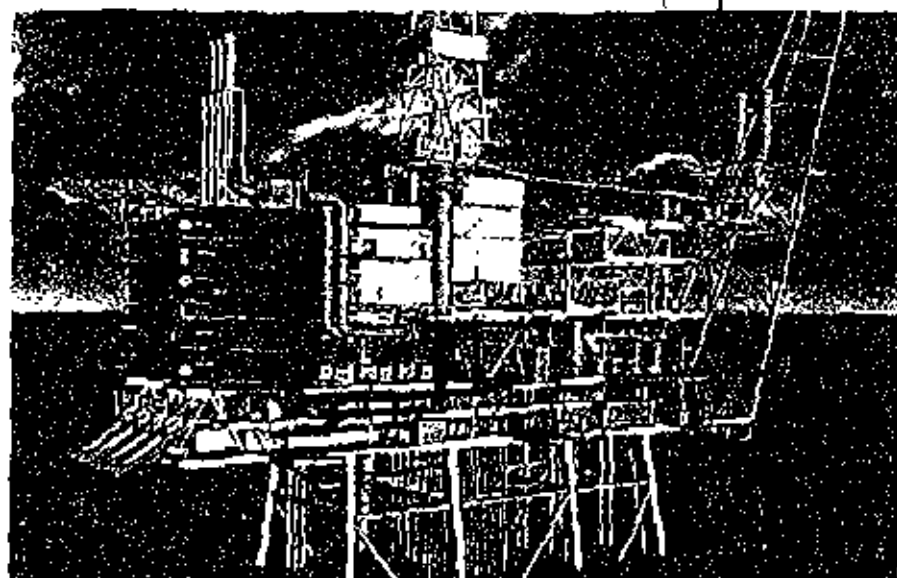
Key Data

Client	Maersk Dorset FPSO and subsea system
Design	AMEC Process and Energy
Location	Central North Sea, UK
Logistics	Maersk Dorset FPSO
Topside	Maersk Dorset FPSO
Production	Maersk Dorset FPSO
CAPEX	Maersk Dorset FPSO

AMEC

Offshore

Britannia



CONOCO



Background

The Britannia field is being developed via production centres - two subsea and one platform based. The two subsea manifolds are connected via infield flowlines to the platform. The platform comprises a drilling template, eight-leg-jacket and topsides facilities for production, utilities, accommodation, drilling and flaring. Each of the subsea manifold centres will have 15 slots and there are production and test lines connecting the manifolds in series to the platform.

The topsides integrated deck incorporates gas and condensate processing and utility generation. A separate compression module of 5,000 tonnes will provide three trains for export compression. There is also an LQ module for 144 beds and associated facilities. The on-platform drilling facilities encompass a full 3,000 tonne drilling facilities module, drilling substructure and derrick. Due to reach and depth of wells, derrick rating is substantial.

Scope of work

The contract between Conoco, Chevron and AMEC is on the basis of an 'alliance' for full management, engineering, procurement and services for the infield facilities. The alliance form of contract is based on one integrated team with common objectives. The single organisation comprises staff from both operator and contractor, and the best skills are being sourced from all companies in the alliance to ensure the best for Britannia.

Key data

Client	Britannia Development Ltd Conoco UK plc Chevron UK Ltd
Project	BRITANNIA 1543
Location	Central North Sea UK Sector 1543/36-37/30
Start	April 1997 Oct 1998 (first phase)
Water	150 metres, 100 feet depth
Topsides	18,000 tonnes
Production	12.5 million bbl per day (initially) expandable to 15 million bbl per day
CAPEX	£1.5 billion (\$2.5 billion)

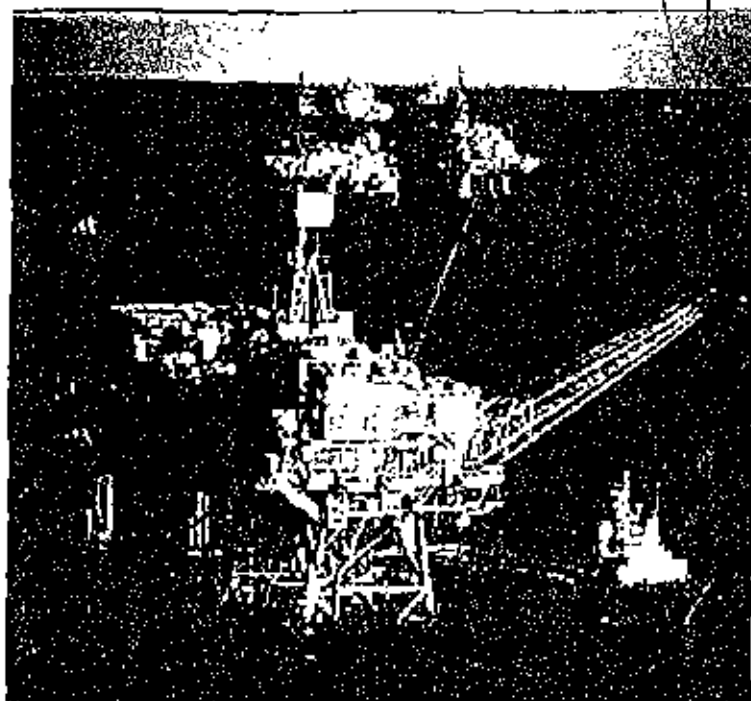


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Brent field



Key data

Client	Shell Expro (Shell / Esso)
Project	Brent field redevelopment
Location	Central North Sea (UK block 211/3)
Date	beginning 1989
CAPEX	£1.3 billion US\$ 2 billion

Background

There were three main reasons behind the Brent redevelopment project. The four ageing platforms needed to be upgraded and refurbished to enable efficient and reliable production over the next 15 to 20 years. Secondly, new safety requirements had to be satisfied (post Cullen report); and thirdly, new facilities would be needed to allow the reservoir to be operated at lower pressures.

Depressurisation from 130 to 40 bar allowed the capacity of gas to expand giving additional oil recovery as well as significant gas recovery. This enabled Shell to provide for the extension of the field's gas plateau to well beyond the year 2000.

The Bravo, Charlie and Delta platforms were substantially reconfigured, receiving new living quarters and process facilities, however, as many of the existing facilities as possible were retained. Brent Alpha was upgraded and refurbished but remains an oil producing platform.

Only one platform at a time is shutdown because of contractual commitments to British Gas. Bravo and Charlie have been revamped and recommissioned with Delta being revamped and recommissioned during 1997.

Scope of work

AMEC Process and Energy are the management services contractor for the project providing conceptual and detailed engineering, project management and procurement of the complete project on a partnering basis with Shell Expro.

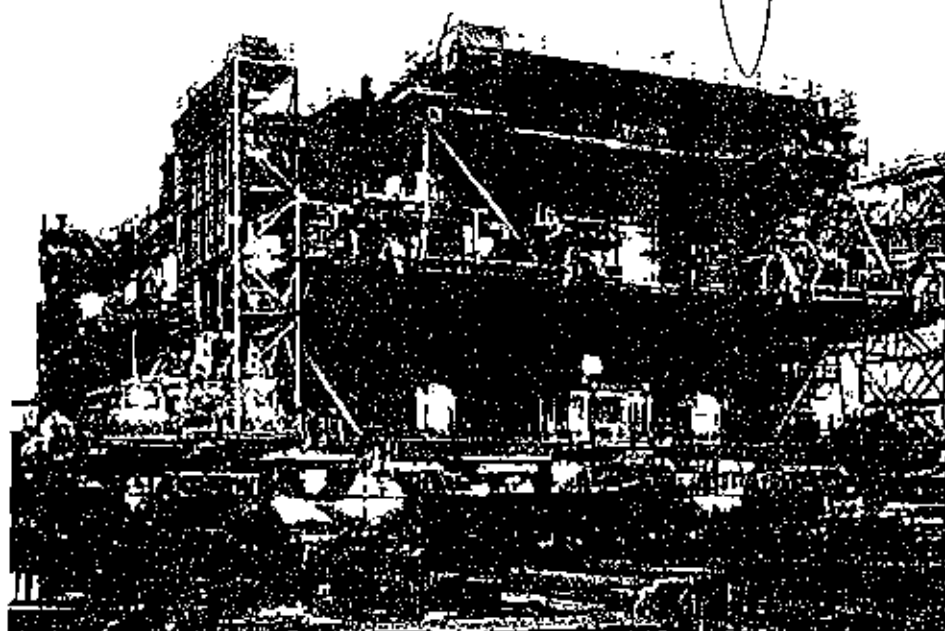


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AMEC

Offshore

East Brae



Background

The East Brae platform was the third of the major production platforms installed to develop the Brae field area with the topsides designed by AMEC Process and Energy.

East Brae is a conventional steel integrated platform installed over a drilling template. Power is imported from both North and South Brae platforms and there are living quarters for 225.

Gas and condensate is sent 15.5 kms to Brae B by pipelines where condensate joins the Brae system to the Forties system. Gas is exported via the SAGE pipeline.

Scope of work

AMEC Process and Energy were the topside design contractor for the Front End Engineering Design (FEED) and the detailed design of the topside facilities including drilling, production, utilities and accommodation.

AMEC also fabricated the 9,600 tonnes integrated deck at its Wallsend yard and underlook the offshore hook-up and commissioning.

Key data

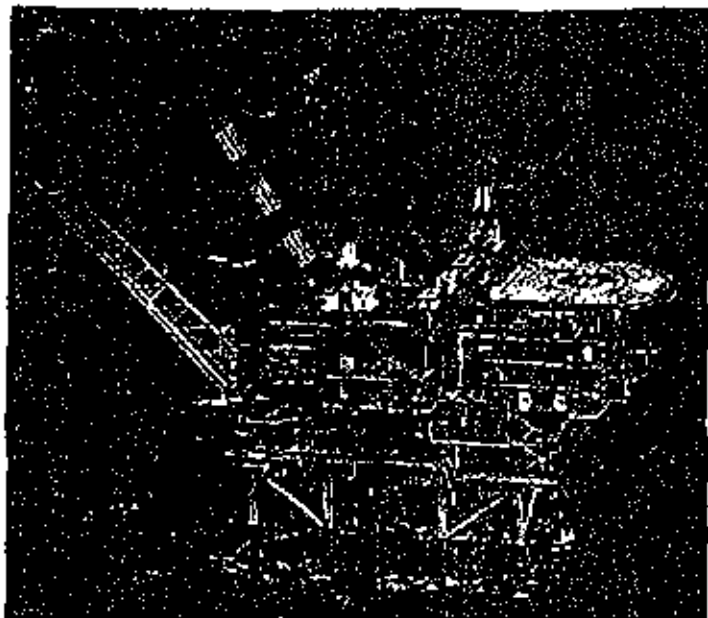
Client	Marathon Petroleum
Project	East Brae production platform
Location	Shetland North Sea UK Continental Shelf
Date	1987
Water depth	110m
Topside weight	4,000 tonnes Total platform weight 15,000 tonnes
Production	Gas 1.75 million condensate 10,000 bbl/d
CAPEX	£270 million

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Offshore

Eider



Key data

Client	Shell UK Exploration & Production
Project	Eider production platform
Location	Northern North Sea UK block 211/10
Date	1984
Water depth	127 metres
Topside weight	11,000 tonnes
Production	50 - 45,000 bopd

Background

The Eider platform has a minimum facilities integrated deck, designed for both manned and unmanned operation. The design also includes removable drilling modules and a living quarters which could be mothballed. Partially processed crude oil is exported via the pipeline to North Cormorant, where the crude is co-mingled with North Cormorant production and where addition oil/gas separation takes place.

