Loan Agreement
(Petroleum Production Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PETROLEOS DEL PERU

and

CORPORACION FINANCIERA
DE DESARROLLO - COFIDE

Dated April 28, 1980
ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Petróleos del Perú" means a company, wholly owned by the Guarantor, established by and operating under the Guarantor's Decree-Law No. 20036 (Ley Orgánica para la Empresa Petróleos del Perú-Petroperú) as published in El Peruano on May 30, 1973, or any successor thereto;

(b) "Estatutos" means the Borrower's By-laws as approved by the Guarantor's Supreme Decree 013-78-EM/DGH, as published in El Peruano on July 24, 1978 and the term includes Decree-Law No. 20036 referred to in paragraph (a) of this Section;

(c) "Original Price" means the base price of a contract plus the automatic monetary adjustments to such price provided for in such contract;

(d) "Sol" and "S/." mean the currency of the Guarantor;

(e) "Royalty" means any royalty or charge on the production of hydrocarbons in Perú, including, but not limited to, those referred to in paragraph 7.7 of the Contractual Basis approved by Decree Law No. 22774 of the Guarantor, as published in El Peruano on December 7, 1979;
(f) "Fiscal Year" means the Borrower's Fiscal Year or the Guarantor's Fiscal Year, both of which coincide with the calendar year;

(g) "Taxes" means all taxes levied by, or in the territory of, the Guarantor, other than the following: (i) tax on goods and services (Impuesto de bienes y servicios) governed by the Guarantor's Decree-Law No. 21497, as published in El Peruano on May 30, 1976 as amended up to January 15, 1980; and (ii) tax on sales of petroleum and petroleum products (Impuesto Fiscal a las ventas de petróleo y derivados) governed by the Guarantor's Decree-Law No. 22664 published in El Peruano on September 9, 1979;

(h) "Committee" means the committee to be established for purposes of Section 3.01 of the Guarantee Agreement; and

(i) "COFIDE" means Corporación Financiera de Desarrollo, a finance corporation wholly owned by the Guarantor established and operating under the Guarantor's Decree-Law No. 18807, as published in El Peruano on March 19, 1971, as amended, or any successor thereto.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty-two million five hundred thousand dollars ($32,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and services (other than services for Part I (a) (ii), Part II (b), Part III and Part IV of the Project) to be financed out of the proceeds of the Loan, shall be governed by the provisions of Schedule 4 to this Agreement.
Section 2.04. The Closing Date shall be January 31, 1983 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and twenty-five hundredths per cent (8.25%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. (a) The Borrower shall pay to the Guarantor and COFIDE in dollars a guarantee fee of twenty-five hundredths of one per cent (0.25%) per annum and a service fee of one and one half of one per cent (1.50%) per annum, respectively, on the equivalent in dollars of the principal amount of the Loan from time to time outstanding, such equivalent to be calculated for each withdrawal from the Loan Account at the prevailing lawful exchange rates between dollars and each of the several currencies disbursed by the Bank at the time of such withdrawal, as reasonably determined by the Guarantor.

(b) COFIDE shall charge and collect from the Borrower the service fee referred to in paragraph (a) of this Section.

Section 2.08. Interest and other charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.09. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, financial, administrative and petroleum exploration and production practices.
Section 3.02. (a) In order to assist the Borrower in the carrying out of the studies included in Part I (a) (ii) of the Project, in the maintenance and repair of pumping equipment acquired for purposes of the carrying out of Part I of the Project, and in the carrying out of Parts II (b), III and IV of the Project, the Borrower shall employ specialized consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; provided, however, that the Borrower shall not employ any consultants or experts for purposes of Part IV of the Project without the prior approval of the Committee.

(b) The Borrower covenants to contract the consultants for Part III (a) of the Project not later than August 31, 1980.

(c) COFIDE shall assist the Borrower, directly or through its representative in the Committee, in the process of selection and hiring of the consultants to be employed by the Borrower for purposes of Parts III (a) and IV of the Project, and in the supervision and reviewing of such consultants' work.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan shall be used exclusively for the Project until its completion.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan for, and to disclose their use in, the Project; (ii)
shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of such proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank at regular intervals of 90 days all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank and COFIDE of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

(d) The Borrower shall enable the Bank's representatives to examine, in connection with the Project, all plants, installations, sites, works, buildings, property and equipment of the Borrower and any relevant records and documents.

Section 3.05. The Borrower shall, before inviting bids or soliciting price quotations, as the case may be, for purposes of awarding any contract in respect of Part I (b) of the Project to be financed out of the proceeds of the Loan: (a) furnish to the Bank a report on the precise location of each of the wells the production of which will be reactivated under such Part of the Project, the pumping system to be used for each such well, and the technical and economic justification for all of the aforesaid; and (b) afford the Bank a reasonable opportunity to express its views thereon.