AMEC Process and Energy's design included incorporating the process, utility and wellhead facilities into one large module with a lift weight of 5,000 - which substantially reduced the offshore hook-up and installation time and costs.

Scope of work

AMEC Process and Energy were responsible for the conceptual and detailed design for the topsides facilities as well as the conceptual design of the modifications required for the North Cormorant platform.



Shell gives 1,000 jobs boost to north-east

By Charles Batchelor
and Chris Tighs

Tony Blair will today unveil a £300m contract that will create at least 1,000 jobs in the offshore engineering sector in the north-east of England.

Shell, the international oil group, has placed an order with Amec, the engineering company, for the design and construction of the production facilities on board a 300,000-tonne floating oil platform destined for the Bonga offshore field in Nigeria.

Mr Blair, who will be accompanied on his visit to the north-east by Stephen Byers, trade and industry secretary, is expected to give a warm welcome to the jobs at a time when many companies are making people redundant.

The government is sensitive to the fact that it appeared to have been caught unprepared when Corus, the Anglo-Dutch steel group, announced several thousand job losses earlier this year.

The new jobs will provide a boost to the north-east's fabrication yards where employment has shrunk from 20,000 three years ago to fewer than 10,000.

Of the five big yards, two have shut their gates in the past year: Kvaerner Offshore's Port Clarence facility on the Tees is closed and seeking a buyer and Odebrecht's yard in Middlesbrough has been sold to Able Engineering, which is chasing rig decommissioning work.

The 1,000 jobs will be split about 50:50 between Amec's yard at Wallsend on the Tyne and Harlepool although the employment of subcontract labour can swell the number of jobs created by between a third and a half.

Amec will supply 17,000 tonnes of equipment in modules that will be fitted on to the vessel that is currently under construction at a Samsung yard in South Korea.

Installation work will start in August 2002, when the vessel has been brought to the Tyne. It is due to sail to Nigeria to start handling oil in November 2003.

The platform will be moored in 1,000m-deep water to receive oil and gas pumped from under the seabed. It will offload oil into tankers and pump the gas ashore by pipeline.

This will be the third floating platform completed at the Wallsend yard and will, Amec hopes, enable it to win further orders for the Bonga field and other offshore fields in west Africa.

North-east England's offshore fabrication yards on the Tyne and Tees have played a crucial role in the North Sea oil and gas industry over the past 20 years; the north-east has built more than 60 per cent of the processing, utilities and accommodation modules operating in the UK sector.

The industry and the government have co-operated on the Pilot Initiative, which aims to export the knowledge and technology applied in the North Sea to other regions around the world.

BIOTECHNI

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By Francesco Gu

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DATED 14[#] July

1997

PETROMECC INC

AND

DAVIE INDUSTRIES INC

UPGRADING CONTRACT
RELATING TO
THE SEMI-SUBMERSIBLE DRILLING PLATFORM
SPIRIT OF COLUMBUS

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RECEBIDO
2005/07/14
14/07/2005

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THIS CONTRACT made the

14TH

day of

July

1997



BY AND BETWEEN:

- (1) PETROMECH INC a company incorporated and existing under the laws of the British Virgin Islands with its registered office at the Tropical Isle Building, PO Box 438 Road Town, Wickhams Cay, Tortola, British Virgin Islands ("the Company")

AND:

- (2) DAVIE INDUSTRIES INC, a company incorporated and existing under the laws of Canada with its registered office at 22 George D Davie, Lévis (Québec), Canada G6V 8V5 ("the Contractor")

WITNESSES AS FOLLOWS:

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WHEREAS:

- A. SOCIETÀ ARMAMENTO NAVI APPOGGIO SpA ("SANA") is the sole owner of a Semi-Submersible Drilling Platform known as *Spirit of Columbus* to be renamed *Petrobras-36* ("the Unit") which is registered at the port of Napoli in Italy.
- B. By a purchase agreement dated 20 June 1997 ("the Head Purchase Agreement") between SANA and PETRO-DEEP INC ("Petro-Deep") SANA has agreed to sell the Unit to Petro-Deep or its nominee.
- C. By a bareboat charter and purchase agreement dated 20 June 1997 ("the Bareboat Charter and Purchase Agreement") between Petro-Deep and BRASPETRO OIL SERVICES Company ("Brasoil") Petro-Deep has agreed to upgrade the Unit in accordance with the specification defined therein and to charter and sell the upgraded Unit to Brasoil.
- D. By a bareboat charter dated 20 June 1997 ("the Bareboat Sub-Charter Agreement") between Brasoil and PETROLEO BRASILEIRO S.A. ("Petrobras") Brasoil has agreed to bareboat charter the Unit to Petrobras for intended operation off the coast of Brazil.
- E. By an upgrade contract dated 20 June 1997 Petro-Deep has contracted with the Company for the provision of upgrading work on terms approved by Brasoil and Petrobras.
- F. Separately the Company has contracted with NOBLE DENTON and AMEC for design work for which the Contractor has no responsibility under this Contract.
- G. With the written approval of SANA, Petro-Deep, Brasoil and Petrobras the Company wishes to effect a certain part of the upgrading works ("the Works") to the Unit.
- H. The Contractor has represented to the Company that it possesses the necessary technical and financial resources to undertake the Works.
- I. The parties have agreed to conclude a contract in respect of the Works on the terms and conditions hereafter set out.

Spirit of Columbus Contract

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NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. DEFINITIONS

1.1 In this Contract the following words and expressions, shall, except where the context otherwise requires, have the meanings hereby assigned to them:

"Annex" means an Annex comprised in the Specification;

"Banking Days" means days (other than Saturday) on which banks are open for business in each of London, New York and Montreal;

"Classification Society" means RINA and/or (in the case of the new process equipment forming part of the Works) American Bureau of Shipping;

"Company Supplied Items" means all Materials and Equipment required in connection with the Works which are not specifically identified in this Contract and/or the Specification as to be procured or supplied by the Contractor, and which the Contractor does not agree to procure or supply under a Modification;

"Contract Price" has the meaning assigned to it in Clause 10.1;

"Delivery" means delivery of the Unit by the Company to the Contractor in accordance with Clause 4.5;

"Effective Date" has the meaning assigned to it in Clause 25;

"Guarantee Period" has the meaning assigned to it in Clause 9;

"Job Site" shall mean the place approved by the Company where the Unit will be moored whilst the Works are carried out, being alongside Pier 29 in the Port of Québec;

"Materials and Equipment" means any and all materials, equipment, machinery (including spare parts) and/or items of supply required to be procured or supplied hereunder in connection with the performance of the Works;

"Milestones" means the various stages of completion of the Works (as hereafter defined) set out in Appendix B hereto;

"Modifications" means a Requested Change or a Required Change within the meaning of Clause 5;

"Planned Programme" means the Contractor's Program for performance of the Works set out in Appendix C hereto as the same may from time to time be varied;

"Prime Rate" means, for any day, the rate of interest, expressed as an annual rate, quoted or announced on such day by the National Bank of Canada in the City of Montreal, as being its

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reference rate for determining interest rates on commercial demand loans made by it for its own account in Canada in US Dollars;

"Principal Drawings" means the Principal Drawings listed in Appendix A hereto produced or required to be produced by the Company under and in accordance with this Contract, as any or all of the same may from time to time be varied in accordance with the provisions of this Contract;

"Redelivery" has the meaning assigned to it in Clause 6.2;

"Redelivery Date" has the meaning assigned to it in Clause 6.1;

"Regulatory Bodies" means the bodies listed in the Specification having regulatory responsibilities and authority in respect of the Works;

"Shipyard" means the Contractor's shipyard and associated facilities located at Lévis, Québec, Canada;

"Specification" means Annexes I to X listed in Appendix A hereto copies of which have been initialled by the parties for the purpose of identification, as any or all of the same may from time to time be varied in accordance with the provisions of this Contract;

"Works" means all of the works required to be undertaken by the Contractor to upgrade the Unit and to render her in a condition fully complying with the requirements of this Contract, the Specification and the Principal Drawings including (a) all appropriate and necessary works as detailed in the Specification and the Principal Drawings; and (b) all works undertaken in respect of Modifications pursuant to Clause 5;

Other terms used in this Contract are defined hereafter.

This Contract includes the Specification and the Principal Drawings. In the event of any conflict, ambiguities or inconsistencies between the provisions of this Contract on the one hand and the Specification and/or the Principal Drawings on the other hand, the provisions of this Contract shall take precedence. In the event of any conflict, ambiguities or inconsistencies between the Annexes comprised in the Specification and the Principal Drawings, such conflict, ambiguities or inconsistencies shall be resolved by giving precedence to the provisions of such Annexes and the Principal Drawings in descending order as listed below:

- 1.1.1 Annex X (Deviations from Basic Design);
- 1.1.2 Annex II (General Technical Specification);
- 1.1.3 Annex I (Contractor's Statement of Work);
- 1.1.4 the Principal Drawings; and
- 1.1.5 Annexes III to IX (General Brasol Directives).

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2. WARRANTIES

- 2.1 The Contractor warrants that it has the experience, construction facilities and capability, including sufficient and competent supervisors and other personnel, efficiently and expeditiously to accomplish the Works within the time frame imposed by this Contract.
- 2.2 The Contractor warrants that it has inspected the Unit and fully acquainted itself as to the nature of the Works, the character, services and labour required prior and during the prosecution of the Works and all other matters which could in any way affect the Works. Any failure by the Contractor to discover matters which may hereafter affect its performance of the Works shall neither relieve the Contractor from any of its obligations under this Contract nor entitle the Contractor to any compensation in respect of said failure.
- 2.3 The Company warrants that:
- 2.3.1 SANA, Petro-Deep, Brasoil and Petrobras are the only parties interested in the ownership of the Unit; and
- 2.3.2 the Company has full authority from SANA, Petro-Deep, Brasoil and Petrobras to award this Contract for the performance of the Works.

3. CONTRACTOR'S OBLIGATIONS

General Responsibility

- 3.1 In consideration of the Company's agreement to pay the Contract Price as hereafter provided, the Contractor shall undertake and complete the Works at the Job Site as expeditiously as possible and within the Redelivery Date.

Design Responsibilities

- 3.2 The Contractor's only responsibility in relation to the design aspects of the Works shall be as detailed in paragraph 3.2 of Annex I. Save as provided in that paragraph it is expressly understood that the Company alone shall be responsible for the design aspects of the Works and their effect on the performance characteristics of the Unit.

Compliance with Laws, Rules and Regulations

- 3.3 Save as provided in Clause 3.4 the Contractor and all Subcontractors shall comply with all laws, rules and regulations which are in force at the date of this Contract and which are applicable to the Works. The Contractor shall obtain at its cost all licenses, permits, certificates and permissions required in Canada for the execution and the completion of the Works.
- 3.4 The Company shall be responsible for obtaining the approval of all drawings, calculations etc. relating to the Works by the Classification Society and Regulatory Bodies, other than those parts of the Works for which the Contractor has design responsibility under paragraph 3.2 of Annex I. The Company shall be responsible for all fees and costs of the Classification Society and the Regulatory Bodies.

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- 3.5 Decisions of the Classification Society as to whether or not the Unit complies with its rules, regulations and requirements shall be final and binding on the parties.

Performance Bond

- 3.6 As a precondition of payment of any instalment of the Contract Price the Contractor shall, at its own expense, provide or procure the provision to the Company of a Performance Bond for THIRTY-FIVE MILLION DOLLARS UNITED STATES CURRENCY (USD35,000,000) to be issued by the America International Group on behalf of the Contractor. The Performance Bond shall be substantially in the terms attached as Appendix D or as otherwise agreed.

4. COMPANY'S RESPONSIBILITIES

Designs, drawings, information and assistance

- 4.1 The Company shall have the responsibility to deliver to the Contractor or procure delivery of all designs, drawings and other technical information identified in this Contract and/or the Specification as to be provided by the Company, including (but without limiting the generality of the foregoing) the Basic Design Documents and Approved for Construction Drawings to the Contractor as defined in Annex I ("Design Information") in good order and within the dates notified in writing by the Contractor to meet the requirements of the Planned Programme.

- 4.2 Should the Company fail to deliver to the Contractor any item of Design Information by the date so notified, provided such notification was submitted by the Contractor to the Company reasonably in advance of the date when the item was required:

4.2.1 any delay in the completion of the Works thereby resulting and judged by reference to "the critical path" shall be deemed Permissible Delay within the meaning of Clause 15; and

4.2.2 the Company shall be liable for any costs reasonably and unavoidably incurred by the Contractor in consequence of any failure to provide Design Information in good order and within the dates required by Clause 4.1.

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- 3 The Company shall also be responsible:

4.3.1 to provide such assistance as the Contractor from time to time may reasonably require in the analysis and interpretation of technical and other information provided by or on behalf of the Company and/or AMEC in connection with the Unit and/or the Works;

4.3.2 to provide such information as the Contractor may reasonably request for expediting the transportation of Company Supplied Items to the Shipyard or the Job Site as appropriate and their inspection, handling and installation in order to meet the Planned Programme.

4.3.3 for the transportation of the Unit to the Job Site.

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Delivery

4.4 Prior to delivery of the Unit to the Contractor the Company shall provide the Contractor with the following:

- 4.4.1 copies of the platform condition loading indicating all ballast, liquids or other items not an integral part of the lightweight;
- 4.4.2 copies of the hydrostatics, trim and stability book, fully up-to-date;
- 4.4.3 an inventory of all loose items stored on board, indicating their location and intended disposition or the security arrangements for those items to remain on board throughout the upgrade;
- 4.4.4 a statement identifying the nature and location of any hazardous materials including asbestos and PCB's, all as defined in Canadian regulations;
- 4.4.5 a statement of any other known safety deficiency or health hazard which might affect the normal conduct of the work or the care and custody of the Unit and its equipment, systems, etc; and
- 4.4.6 all necessary information concerning the preservation/maintenance of the Unit while in the Contractor's custody.

4.5 The Unit shall be delivered to the Contractor between 15 August 1997 and 1 September 1997. Delivery shall be deemed to have occurred when:

4.5.1 the Company has given telex or telefaxed notice of readiness to the Contractor following arrival when the Unit is ready in all respects for the Works to be carried out safely afloat and moored at the Job Site; and

4.5.2 everything referred to in Clause 4.4 has been provided to the Contractor.

whereupon the parties shall sign a Custody Certificate in the form set out in Appendix E hereto.

If the Unit is not delivered to the Contractor by 1 September 1997 then any delay in the completion of the Works thereby resulting and judged by reference to "the critical path" shall be deemed a Permissible Delay within the meaning of Clause 15.

Condition Survey

4.6 Within five days after Delivery or as they may otherwise agree the parties shall conduct a joint condition survey to ascertain and record the state and condition of the Unit as follows:

4.6.1 A physical inspection shall be conducted of all compartments and spaces, including the use of photographs and/or video in order to record the existing condition. Compartment Inspection Sheets shall be prepared to record:

- (a) compartment or space designation;

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- (b) date of inspection;
- (c) a record of the photographs taken;
- (d) unphotographed contents of compartments;
- (e) condition of contents not photographed;
- (f) condition of compartments not definable by photographs;
- (g) handover of keys (if applicable); and
- (h) signatures of Company's and Contractor's representatives.

All photographs shall be marked with the date indicating when the photographs were taken.

4.6.2 All equipment shall, whenever practical, be demonstrated to be fully operational, any defects being recorded and added to the Condition Survey Record. If necessary, it may be agreed between the parties that certain items shall be demonstrated before departure from Italy or at sea. Under such circumstances, suitable arrangements shall be made between the parties for the witnessing thereof.

4.6.3 The complete set of photographs and compartment inspection sheets constitute the Condition Survey Record and shall be supplied to both parties, and shall serve as the official record of the Unit condition to be used as the basis for the acceptance condition of the Unit and its compartments at Redelivery. The Company and Contractor hereby agree that they will accept such records for the purposes of this Contract and that they shall not challenge the validity, authenticity or accuracy of such records in any manner whatsoever.

4.7 The Company shall ensure that, at the time of Delivery, the Unit shall be free of any liens or other encumbrances that might affect the Contractor's efficient conduct of the Works.

4.8 On arrival of the Unit at the Job Site, the Company may request the Contractor to arrange for and supervise as an extra the removal of the Unit's moveable stores and defuelling the cost of which shall be payable by the Company and shall be charged by the Contractor in accordance with the Contractor's rates set out in Appendix G hereto. Such activities shall at all times remain under the control and at the risk of the Company.

4.9 So far as held or reasonably obtainable the Company shall supply the Contractor on request with such technical documentation associated with the existing Unit as built (including any subsequent modifications to the Unit prior to this Contract) as the Contractor may reasonably consider necessary for the efficient performance of the Works. Such documentation to include without limitation construction drawings, as-fitted drawings, technical and operational manuals, stability data and care and preservation instructions. Such documentation to be suitably indexed and, wherever possible, to be in the English language.

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Spirit of Columbus Contract

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4.10 The Company shall notify the Contractor promptly in writing of errors, defects or discrepancies found in the execution of the Works.

4.11 The Company shall approve the Contractor's temporary installations on board the Unit to enable the Works to be carried out at sea, such approval not to be unreasonably withheld or delayed.

Obligations of Other Participants

4.12 As regards the obligations and responsibilities of the various other parties referred to in the Recitals hereto who are interested (under purchase and charter agreements or otherwise) in the Unit and/or the Works, the Company will take all reasonable steps to ensure that such parties act in a manner which does not impede the performance of this Contract.

4.13 The Company will establish in conjunction with Petro-Deep, Brasoil and Petrobras an efficient organisation and process for the exercise of the Company's inspection rights and its participation in commissioning and trials during the performance of the Works by the Contractor.

In particular:

4.13.1 the Company, Petro-Deep, Brasoil and Petrobras will create one inspection and trials team which shall be authorised to act on behalf of all parties; and

4.13.2 all approvals, acknowledgments, signatures, notices or other such actions shall be executed by the Company's Contract Manager or by his duly authorised alternate(s).

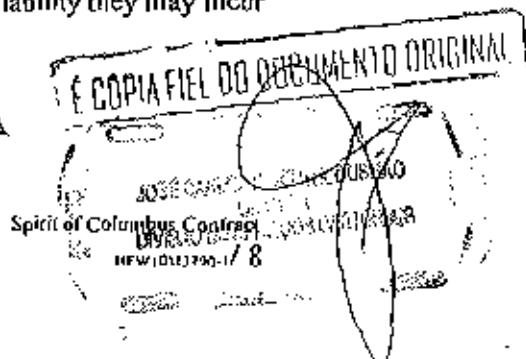
4.14 Within 30 days of the signing of this Contract the Company shall provide to the Contractor a written agreement with Petro-Deep, Brasoil and Petrobras containing their agreements to the above.

5. PERFORMANCE OF THE WORKS, ETC

Performance of the Works

5.1 Concurrently with the Works, the Company may with the approval of the Contractor (not to be unreasonably withheld) also undertake certain works to the Unit by itself or by its own contractors and will require access to the Job Site and to the Unit at all reasonable times for such purpose. The Contractor agrees and undertakes to provide during the normal working hours of the Shipyard all necessary facilities and services to permit the Company and its contractors to undertake such works when approved by the Contractor as aforesaid. The Contractor shall charge for its personnel and for any such facilities and services in accordance with the Contractor's Yard Tariff Rate set out in Appendix G hereto. Whilst working at the Job Site the Company its own contractors and its or their agents and employees will comply with the work rules and safety practices of the Contractor and do nothing to interfere with the Contractor's progress of the Works. The Company agrees to indemnify, hold harmless and compensate the Contractor, its agents and employees for any loss or damages suffered or liability they may incur as a result of the Company's or its own contractors' work.

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Costs and Standards

- 5.2 Except as otherwise expressly provided in this Contract from Delivery until Redelivery all costs of maintaining the Unit at the Job Site (including the provision of electric supply, water and sanitation and moorings but excluding consumable materials and parts, lubricating oils and greases the cost of which shall be borne by the Company) shall be borne by the Contractor. The Contractor may use mooring lines on board the Unit at Delivery but shall replace any thereafter broken.
- 5.3 The Works shall at all times be conducted by the Contractor, in accordance with this Contract and the Specification and otherwise in compliance with normal North American repair and conversion practice for offshore units.

Subcontractors and Suppliers

- 5.4 The Contractor shall not, without the Company's prior approval in writing (not to be unreasonably withheld or delayed) subcontract any part of the Works which exceeds in value USD500,000 or its equivalent in local currency.
- 5.5 The Company shall be responsible for the proper and timely performance of suppliers and subcontractors nominated by it in accordance with the Specification in a like manner as the Company's obligations for Company Supplied Items under Clause 19. Subject thereto the Contractor shall remain fully responsible to the Company for the performance of any works undertaken by its own subcontractors as if the Contractor had itself undertaken the same.
- 5.6 The Contractor shall use all reasonable efforts to ensure that the terms of any subcontract shall not provide for a retention of title by the subcontractor in respect of any Materials and Equipment, and in respect of which each such contract shall provide that title shall pass upon delivery to the Contractor whether or not payment shall have been made to the subcontractor at that time.

Appointment of Company's Superintendents

- 5.7 The Company shall be entitled to send to and maintain at the Job Site and/or the Shipyard up to ten superintendents ("the Company's Superintendents") one of whom shall be the Company's Senior Superintendent. Annex IX makes provision for representatives of Brasoil to participate in supervision of the Works. The Company's Superintendents and Brasoil's representatives shall act as a team on behalf of the Company in supervising and approving the Works. The exercise of such right to supervise and approve shall not, however, in any respect relieve the Contractor of its obligations to undertake the Works in accordance with the requirements of this Contract and Specification. The extent of the authority of the Company's Senior Superintendent and each of the Company's Superintendents and Brasoil's representatives shall be notified in writing to the Contractor in advance of their arrival at the Job Site and/or the Shipyard.
- 5.8 From the date of arrival of the Company's Superintendents at the Job Site and/or the Shipyard until Redelivery, the Contractor shall furnish to the Company's Superintendents on a twenty-four hour seven-day week basis an airconditioned office trailer at or in the immediate vicinity of the Job Site and/or the Shipyard, which shall be properly lit and supplied with electricity and equipped with office furniture, telephones, telefax and two telephone lines to enable the

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Company's Superintendents to make and receive both internal and external (including international) calls at all times. The Company shall, however, pay the telephone and telefax charges incurred by the Company's Superintendents in the supervision of the Works. Additional facilities for Brasoil's representatives shall be provided in accordance with Annex IX.