Section 3.06. The Borrower shall not undertake any detailed seismic survey under Part II (a) (ii) of the Project, unless it has been agreed between the Bank and the Borrower that such survey is technically and economically sound and justifiable.

Section 3.07. The Borrower shall: (i) as preliminary findings and recommendations are proposed from time to time under the studies included in Part I (a) (ii) of the Project, exchange views
with the Bank with respect to such proposed findings and recommendations; and (ii) complete the studies included in Part III (a) of the Project not later than October 31, 1981 and, promptly upon such completion, and, together with COFIDE, exchange views with the Bank on the findings and recommendations thereof and on the carrying out of a phased program of action to be taken by the Borrower in order to put into effect such recommendations or, on the basis of the findings of such studies, other alternative measures.

Section 3.08. With respect to the evaluation and putting into effect of the recommendations and other conclusions contained in the documents prepared for purposes of Part IV of the Project by the consultants referred to in Section 3.02 (a) of this Agreement, including reports and drafts thereof:

(a) during the carrying out of Part IV of the Project, the Borrower and COFIDE, both through the Committee, and the Bank shall from time to time exchange views on said recommendations and conclusions; and

(b) upon completion of each of the studies included in such Part of the Project, the Borrower and COFIDE, both through the Committee, shall exchange views with the Bank and the Guarantor on the final recommendations and conclusions relating to Part IV of the Project and on the action the Guarantor or the Borrower may take (including a timetable therefor) for the carrying out of such recommendations.

Section 3.09. The Borrower and COFIDE shall take all such action on their part as shall be necessary to enable the Committee to operate in accordance with Section 3.01 of the Guarantee Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. (a) The Borrower shall at all times manage its affairs, maintain its financial position, plan any future expansion and carry on its operations in accordance with the Estatutos and appropriate administrative, financial, engineering and petroleum production practices under the supervision of experienced and competent management assisted by experienced and competent staff in adequate numbers.
(b) For purposes of (a) above, the Borrower shall: (i) take all such action as shall be necessary to ensure the competitiveness of the salaries paid, and other staff benefits provided by the Borrower as compared with salaries paid and other benefits provided to employees hired in Peru occupying equivalent positions in private petroleum companies operating within Peru; and (ii) inform the Bank until the Closing Date, at regular intervals of not more than six months, on any vacancy in any of the professional positions in the Borrower's departments (including field offices) responsible for exploration and production and on the action the Borrower intends to take or has taken to fill such vacancy or vacancies.

Section 4.02. (a) The Borrower shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations, including the Project, and shall, except as the Bank shall otherwise agree, take all steps necessary to acquire and to retain such land, interest in land and properties and to acquire, maintain and renew such concessions, licenses, consents, franchises or other rights as may, from time to time, be necessary or useful for the construction and efficient operation of the facilities included in the Project and the conduct of its operations.

(b) The Borrower shall maintain, renew and repair its facilities, equipment and property as required for their efficient operation.

(c) The Borrower shall not, unless the Borrower and the Bank have otherwise agreed, sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business and undertaking.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. The Borrower shall take all action as shall be necessary to ensure that the execution and operation of Parts I and II of the Project will be carried out with due regard to ecological and environmental principles and practices.

Section 4.05. Except as the Bank and the Borrower shall otherwise agree:
(a) the Borrower and COFIDE shall prepare and furnish to the Bank: (i) not later than May 31, 1980, a program, satisfactory to the Bank, of action to be taken by the Borrower on the basis of the observations already made by the Borrower's external auditors to the Borrower's financial statements for Fiscal Year 1977; and (ii) not later than 60 days after the Borrower's external auditors have furnished to the Borrower a report or reports on the audit by such auditors of the Borrower's financial statements for Fiscal Years 1978 and 1979, a program or programs, satisfactory to the Bank, of action to be taken by the Borrower on the basis of the observations made, if any, by such auditors to each of such financial statements. Each of the programs referred to in this paragraph shall include a timetable under which all action under such program shall be completed by December 31, 1981 unless the Bank and the Borrower shall otherwise agree;

(b) notwithstanding the provisions of, and as part of the programs referred to in, paragraph (a) above, the Borrower shall complete not later than August 31, 1981, the carrying out of Part III (b) of the Project; and

(c) COFIDE shall assist the Borrower in the carrying out of Part III (a) of the Project and in putting into effect every action included in each of the programs referred to in paragraph (a) of this Section.