Contractor's Representative

- 5.9 No later than seven (7) days from the date of execution of this Contract, the Contractor shall advise the Company of the identity of a senior project manager who shall be designated as the Contractor's Representative for the purposes of all dealings with the Company and the Company's Superintendents in connection with the Works. The Contractor shall be entitled to replace the Senior Project Manager from time to time and the Senior Project Manager shall be entitled to delegate his duties from time to time provided that in all cases the Company is given prior written notice of the replacement or delegation.

Inspections

- 5.10 All tests and inspections of the Unit either (a) required by the Classification Society or the Regulatory Bodies or (b) otherwise stipulated in the Specification shall be carried out by the Contractor to ensure that the Works are duly and properly performed. Neither the Classification Society nor the Regulatory Bodies shall, however, have any authority to order additional works for the Company's account.
- 5.11 Except where otherwise previously agreed in writing or required by Annex VIII, the Contractor shall give at least five (5) hours' written notice to the Company's Superintendents of the date and place of any tests, trials, inspections and other scheduled events of material importance to the project. Failure by the Company's Superintendents to be present at such tests, trials and inspections as aforesaid shall, where due notice has been given, be deemed to be a waiver of the Company's right to be present and the Company shall be bound by the results thereof.
- 5.12 The Company's Superintendents shall at all times while the Works are being performed be permitted free and ready access to the Unit, and to any other place where the Works are being undertaken, or Materials and Equipment are being processed or stored in connection therewith. Such rights of access shall extend to all workshops, stores and offices of the Contractor, and the premises of Subcontractors who are doing work or storing Materials and Equipment in connection with the Works. The Company's Superintendents shall at all times observe the works rules prevailing at the Shipyard and do nothing to interfere with the progress of the Works.
- 5.13 If the Company's Superintendents discover any material or workmanship which they consider not to conform to the requirements of this Contract and/or the Specification, they shall give the Contractor notice in writing that such alleged non-conformity exists. Upon receipt of such notice from the Company's Superintendents, the Contractor shall correct such non-conformity. If any disagreement arises between the Parties thereto such discrepancy shall be solved as per the provisions of Clause 23.2.
- 5.14 The Company's Superintendents shall be deemed to be employees of the Company and not the Contractor. The Contractor shall be under no liability to the Company's Superintendents for death, personal injury or damage to their property during the time when they are engaged in the

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duties contemplated under this Contract either on the Unit or within the premises of the Contractor or its Subcontractors unless such death, personal injury or damage to property was caused by the wilful act, omission or negligence of the Contractor, or any of its employees, agents or Subcontractors.

Company's Modifications

5.15 The Company may at any time after the date hereof request the Contractor in writing:

5.15.1 to make changes to the Specification; and/or

5.15.2 to undertake the supply or procurement of Materials and Equipment.

Any such request shall be accompanied by sufficient particulars, documentation and details to enable the Contractor properly to consider the matter.

5.16 If the Company's request ("the Requested Change") can be reasonably undertaken having regard to the stage of completion of the Works, the Planned Programme and the Contractor's other commitments, then the Contractor shall be obliged to carry out the same but shall be entitled to any increase (and shall concede any decrease) in the Contract Price or adjustment of the Redelivery Date or any other provisions of this Contract or the Specification which the Requested Change reasonably necessitates and which are agreed in writing by the Contractor and the Company or determined in accordance with Clauses 5.17, 5.18 and 5.19.

5.17 Within seven days after receipt of a Requested Change the Contractor shall notify the Company in writing of any adjustments to the Contract Price, etc which it considers necessary in consequence thereof. On the basis of such notification the Company shall no later than ten days thereafter elect in writing to:

5.17.1 agree to the adjustments notified, in which case the Contractor shall construct the Unit in accordance with the Requested Change;

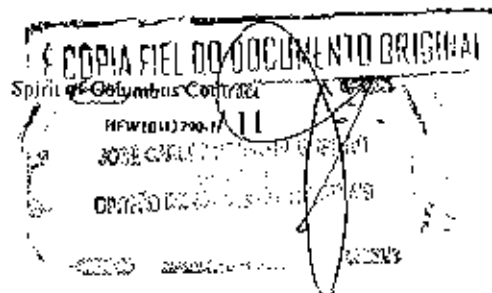
5.17.2 contest the reasonableness of the adjustment notified, in which case Clause 5.19 below shall apply; or

5.17.3 withdraw the Requested Change, in which case the Unit shall be built without reference to the same.

5.18 If within fifteen days after such notification the Company has made no election as aforesaid, then the adjustments notified by the Contractor shall be deemed to have been withdrawn by the Company.

5.19 If, however, the Company notifies the Contractor in writing that the Company wishes to implement the Requested Change but disputes the reasonableness of the adjustments, and the parties are unable to agree on a "time and materials" basis for costing the Requested Change under Clause 5.25, the matter shall be determined by an expert in accordance with the provisions of Clause 23.2. The costs of such expert in reaching his decision shall be met by "the losing" party. Pending the decision of the aforesaid expert, the Contractor shall continue with the Works in accordance with the Requested Change.

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- 5.20 The agreed extra cost of any Requested Change or that decided by the expert shall be paid by the Company and any cost savings by the Contractor as a result of any Requested Change shall be paid to the Company in accordance with Clause 10.4.

Statutory Modifications

- 5.21 In the event of any changes to rules, regulations and/or requirements of the Classification Society and/or Regulatory Bodies and/or other rules or regulations compulsorily applicable to the Works the Contractor shall, within seven days of its becoming aware of the same, give notice to the Company of:

5.21.1 the change required to be made to the Specification ("the Required Change");

5.21.2 any estimated extra or reduced cost of completing the Works in accordance with the Required Change together with any documentation substantiating such cost which the Company reasonably requires; and

5.21.3 the effect of the Required Change on any other provisions of this Contract or the Specification (including without limitation any change to the Redelivery Date).

- 5.22 The Company may apply for a formal waiver of compliance with the Required Change from the body having power to grant such waiver if the Company considers that the operation of the Unit in its intended service would permit of such waiver, and shall notify the Contractor as soon as possible after receiving the decision of such body. In applying for any waiver, the Company may call upon the Contractor for assistance and the Contractor will provide reasonable co-operation to the Company in this respect.

- 5.23 Pending the grant of any waiver as aforesaid, the Contractor shall be entitled to construct the Unit in accordance with this Contract and Specification but shall use its best endeavours to minimise any costs and loss of time which might arise if a waiver were obtained.

- 5.24 If the Company notifies the Contractor in writing that the Company disputes the reasonableness of the extension or variation notified, and the parties are unable to agree on a "time and materials" basis for costing the Required Change under Clause 5.25, the issue of what is a reasonable extension or variation shall be referred to an expert in accordance with the provisions of Clause 23.2. The costs of such expert in reaching his decision shall be met by "the losing" party. Pending the decision of the said expert, the Contractor shall continue with the Works in accordance with the Required Change.

Pricing of Modifications

- 5.25 In relation both to Requested Changes and Required Changes as aforesaid in the event that the parties cannot agree upon a lump sum, the Contractor's quotations in respect of any increase or decrease in the Contract Price relating thereto shall, if requested in writing by the Company, be calculated on a "time and materials" basis. In relation to quotations effected on a "time and materials" basis, the Contractor shall apply the following parameters:

5.25.1 labour costs shall be charged at the agreed hourly rates set out in Appendix G;



5.25.2 the cost of all Materials and Equipment shall not exceed one hundred and ten per cent of the cost to the Contractor of the same (inclusive of the costs of delivery of those Materials and Equipment to the Shipyard); provided, however, that the Contractor shall in all cases endeavour to obtain the best price terms and trade discounts from suppliers and subcontractors for the benefit of the Company.

Local Conditions, etc.

- 5.26 The Contractor at its cost with the prior approval of the Company (not to be unreasonably withheld or delayed) may make minor modifications to the Works found necessary to suit local conditions and facilities, the availability of Materials and Equipment, the introduction of improved construction and/or production methods or otherwise.

Substitution Of Materials

- 5.27 If any of the materials and equipment required by the Specification and/or otherwise under this Contract for the Works cannot be procured in time to meet the Redelivery Date or are in short supply, the Contractor may subject to the Company's prior written approval supply other materials of similar quality capable of meeting the requirements of the Classification Society and of the other rules, regulations and requirements with which the Works must comply. Such approval from the Company shall not be unreasonably withheld or delayed.

6. DATES FOR REDELIVERY, DELAY

The Unit

- 6.1 The Unit shall be redelivered to the Company completed as regards all of the Works on or before 31 October 1998. This date, or the date to which the same may be postponed pursuant to the provisions of this Contract, shall be referred to herein as "the Redelivery Date".
- 6.2 Subject to Clause 8.3 Redelivery of the Unit shall be deemed to occur upon the execution by the Company and the Contractor of a Protocol of Redelivery and Acceptance pursuant to the provisions of Clause 8.2.

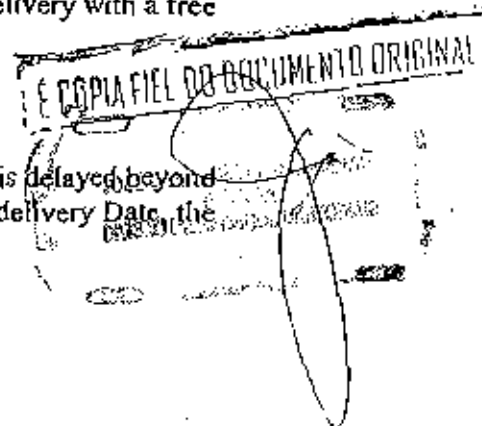
Premium for Early Redelivery

- 6.3 Should the Works be completed before the Redelivery Date the Company shall pay to the Contractor a premium equal to USD20,000 for each full day of earlier Redelivery with a free margin of 30 days.

Liquidated Damages for Delay, Termination

- 6.4 Subject to the following provisions of this Clause 6 if Redelivery of the Unit is delayed beyond the Redelivery Date then, beginning at twelve o'clock midnight on the Redelivery Date, the Contractor shall pay to the Company as liquidated damages:

- 6.4.1 for the first 30 days' delay, nil;



6.4.2 for the next 150 days' delay, USD20,000 per day;

6.4.3 for any delay after 180 days, nil.

6.5 If Redelivery of the Unit has not occurred by:

6.5.1 the expiry of 90 days after the Redelivery Date; or

6.5.2 30 April 1999;

then the Company may rescind this Contract by notice in writing to the Contractor in which case the provisions of Clause 16 shall apply. Any such notice of rescission shall be effective from receipt by the Contractor.

Early Removal of the Unit

6.6 If at any time it becomes reasonably apparent that for whatsoever reason (whether or not the fault of either party) the Works cannot be completed in time to allow Redelivery of the Unit to take place before the onset of ice and/or adverse winter conditions in Québec (expected no later than 15 December 1998) then the parties will co operate in good faith with a view to making arrangements mutually acceptable to them in the circumstances, including arrangements for the future conduct of the Works and the apportionment of additional costs.

6.7 If mutually acceptable arrangements as aforesaid cannot be agreed within a reasonable time then the Company in its absolute discretion may by notice in writing to the Contractor (the period of such notice to be reasonably adequate having regard to the amount of work necessary to make the Unit safe and seaworthy in which respect the Contractor will provide such information as the Company may reasonably require) elect:

6.7.1 to remove the Unit to such convenient ice-free place for continuation of the Works as the Company may nominate and the Contractor may approve (such approval not to be unreasonably withheld or delayed) and either allow the Contractor to complete the Works directly or through subcontractors (if reasonably practicable) or terminate this Contract; or

6.7.2 not to remove the Unit and to continue with this Contract.

6.8 If the Company elects to remove the Unit but not to terminate this Contract then the parties will co operate in good faith with a view to making mutually acceptable arrangements to allow the Contractor to complete the Works and in particular:

6.8.1 the Contractor will take all reasonable steps to make the Unit ready for departure from the Shipyard in a safe and seaworthy condition and render all necessary assistance to the Unit in leaving the Shipyard before the onset of ice and/or adverse winter conditions, provided that the Contractor will be entitled to continue with the Works for as long as reasonably practicable and any delay in the completion of the Works resulting from the need to make the Unit ready for departure and judged by reference to "the critical path" will be deemed a Permissible Delay within the meaning of Clause 15;



6.8.2 the Company will provide such co operation and assistance as the Contractor may reasonably require to allow the performance of the Works to continue (for example, by use of riding crews) with minimum interruption following removal of the Unit; and

6.8.3 any time while the Unit is in transit to the place nominated for continuation of the Works will not count for the purpose of calculating liquidated damages under Clause 6.4.

6.9 If the Company elects to terminate this Contract then:

6.9.1 the provisions of Clauses 16.2.1, 16.2.2, 16.2.3 and 16.2.4 will apply *mutatis mutandis*; and

6.9.2 the provisions of Clause 16.2.5 will apply if the failure to complete the Works in time to allow Redelivery of the Unit to take place before the onset of ice and/or adverse winter conditions is caused by the Contractor's default.

6.10 If the Company does not elect to remove the Unit or (following an election to remove the Unit and for reasons for which the Contractor is not responsible) the Unit cannot be removed before the onset of ice and/or adverse winter conditions preventing departure then any subsequent delay in the completion of the Works and/or Redelivery of the Unit resulting from ice and/or adverse winter conditions and judged by reference to "the critical path" will be deemed a Permissible Delay within the meaning of Clause 15.

7. TRIALS OF THE UNIT

Scheduling of Trials

7.1 Prior to redelivery, the Unit shall be subjected to detailed tests and trials ("the Trials") to demonstrate compliance of the Works with the requirements and standards of this Contract and the Specification. The Trials, which shall include an inclining experiment, shall be scheduled only after the Works have been substantially completed in accordance with Annex VIII with only items of work outstanding which are agreed by the Company as suitable for completion after the Trials

7.2 The Trials which shall be conducted at the Job Site and in open waters in the St. Lawrence River or off Halifax, shall follow the detailed procedures laid down in Annex VIII of the Specification.

7.3 The Trials will be undertaken at the Contractor's expense and responsibility. The Contractor will provide sufficient crew to conduct the trials and all necessary provisions including bunkers, lubes, etc. The Company will make available to the Contractor for the purposes of the Trials the tugs, towage and crew mobilised for the transportation of the Unit to Brazil.

7.4 The Company's Superintendents shall be entitled to be on board the Unit during the Trials. If none of the Company's Superintendents is present at the Trials then the Redelivery Date shall be extended by the period of the delay caused by their failure to be present and the Company shall indemnify the Contractor for all costs and expenses occasioned by such delay. If the Trials are delayed more than two days because none of the Company's Superintendents is present then:

7.4.1 the Company shall be deemed to have waived its right to have the Company's

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Superintendents present during the Trials and the Contractor may conduct the Trials without any of the Company's Superintendents being present; and

7.4.2 the Company shall be obliged to accept the Unit on the basis of a certificate by the Contractor that the Unit upon the Trials was found to conform to this Contract and the Specification provided the surveyor of the Classification Society is also satisfied with regard to its requirements.

7.5 All defects in the Unit resulting from the performance of the Works and becoming apparent prior to or during the Trials shall be remedied by the Contractor at its expense and responsibility prior to notification of the Trials results to the Company pursuant to the provisions of Clause 7.6 below. The Contractor shall have the right to repeat any trial whatsoever.

Acceptance of the Unit

7.6 Within two (2) days of completion of the Trials, and provided that the Works shall comply with the requirements of the Classification Society the Contractor shall notify the Company of the results of the Trials and shall, where the same is appropriate, confirm to the Company that the Works conform with the requirements of the Contract and Specification. In this respect the Contractor shall deliver to the Company a detailed Protocol of Trials setting out all relevant data relating to the Works established by reason of the Trials.

7.7 If the Company is in agreement with the Contractor, the Company shall, within one (1) day of receipt of the Contractor's notice as aforesaid, advise the Contractor in writing of its technical acceptance of the Works.

7.8 If, however, in the view of the Company the Works or any part thereof does not conform to the requirements of this Contract or the Specification, the Company shall so advise the Contractor (again within one day of the receipt of the Contractor's notice as aforesaid) and shall specify the respects in which the Works fails to conform with the requirements of this Contract and Specification. The Contractor shall thereupon take the necessary steps to correct such non-conformities and, upon completion of such works, the Contractor shall notify the Company. The Company shall, within one day after receipt of such further notice from the Contractor that the Works conforms with the requirements of the Contract or the Specification, notify the Contractor of its technical acceptance of the Works or the respects in which the Works still fail to conform with the requirements of this Contract and the Specification. This process shall be repeated until the earlier of (a) the Company's technical acceptance of the Works (such acceptance not to be unreasonably withheld) or (b) termination of this Contract by the Company pursuant to its provisions in consequence of delay in completion of the Works. Provided always that in the event of disagreement as to whether or not the Works comply with the requirements of this Contract and the Specification the provisions of Clause 23 shall apply.

7.9 If the Company fails to notify the Contractor in writing or by telex or telefax of its technical acceptance or otherwise of the Works within the periods as provided above the Company shall be deemed to have technically accepted the Works.

7.10 As soon as practicable after arrival of the Unit off the coast of Brazil following Redelivery the Unit shall be subjected to final inspections, tests and trials as detailed by the Specification for the purpose of Final Acceptance within the meaning of the Specification. The preceding



provisions of this Clause 7 shall apply *mutatis mutandis* to such inspections, tests and trials so far as relevant and upon satisfactory completion thereof the Final Acceptance Milestone shall be deemed to have been achieved and the parties shall sign a certificate to that effect.

8. REDELIVERY AND ACCEPTANCE OF THE UNIT

Execution of the Protocol of Redelivery and Acceptance in respect of the Unit

8.1 Following the Company's technical acceptance of the Works as aforesaid the Unit shall be redelivered by the Contractor to the Company safely afloat in a clean and seaworthy condition alongside a quay at the Job Site, at a safe berth or anchorage at or in the vicinity of such ice-free Eastern Canadian Port as the Company may approve (such approval not to be unreasonably withheld or delayed) or elsewhere as provided by Clause 6.6. It is expressly understood and agreed in this context that (without prejudice to the other quality and performance standards to be achieved under this Contract and the Specification) the Works must on Redelivery satisfy the requirements of the Classification Society whose certificates shall be free of all recommendations, reservations and qualifications.

8.2 Redelivery of the Unit by the Contractor, and her acceptance by the Company, shall be deemed to occur upon their joint execution of a Protocol of Redelivery and Acceptance in the form of Appendix F ("the Protocol of Redelivery and Acceptance"). Execution of the Protocol of Redelivery and Acceptance by itself shall in no respect release the Contractor from its obligations under this Contract.

8.3 If the Protocol of Redelivery and Acceptance has not been executed pursuant to Clause 8.2 the Unit will be considered "properly tendered for Redelivery and Acceptance":

8.3.1 if none of the Company's Superintendents was present at the Trials and thereafter the Company failed to accept the Works and the Contractor has given notice to the Company that the Unit has reached the redelivery stage in accordance with the requirements of this Contract; or

8.3.2 if the Unit has been properly tendered for Redelivery and the Company does not execute the Protocol of Redelivery and Acceptance;

Without prejudice to any other rights of the Contractor, all amounts due from the Company to the Contractor on or related to Redelivery and Acceptance shall be deemed to have fallen due on the date it was properly tendered for Redelivery and Acceptance and the documents listed in Clause 8.4 shall be delivered to the Company.

Documents to be Delivered to Company

8.4 Concurrently with Redelivery of the Unit the Contractor shall deliver to the Company the following original documents:

8.4.1 Declaration of Warranty of the Contractor that the Unit is redelivered to the Company absolutely free and clear of any liens, charges, claims, mortgages or other encumbrances created by the Contractor or any of its subcontractors;

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Contractor. Any parts replaced shall on their removal become the property of and shall be at the risk of the Contractor whilst the replacement parts fitted to the Unit shall upon fitting become the property of the Company.

9.6 The Contractor shall execute the necessary work including the carrying out of any essential dismantling and reassembling with the utmost despatch in accordance with the quality standards which are applicable hereunder to the Works.

9.7 In the event that the Contractor is unable to make good any defect at the Shipyard, it shall forthwith nominate a yard suitable for such purpose for the Company's approval, and should the Company consider such yard acceptable the Contractor shall arrange for the making good of the defect and the carrying out of any essential dismantling and reassembling at its own expense. The costs of carrying out such repairs shall not exceed the estimated cost of carrying out the guarantee work at Contractor's shipyard during normal working hours. Any extended guarantee as per Clause 9.3 shall not apply if repairs are carried out in another shipyard but the Contractor agrees to assign (to the extent that it may validly do so) to the Company, or as the Company may direct, all the right, title and interest of the Contractor in any guarantee received from such shipyard.

9.8 Should the Company consider the yard nominated by the Contractor unacceptable, or should the Company elect to have the work referred to above carried out elsewhere than at the Shipyard, the Company shall nominate a yard acceptable to it. In such case the Contractor shall pay to the Company for repairs and/or replacements the costs of effecting such repairs but such reimbursement shall not exceed the estimated cost of carrying out the guarantee work at Contractor's shipyard during normal working hours. The Contractor may, at its own expense, have its representative in attendance during execution of the work. The Company shall ensure that any parts replaced under this Clause are returned to the Contractor (if required by the Contractor) at the Contractor's expenses, and in such case those parts returned shall on their replacement become the property of and shall be at the risk of the Contractor.

Guarantee Engineer

9.9 Where so requested by the Company, the Contractor shall appoint a suitably qualified English-speaking Guarantee Engineer to serve on the Unit as the representative of the Contractor for such portion of the Guarantee Period as the Company shall require. The Company and its employees shall give the Guarantee Engineer full co-operation in carrying out his duties as the representative of the Contractor on board the Unit. In particular, the Company shall accord the Guarantee Engineer treatment and subsistence on board the Unit comparable to the Unit's Chief Engineer at no cost to the Contractor.

9.10 The Company shall pay an agreed per-diem cost for such attendance by the Guarantee Engineer as well as expenses of the Guarantee Engineer to travel to the Unit and the expenses of the Guarantee Engineer's repatriation by air to Québec upon termination of his services on the Unit. However, save as aforesaid, the Company shall be responsible for no other expenses in connection with the Guarantee Engineer, who shall at all times be conclusively deemed an employee of the Contractor. The Contractor shall indemnify and hold harmless the Company from and against personal injury, including death, of, or loss of or damage to property of the Guarantee Engineer unless the same shall have been caused by the misconduct or negligence of the Company or any of its employees, agents or sub-contractors. If the Company has reason to be



dissatisfied with the conduct or competence of the Guarantee Engineer, the Contractor, on receiving particulars of the complaint, shall promptly investigate the matter and, if the complaint is found to be justified, make a change in the appointment.

Assignment of Subcontractors' Guarantees

- 9.11 The Contractor agrees upon the expiry of the Guarantee Period to assign (to the extent to which it may validly do so) to the Company, or as the Company may direct, all the right, title and interest of the Contractor in and to all guarantees or warranties given by the Subcontractors save insofar as the same relate to existing claims by the Company against the Contractor.

Assignment of Contractor's Guarantee

- 9.12 The Company shall be entitled to transfer the benefits of this Guarantee to any bona fide purchaser from the Company or financier of the Unit. The Contractor shall in such circumstances enter into any documentation reasonably requested by either the Company or the Assignee to evidence such transfer and the vesting in the Assignee pursuant to such assignment of all rights in respect of this Guarantee. It being understood that such documentation shall not increase the Contractor's obligations.

Extent of Contractor's Responsibility

- 9.13 The Contractor shall not be responsible for any defect or shortcomings of any part of the Unit which may subsequent to redelivery and acceptance of the Unit have been replaced or repaired by any third party, or for any defect which has been caused or aggravated by omission or improper use or inadequate maintenance of the Unit on the part of the Company, its servants or agents.

10. CONTRACT PRICE AND PAYMENT TERMS, TITLE

Contract Price

- 10.1 In consideration of the performance by the Contractor of all of its obligations under this Contract the Company shall pay to the Contractor a price of THIRTY-FIVE MILLION DOLLARS UNITED STATES CURRENCY (USD35,000,000) ("the Contract Price").
- 10.2 The Contract Price shall be a fixed price subject to upward or downward adjustment only in accordance with the express provisions of this Contract and the Specification. It includes:
- 10.2.1 the cost of the Works, completed in accordance with the requirements of this Contract and the Specification;
- 10.2.2 the cost of all tests and trials to be performed by the Contractor;
- 10.2.3 the cost of procuring all Classification and other certificates and documents which are required to be delivered by the Contractor pursuant to this Contract and the Specification, and

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10.2.4 all other costs and expenses of the Contractor as provided for herein or otherwise incurred by the Contractor unless expressly provided as being for the Company's account.

Payment Terms

10.3 The Company shall pay the Contract Price by eight instalments as follows:

10.3.1 First Instalment

Ten per cent (10%) of the Contract Price shall be paid within three Banking Days of the Effective Date;

10.3.2 Second Instalment

Ten per cent (10%) of the Contract Price shall be paid within three Banking Days of the Contractor having achieved the Second Milestone (as defined in Appendix B hereto);

10.3.3 Third Instalment

Ten per cent (10%) of the Contract Price shall be paid within three Banking Days of the Contractor having achieved the Third Milestone (as defined in Appendix B hereto);

10.3.4 Fourth Instalment

Twenty-seven point five per cent (27.5%) of the Contract Price shall be paid within three Banking Days of the Contractor having achieved the Fourth Milestone (as defined in Appendix B hereto);

10.3.5 Fifth Instalment

Ten per cent (10%) of the Contract Price shall be paid within three Banking Days of the Contractor having achieved the Fifth Milestone (as defined in Appendix B hereto);

10.3.6 Sixth Instalment

Twenty per cent (20%) of the Contract Price shall be paid within three Banking Days of the Contractor having achieved the Sixth Milestone (as defined in Appendix B hereto);

10.3.7 Redelivery Instalment

Seven point five per cent (7.5%) of the Contract Price shall be paid upon the Contractor having achieved the Seventh Milestone (as defined in Appendix B hereto); and

10.3.8 Final Instalment

Five per cent (5%) of the Contract Price shall be paid upon the Contractor having achieved the Eighth Milestone (as defined in Appendix B hereto).

In each case achievement of the relevant Milestone shall be conclusively evidenced (save for



manifest error) by a certificate to that effect signed by a representative of American Bureau of Shipping.

Payment for Modifications

- 10.4 Save as otherwise agreed between the parties all adjustments to the Contract Price by reason of Modifications shall be paid to the Contractor or credited to the Company (as the case may be):

10.4.1 as to the percentage thereof corresponding to the percentage of the Contract Price which has been paid at the time such Modifications are agreed or commenced, immediately against invoice or credit note; and

10.4.2 as to the balance, pro rata to the remaining instalments of the Contract Price.

Title

- 10.5 Title to the Works, whether under construction or completed, and all Materials and Equipment intended for the same, whether unfinished or partly or wholly finished by the Contractor whether at the Shipyard or elsewhere shall, from the time of payment by the Company of the amount of the First Instalment of the Contract Price, become and remain the absolute property of the Company subject always to the Contractor's lien for amounts properly due and owing under or pursuant to this Contract.

Payment for Fuels, etc and Liquidated Damages

- 10.6 All amounts due to the Company (a) under Clause 13.2 and (b) by way of liquidated damages in respect of any delay in Redelivery under Clause 6.3 shall be calculated and determined before Redelivery and shall be paid on, and as a condition of, Redelivery.

Payment Procedures

- 10.7 Payment of sums due to the Contractor in accordance with the provisions of this Contract shall be made on the dates on which the sums are due by electronic transfer to the Contractor's account at the National Bank of Canada in Montreal (the account number to be advised by the Contractor not less than ten days prior to the date of payment). Save as expressly authorised by this Contract all instalments of the Contract Price shall be paid free of transfer charges and without any reduction, deduction, abatement, retention, set-off or counterclaim whatsoever.

- 10.8 If the date on which any payment is due in accordance with the provisions of this Contract does not fall on a Banking Day, payment shall be made on the immediately succeeding Banking Day.

11. INDEMNITIES

- 11.1 The Company and the Contractor each agree to defend, indemnify and hold the other harmless from and against any and all liability, damage, claim or costs (including legal costs and expenses) in respect of sickness or injury to and death of their respective employees arising in connection with the Works and regardless of the cause or reason therefor.



12. RISK OF LOSS, INSURANCE

Risk of Loss

- 12.1 The Company shall bear all risks of physical loss of, or damage to the Unit and the Works.

Insurance

- 12.2 The Company shall, with effect from Delivery until Redelivery, maintain builder's risk insurance in respect of all risks of physical loss of, or damage to the Unit and the Works (including stripped out materials and equipment previously agreed to be saved) for an adequate amount and in terms and with underwriters acceptable to the Contractor. The Contractor shall be responsible for any insurance deductible associated with losses for which it is responsible.
- 12.3 The above mentioned insurances shall be effected in the joint names of the Company and the Contractor (but without any liability on the part of the Contractor for premiums) and shall contain waivers of subrogation against the Company and the Contractor. The Company shall provide a copy of the insurance policies effected upon request and the terms thereof shall not be amended without the Contractor's agreement.

13. TAXES AND DUTIES

- 13.1 The Contractor shall pay or cause to be paid all taxes, duties, fees and stamp duties of whatsoever nature imposed in Canada and the Province of Québec in connection with the execution and performance of this Contract, excluding any taxes, duties, fees and stamp duties imposed in Canada and the Province of Québec upon any Company Supplied Item.
- 13.2 The Company shall pay or cause to be paid all taxes, duties, fees and stamp duties of whatsoever nature imposed outside Canada in connection with the execution and performance of this Contract, except for taxes, duties, fees and stamp duties imposed upon those items and services to be procured by the Contractor and further excluding any taxes measured by the net income of the Contractor.

14. CONFIDENTIALITY

- 14.1 The terms of this Contract are to remain confidential to the parties and no disclosure of the same may be made to any third party other than for the purposes of permitting or ensuring its due performance by either party hereto or in support of Lender's requirements in relation to the financing of the Works or for disclosure to professional advisers. This obligation shall survive termination of this Contract for any reason whatsoever.

15. FORCE MAJEURE

- 15.1 If at any time the progress of the Works is delayed due to unforeseen circumstances beyond the Contractor's reasonable control including (but not limited to) Acts of God, acts of princes or rulers, war or other hostilities or preparations therefor, blockade, civil commotion or riots, epidemics, floods, hurricanes, earthquakes, tidal waves, landslides, fires, lightning, explosions, collisions or strandings, shortage of materials or equipment other than resulting from any act, omission or improvidence of the Contractor or its Subcontractors, prolonged failure, shortage

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or restriction of electric current, oil or gas or destruction of or damage to the Shipyard or works of the Contractor or its Subcontractors by any causes herein described; vandalism or sabotage, strikes in breach of existing collective bargaining agreements (but the Contractor shall in such circumstances to take prompt action to pursue its legal remedies), lockout or other labour disturbances; delays by land, sea or air carriers; casting, forging or machinery rejects or the like; delays caused by the Classification Society or other bodies whose documents are required; delays caused by any default, action or omission on the part of the Company (but without prejudice to any other rights of the Contractor under this Contract); the effect of any of the foregoing on the Contractor's other commitments including delays to the Planned Programme due to any of the above affecting the delivery of other vessels being built by Contractor; all the foregoing events and circumstances irrespective of whether or not these events occur before or after the date on which the Unit is required to be delivered under this Contract and irrespective of whether the occurrence or continuance thereof could be foreseen at the days of signing this Contract; the Redelivery Date and any Milestones not then achieved shall be postponed for the period of time during which the progress of the Works is directly and unavoidably delayed by the same.

15.2 The Contractor's entitlement to a postponement of the Redelivery Date and any Milestones not then achieved shall, however, be subject to:

15.2.1 the delay in respect of which the Contractor is claiming relief not being within its control or contemplation at the date of signing of this Contract nor caused or contributed to by its error, neglect, act or omission or that of its agents, employees or Subcontractors;

15.2.2 the delay affecting "the critical path" of the Works;

15.2.3 since the occurrence of the event in respect of which relief is claimed, the Contractor having taken all reasonable steps open to it to mitigate the effect of the event upon the Redelivery Date and any Milestones not then achieved; and

15.2.4 the Contractor having duly given all the notices required under Clause 15.3 within the time limits therein laid down.

Notices

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15.3 Upon the occurrence of any of the events listed in Clause 15.1 the Contractor shall:

15.3.1 within seven days of the date on which it became aware of the event, give the Company notice in writing of the occurrence of the event;

15.3.2 as soon as possible thereafter, and in any event not more than seven days after the giving of the said notice, submit to the Company a statement in writing, specifying as far as possible, with full particulars, the nature and the cause of the event, the effect on the item involved, the likely overall effect computed from the Planned Programme upon the Redelivery Date and any Milestones not then achieved and the steps which are being taken by it to mitigate any delay which may result from the event;

15.3.3 within seven days after the date on which it becomes aware that the event is at an end, give the Company notice in writing of the date when the event ended;

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15.3.4 within seven days of the date of the Contractor's notice under sub-paragraph (c), notify the Company of the period of time by which it claims the Redelivery Date of the Unit and any Milestones not then achieved should be extended by reason of the event.

Permissible Delay

- 15.4 Any periods of time by which the Redelivery Date of the Unit and any Milestones not then achieved is properly and justifiably claimed by the Contractor to be extended by reason of matters falling within (a) Clause 15.1 or (b) Clauses 4.2, 4.5, 6.8, 6.10, 7.4, 16.6, 19.6 or 25.3 shall be defined herein as "Permissible Delay".

16. REMOVAL OF WORKS AND TERMINATION

Rescission by the Company

- 16.1 In the event that any of the following events should occur:

16.1.1 the Contractor shall without legal justification fail to proceed with the Works with all reasonable despatch so that it fails to meet two consecutive Milestones within ninety days of the respective dates agreed for the same;

16.1.2 the Contractor shall commit any material breach going to the root of this Contract and shall fail to remedy the same within thirty Days of receipt by the Contractor of written notice from the Company;

16.1.3 the making of any order or the passing of an effective resolution for the winding-up of the Contractor (other than for the purposes of reconstruction or amalgamation which has been previously approved in writing by the Company), or the appointment of a receiver of the undertaking or property of the Contractor, or the insolvency of or a suspension of payment by the Contractor, or the cessation of the carrying on of business by the Contractor, or the making by the Contractor of any special arrangement or composition with creditors of the Contractor, and failure by the Contractor

the Company may by notice in writing to the Contractor elect to rescind this Contract.

- 16.2 If the Company exercises its option to rescind this Contract as aforesaid:

16.2.1 the Contractor shall thereupon immediately:

- (a) secure the immediate discharge of all liens, charges, claims, mortgages and other encumbrances created by the Contractor or any of its subcontractors upon the Unit other than in favour of the Company and/or its financiers;
- (b) complete all further parts of the Works required as a minimum to permit the Unit to depart from the Shipyard in a safe and seaworthy condition, remove its employees, agents and contractors, together with their equipment, from the Unit and render all necessary assistance to the Unit in leaving the Shipyard at the earliest moment convenient to the Company;

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- (c) deliver up to the Company all Materials and Equipment and Company Supplied Items which have been delivered to the Contractor and not yet incorporated in the Unit;
- (d) execute and deliver to the Company a Protocol of Redelivery and Acceptance in the form of Appendix F hereto; and
- (e) execute and deliver to the Company all of the documentation listed in Clause 8.4 to the extent that the same is at that time capable of production by the Contractor.

16.2.2 All risk of loss of or damage to the Unit shall in such circumstances transfer to the Company upon execution by the Company of a Protocol of Redelivery and Acceptance as aforesaid following receipt of all of the documentation received above. The Company may, however, elect to execute the Protocol of Redelivery and Acceptance notwithstanding the Contractor's failure to deliver all or part of the other documentation required to be delivered by the Contractor pursuant to Clause 16.2.1.

16.2.3 The Company shall remain liable:

- (a) to pay the Contract Price for the Works so far as completed up until the Unit's departure; and
- (b) to pay the balance unpaid for Modifications so far as completed up until the Unit's departure.

16.2.4 The Contractor shall remain liable:

- (a) to pay all liquidated damages to which the Company may have become entitled to prior to the election to rescind;
- (b) to indemnify the Company for any infringement for which the Contractor would have been liable for pursuant to Clause 17 (excluding liability for work done or Materials and Equipment supplied other than by the Contractor or its subcontractors pursuant to this Contract); and
- (c) pursuant to its guarantee contained in Clause 9 for the Works so far as completed up until the Unit's departure (excluding liability for work done or Materials and Equipment supplied other than by the Contractor or its subcontractors pursuant to this Contract).

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16.2.5 If the Company's cost of completing the Works (either elsewhere or pursuant to a replacement contract with the Contractor) exceeds the balance which would otherwise have been due from the Company to the Contractor hereunder then the Company's sole recourse shall be to claim the excess under the Performance Bond provided under Clause 3.6 and the Contractor shall have no liability whatsoever in respect thereof. If the Company's cost of completing the Works as aforesaid is less than the balance which would otherwise have been due from the Company to the Contractor hereunder then the Company shall pay the difference to the Contractor.



Non-payment by the Contractor

- 16.3 Should the Contractor default in payment of any amount due under this Contract (including, without limitation, payment of liquidated damages), then the Contractor shall pay to the Company interest thereon at the rate of 2 percent over Prime Rate from the date when the amount became due to the Company to the date of the payment thereof.

No other liability

- 16.4 Except as in this Clause 16 provided in the event of a default by the Contractor or any other circumstance entitling the Company to elect to rescind this Contract the Company if it so elects shall have no other remedy and the Contractor shall have no other liability or obligation whatsoever or howsoever arising in connection with this Contract.

Termination by the Contractor

- 16.5 The Company shall be deemed to be in default of performance of its obligations under this Contract in the following cases:

16.5.1 if the Company fails to pay the amount of any instalment of the Contract Price on the date when the same is due for payment and three (3) Banking Days notice thereof has been given by the Contractor to the Company in writing;

16.5.2 if an order or an effective resolution is passed for the court supervised administration or winding up of the Company (otherwise than for the purposes of a reconstruction or amalgamation previously approved by the Contractor) or if a receiver is appointed over the whole or any part of the undertaking or property of the Company or if the Company becomes insolvent or suspends payment generally of its debts or ceases to carry on its business or makes any special arrangement or composition with its creditors.

- 16.6 If the Company is in default as to the payment of any amount properly due and owing under or pursuant to this Contract then without prejudice to any other rights of the Contractor or of the Company, the Company shall be liable to pay interest at 2 per cent per annum over Prime Rate on the unpaid amount from the day from which the same became due to the Contractor up until the date of actual payment thereof. Any delay in the completion of the Works resulting from the Company's default as aforesaid and judged by reference to "the critical path" shall be deemed Permissible Delay within the meaning of Clause 15.

- 16.7 If default on the part of the Company continues for a period of thirty (30) days, the Contractor shall have the right at its sole discretion to rescind this Contract by giving written notice to the Company. In such event the Contractor shall be entitled by way of exclusive compensation to payment by the Company of the aggregate of (1) a sum equivalent to the actual cost to the Contractor of undertaking that part of the Works already undertaken as at the date of the Company's notice of rescission less the aggregate of the instalments of the Contract Price paid at that time and (2) the Contractor's anticipated net loss of profit in respect of the Contract consequent upon termination of the same.



General Provisions relating to Termination

- 16.8 If this Contract is terminated for whatever reason but subject always (except in the case of termination in accordance with Clause 16.1 or termination in accordance with Clause 6.8 by reason of the Contractor's default) to the Contractor's lien for amounts properly due and owing under or pursuant to this Contract, the Contractor shall as directed by the Company deliver to the Company all Materials and Equipment delivered to the Shipyard and all completed and partially completed portions of the Works and the Contractor shall execute and deliver to the Company under the Contract all documents required by Company and take all steps necessary to vest fully in Company the rights and benefits of the Contractor under any existing agreements with all subcontractors.
- 16.15 It is expressly agreed that all provisions of this Contract providing for an indemnity in favour of either party hereto shall survive its termination for any reason.

17. PATENT RIGHTS

- 17.1 The Contractor warrants that the Company's possession, ownership or operation of the Unit shall not at any time infringe any patent rights, utility model rights, trade mark rights or copyrights in any country provided that this warranty shall not apply to any infringement relating to Company Supplied Items or to parts of the Works for which the Contractor has no design responsibility as allocated by Clause 3.2.
- 17.2 The Contractor shall indemnify and hold the Company harmless against any loss, damage, claim, demand, proceeding or liability whatsoever arising out of relating to the infringement of any of the rights set out in Clause 17.1 by reason of the Company's possession, ownership or operation of the Unit.
- 17.3 The loss referred to in Clause 17.2 shall include, but shall not be limited to:
- 17.3.1 the costs and expenses of considering and defending any claim, demand or proceeding;
 - 17.3.2 any sum paid or payable by the Company in respect of any settlement or any such claim, demand or proceeding;
 - 17.3.3 any sum paid or payable by the Company to acquire a licence in respect of any of the rights set out in Clause 17.1; and
 - 17.3.4 any sum paid or payable by the Company to its servants or agents or to any operator of the Unit to indemnify them or any of them against any such loss, damage, claim, demand, proceeding or liability or the cost of acquiring a licence in respect of any of the such rights.

18. SECURITY AND SAFETY, ETC

General

- 18.1 From Delivery until Redelivery, the strictest attention shall be exercised by the Contractor in respect of safety and security. The Contractor shall assume full responsibility for same.

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notwithstanding the residence and work on board of employees of the Company, including the Unit's crews, provided that the Contractor shall not be liable for loss or damage occasioned by the misconduct or negligence of any servant or agent of the Company. The Contractor will to this end delegate a qualified manager who shall take overall charge in these fields, liaising directly with Company's Superintendents and the Unit's Masters in planning and undertaking his duties.

Security Measures

- 18.2 The Contractor shall ensure that gangway watchmen are provided and maintain a continuous watch to prevent unauthorised removals of materials and equipment from the Unit, ensuring that only authorised persons are allowed on board.

Safety Measures

- 18.3 The Contractor will also ensure that all fire mains at the Job Site are connected and that regular fire and security patrols throughout Unit are performed frequently by day and by night with suitable walkie-talkie communication. The Contractor shall also ensure that all necessary safety precautions, temporary and safety lighting, staging, guard rails, temporary ladders, warning notices, emergency escape route marking as may be required are in place throughout performance of the Works. All appropriate provision should be made by the Contractor to test for (and maintain within safe limits) the gas content of any enclosed spaces on the Unit

Pollution

- 18.4 The Contractor will comply with all relevant national and international rules and regulations relating to the control of pollution and will use all reasonable endeavours to prevent the escape of polluting substances from the Job Site. The Contractor will indemnify and hold the Company harmless against all liabilities arising in connection with any pollution occurring during the course of the Works save insofar as such pollution had been caused by the misconduct or negligence of the Company or its servants or agents.

Scrapping of Surplus Items

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- 8.5 Title to all items of equipment and machinery replaced or otherwise removed by the Contractor from the Unit pursuant to the Works shall vest in the Company and shall be stored and maintained by the Contractor and delivered up to the Company upon Redelivery in accordance with Annex I.

19. COMPANY SUPPLIED ITEMS

Delivery of Company Supplied Items

- 19.1 The Company shall, at its own expense, supply all Company Supplied Items to the Contractor at the Shipyard in a condition ready for installation and by the date notified in writing by the Contractor to meet the requirements of the Planned Programme.

- 19.2 The Company may from time to time require the Contractor to act as its trustee or agent in connection with the procurement of and payment for Company Supplied Items. In that event the

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Contract Price shall be increased by a sum equal to all amounts which the Contractor is called upon to pay in connection with such Company Supplied Item. Where necessary the Contractor will provide a separate payment schedule for such increases in the Contract Price. Where reasonably practicable contracts for Company Supplied Items procured by the Contractor as trustee or agent for the Company shall be on terms that they are freely assignable to the Company.

19.3 The Contractor's sole obligation in relation to Company Supplied Items procured as trustee or agent for the Company shall be to place the relevant order in accordance with the Company's directions and as detailed in Annex I, and thereafter to pay those amounts of the Contract Price received from the Company and referable to the items in question onward to the relevant supplier and to refer all correspondence and information received from the supplier to the Company. In all other respects such items shall be treated as Company Supplied Items for the purposes of this Contract.

19.4 The Company shall indemnify and save harmless the Contractor from and against all sums of money, costs, expenses, interest and damages suffered or incurred or which the Contractor may be called upon to pay to any person (otherwise than by reason or in consequence of some breach of the Contractor's obligations under this Clause 19) in connection with the procurement of Company Supplied Items as trustee or agent for the Company.

19.5 It is understood and agreed that, in view of long-lead delivery times on certain items of equipment required in connection with the Works, contracts for the same have already been placed by the Company. Upon the Effective Date the Company may require the Contractor, to the extent that the relevant supplier has agreed or is willing to consent to the same, to accept an assignment of the contract(s) relating to such items which shall thereafter be held by the Contractor as trustee or agent for the Company subject to the preceding provisions of this Clause 19. Insofar as the Company has made advance payments and/or deposits made by the Company in respect of such contracts then upon assignment thereof to the Contractor (and subject to proper verification of the amounts in question) such advance payments and/or deposits shall be treated as having been made by the Company to the Contractor on account of the Contract Price.

19.6 Should any Company Supplied Item not be delivered to the Contractor by the date notified under Clause 19.1, provided the notification was submitted by the Contractor to the Company reasonably in advance of the date when the item was required;

19.6.1 any delay in the completion of the Works thereby resulting and judged by reference to "the critical path" shall be deemed Permissible Delay within the meaning of Clause 15; and

19.6.2 the Company shall be liable for any costs reasonably and unavoidably incurred by the Contractor in consequence of any such delay in delivery.

19.7 In order to facilitate the detailed engineering and installation of Company Supplied Item by the Contractor, the Company shall at its own expense and in good time in order to meet the Contractor's schedule requirements furnish the Contractor with the purchase orders relating thereto, necessary plans and other vendor information, instruction books, test reports and certificates required by applicable rules or regulations, and if necessary and if requested by the Contractor, shall at its own expense, cause the manufacturers of the Company Supplied Item to

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assist the Contractor in the installation thereof or to make any necessary adjustment thereto at the Shipyard.

19.8 The Company shall contract for and procure the supply of specialised technical assistance from manufacturers of Company Supplied Items for the phases of installation, commissioning, testing, pre-operation, start-up assistance and assisted operation.

19.9 The Company shall be liable for the cost incurred by the Contractor and for any delay in the repair of Company Supplied Item occasioned by their defective material or poor workmanship or failure to perform, or by damage caused to them during transportation to the Shipyard.

20. ASSIGNMENT

20.1 The Company may transfer, by assignment or novation, any of its rights and/or obligations under this Contract:

20.1.1 freely to Petro-Deep, Petrobras and/or Brasoil; or

20.1.2 with the prior written approval of the Contractor (not to be unreasonably withheld or delayed) to any other person or persons provided that such transfer does not adversely affect the finance referred to in Clause 25.

To the extent that any such assignment or novation transfers to another person the obligations of this Contract, the Company shall guarantee in a form acceptable to the Contractor the performance by such Assignee of any of its obligations.

20.2 The Contractor may, with the prior written approval of the Company, (such approval not to be unreasonably withheld or delayed) assign solely by way of security for finance any of its rights under this Contract.

21. ENTIRE AGREEMENT, AMENDMENTS AND APPROVALS

21.1 This Contract constitutes the entire agreement between the Parties with respect to the subject matter of this Contract and merges all prior discussions among them, and supersedes and extinguishes any representation and warranties previously given or made orally or in writing other than those herein.

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21.2 No purported amendment to this Contract or to any document forming part of this Contract shall have any force or effect unless in writing under hand of both parties or their duly authorised representatives.

21.3 In all cases where the approval or agreement of the Contractor or the Company is required under the terms of this Contract such approval or agreement shall have no force or effect unless in writing under hand of the party concerned or its duly authorised representative. To avoid undue delay and to allow decisions to be made and confirmed on site each party will ensure that at least one representative duly authorised for the purpose of deciding all important questions under this Contract (including but not limited to questions relating to Modifications) and giving approval as and when required is present at the Shipyard and/or the Job Site during normal working hours and at such other times as the Works are proceeding, and that the identity from time to time of

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such representative is made known to the other party.

22. NOTICES AND COMMUNICATIONS

- 22.1 All notices and communications under this Contract including (but without limiting the generality of the foregoing) all communications between the Contractor's representatives on the one hand and the Company's Superintendents and/or Brasoil's representatives on the other hand shall be in the English language.
- 22.2 Any notice required or permitted to be given by the Parties under the terms of this Contract shall be in writing and given by courier, telex or facsimile by one party to the other at the following addresses or to such other address, telex or facsimile number as may from time to time be designated by either of them in writing to the other.

To the Company:

PETROMEC INC
C/O Marítima Petróleo e Engenharia Ltda
Avenida Almirante Barroso 52 Gr. 3400
2003-000 Centro RJ
Brazil

Telefax No +55 21 220 6566

For the attention of Mr German Efremovich

with copy thereof to be given to one of the Company's Superintendents at the Shipyard.

To the Contractor:

DAVIE INDUSTRIES INC
22 George D. Davie
Lévis
Québec
Canada
G6V 8V5

Telefax No +1 418 838 0090

For the attention of the President.

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SELO GUSTÃO
SELO GUSTÃO
DIVISÃO DE SERVIÇOS CARTÓGRAFOS
ANEXO DE SERVIÇOS CARTÓGRAFOS

23. GOVERNING LAW AND JURISDICTION

- 23.1 This Contract shall be governed by and construed in all respects in accordance with English Law.
- 23.2 If any dispute or difference may arise or claim be made by and between the parties hereto out of or in relation to or in connection with this Contract which cannot be resolved by the parties themselves or submitted to mediation, it shall be settled as follows:

23.2.1 Technical disputes (being disputes, differences or claims regarding any technical matter



arising out of, or relating to or in connection with the Works) shall by agreement between the parties be referred to a mutually acceptable technical expert, who shall act as such (and not as an arbitrator) and whose opinion on the matter shall be final and binding upon the parties. If the parties shall fail to agree upon the identity of a mutually acceptable technical expert as aforesaid, such technical expert shall be nominated by the President for the time being of the London Maritime Arbitrators Association.

23.2.2 All other disputes shall be submitted to and settled by arbitration. Unless the parties agree upon the identity of a sole arbitrator within five days of a request by one party to the other so to do, such disputes shall be determined by three arbitrators, one to be chosen by each party hereto, and the third to be chosen by the two arbitrators thus chosen. Such arbitration shall be conducted in London in accordance with the Arbitration Act 1996 or any re-enactment or statutory modification thereof for the time being in force and pursuant to the rules then in force of the London Maritime Arbitrators' Association.

23.2.3 The party requiring arbitration of any dispute, difference or claim of aforesaid shall serve upon the other party written notice thereof, specifying the issues to be arbitrated and the name of the arbitrator it shall have appointed. Within fourteen days after receipt of notice of such demand for arbitration, the other party ("the Respondent") shall in turn appoint an arbitrator and give notice in writing of such appointment to the party demanding arbitration. If the Respondent fails to appoint an arbitrator as aforesaid within fourteen days following receipt of notice of demand for arbitration by the other party, the Respondent shall be deemed to have accepted and appointed as its own arbitrator the arbitrator appointed by the party demanding arbitration, and the arbitration shall proceed before this sole arbitrator who alone in such event shall constitute the arbitration tribunal. The arbitrators so appointed shall determine which party, or the proper proportion which each party shall pay to the expenses and legal and other costs of such arbitration. The arbitrators shall also determine the Contractor's entitlement to compensation for additional costs and deferral of the Redelivery Date in consequence of the dispute. The decision of the expert or the arbitration tribunal shall be final, conclusive and binding upon the parties and not subject to appeal or other judicial review.

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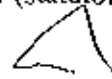
Early Resolution of Disputes

23.3 The parties shall use every reasonable endeavour to resolve disputes between them in the shortest possible time consistent with the proper presentation to the expert or arbitration tribunal of their submissions and evidence. The parties will in particular seek, in the absence of any reasonable excuse, to make such submissions and present such evidence within a period of thirty days from the commencement of the proceedings. In the event of unreasonable delay by either party, the expert or the arbitration tribunal shall be entitled to make an award even if that party has failed to make or complete its submissions.

24. LIMITATION UPON LIABILITY

24.1 Except as otherwise expressly provided in this Contract:

24.1.1 the parties shall have no other liability or obligation whatsoever or howsoever arising in connection with this Contract and there shall be no other representation, guarantee, warranty, term or condition express or implied by law (statutory or otherwise) and the



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provisions of the Misrepresentation Act 1967 shall not apply;

24.1.2 every exclusion and limitation contained in this Contract applicable to either party hereto or to which either party hereto is entitled under this Contract shall also be available and shall extend to protect the employees and agents of such party in respect of acts or omissions in the course of their employment or service and for the purpose of this Clause each party contracts as agent for all persons who are or may be from time to time employees or agents of such party and to such extent all such persons are deemed to be party to this Contract;

24.1.3 the Contractor makes no representation, warranty, covenant, agreement or declaration, expressed or implied, and in no event shall the Contractor be liable to the Company, its successors, assigns, vendees or transferees, or to any third party, for any damages incidental, whether consequential or indirect (including, without limitation, loss of profit and/or loss of business opportunities) arising out of, resulting from or relating to this Contract including but not limited to the seaworthiness, condition, design, class, operation, quality, merchantability or fitness for the use of the Unit for any particular purpose or as to the eligibility of the Unit for any particular trade or any other representation or warranty whatsoever expressed or implied, with respect to the Unit;

24.1.4 the Contractor shall be under no liability whatever and howsoever arising in relation to any injury, death, loss, damage or delay of, or to, or in connection with any Unit (including the Unit) or any person or property whatsoever, whether on board the Unit or elsewhere, irrespective of whether such injury, death, loss, damage or delay shall arise from the unseaworthiness of or any defect in the Unit.

25. EFFECTIVENESS

25.1 The obligations of the parties hereunder shall be subject to, and conditional upon, the occurrence of the following:

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25.1.1 board approval by both parties;

25.1.2 the availability of the Performance Bond in terms acceptable to the parties; and

25.1.3 the availability to the Company of finance for the Contract Price in terms acceptable to the parties.

25.2 The Contractor shall use best endeavours to enable the Company to obtain finance as aforesaid.

25.3 The date upon which all of the above shall have occurred shall be known herein as "the Effective Date". If the Effective Date shall not have occurred within thirty days after the date of this Contract or within such extended period as the parties may agree, this Contract shall become void and the parties hereto shall be immediately and completely discharged from all continuing obligations to the other hereunder. If (following the parties' agreement to extend the period within which it must occur) the Effective Date occurs more than thirty days after the date of this Contract, any delay in the completion of the Works thereby resulting and judged by reference to "the critical path" shall be deemed a Permissible Delay within the meaning of Clause 15.

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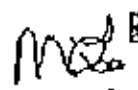
IN WITNESS WHEREOF the parties hereto have caused this Contract to be duly executed this day and year first above written.


Signed for and on behalf of
PETROMEC INC


Signed for and on behalf of
DAVIE INDUSTRIES INC

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IN WITNESS WHEREOF the parties hereto have caused this Contract to be duly executed the day and year first above written.

Signed for and on behalf of
PETROMBIO INC

[Signature]
Signed for and on behalf of
DAVIS INDUSTRIES INC

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[Signature]
RECEBUEIRO DE
DOCUMENTOS
DAVIES INDUSTRIES INC

[Signature]
SIGNED FOR AND ON BEHALF OF
DAVIES INDUSTRIES INC



CERTIDÃO

CERTIFICO que nesta data foi encerrado o 2667 volume do processo nº 19.489/2001 com suas fls. nº 13 dos autos. O referido é verdade e dou fé.

Aos 16 de Julho de 2002

[Signature]

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[Signature]
SECRETARIA DE REGISTRO CIVIL
SECRETARIA DE REGISTRO CIVIL