Section 4.06. (a) The Borrower shall take all such action as shall be necessary on its part to enable the Guarantor to comply with its obligations under Sections 2.03, 4.05 and 4.07 (ii) of the Guarantee Agreement and shall utilize the proceeds of the contributions to be made by the Guarantor to the Borrower's equity pursuant to such Section 2.03, and up to the amounts referred to therein, for the sole purpose of servicing debt of the Borrower.

(b) For purposes of this Section, the provisions of paragraph (c) (i) and (ii) of Section 5.05 of this Agreement shall apply.

ARTICLE V

Financial Covenants

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition.
Section 5.02. The Borrower shall: (a) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than five months after the end of each such year, (i) certified copies of its financial statements for such year as so audited and (ii) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan, and in the creation of any such lien express provision will be made to that effect, at no cost to the Bank; and (ii) if any statutory lien shall be created on any assets of the Borrower as security for any debt, the Borrower shall grant, at no cost to the Bank, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. The Borrower and COFIDE shall, by a date which shall be agreed between the Bank and the Borrower but not later than 90 days before the end of each of the Borrower's Fiscal Years, exchange views each year with the Bank on the Borrower's capital investment program which will be in effect as of the beginning of the Fiscal Year next following such annual exchange of views, and the financial sources therefor, and the Borrower
shall take all such steps as shall be necessary in order to revise such program consistently with the agreements reached in such exchange of views.

Section 5.05. (a) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall take all such action during each of its Fiscal Years specified in paragraph (b) of this Section as shall be necessary or convenient to maintain for such Fiscal Year the applicable debt service coverage ratio set forth in such paragraph (b).

(b) For purposes of paragraph (a) above, during the following Fiscal Years the applicable debt service coverage ratio shall be as indicated below:

(i) for Fiscal Year 1980, 1.1;
(ii) for Fiscal Year 1981, 1.4;
(iii) for Fiscal Year 1982, 1.9; and
(iv) for Fiscal Year 1983 and each Fiscal Year thereafter, 2.

(c) For purposes of this Section, the debt service coverage ratio shall be obtained by dividing the net revenues of the Borrower for the year in question, by the debt service requirements of the Borrower for such year, and the following terms have the following meanings:

(i) "debt" means any debt incurred by the Borrower payable by its terms on demand or maturing more than one year from the date on which it is originally incurred;

(ii) debt shall be deemed to be incurred: (A) under a contract, loan agreement or other instrument providing for such debt, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, or other instrument guaranteed by the Borrower, on the date the agreement or instrument providing for such guarantee has been entered into or issued, as the case may be, but only to the extent that the guaranteed debt is outstanding;
(iii) the term "net revenues of the Borrower" means the gross revenues from all operations of the Borrower, less the sum of the operating, maintenance and other administrative expenses of the Borrower and provision for Taxes and Royalties (or payments in lieu thereof) accrued during the Fiscal Year in question and for which the Borrower is statutorily or contractually liable, but before provision is made for depreciation, interest and other charges on debt; and

(iv) "debt service requirements" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt, deducting from such aggregate and only in respect of Fiscal Years 1980 to 1982, both inclusive, the contributions made by the Guarantor to the Borrower's equity pursuant to Section 2.03 of the Guarantee Agreement up to the following maximum amounts: (A) in respect of Fiscal Year 1980, $45,000,000 equivalent; (B) in respect of Fiscal Year 1981, $45,000,000 equivalent; and (C) in respect of Fiscal Year 1982, $40,000,000 equivalent.

(d) Whenever in connection with this Section it shall be necessary to value in Soles debt payable in another currency, such valuation shall be made at the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by the Borrower for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

(e) If, during any Fiscal Year the Borrower, or the Guarantor on behalf of the Borrower, has prepaid debt maturing in one or more Fiscal Years following the Fiscal Year during which such prepayment has been made, such prepayment shall not be taken into account for purposes of the calculation described in paragraph (c) of this Section; provided, however, that this paragraph shall apply only: (i) if one or more contributions have been made to the Borrower's equity; and (ii) up to the extent the proceeds of such contribution or contributions have been applied to any prepayment of debt hereunder.
(f) The Borrower and COFIDE shall: (i) prepare and furnish to the Bank, not later than 90 days after the beginning of each Fiscal Year, a program of action to be taken by the Borrower during such Fiscal Year for purposes of maintaining, throughout such Fiscal Year, the applicable debt service coverage ratio; and (ii) exchange views with the Bank on such program and the probable consequences of each action thereunder.

Section 5.06. (a) The Borrower shall conduct its operations and affairs in such manner as shall be necessary to maintain, at all times, the ratio set forth in paragraph (b) of this Section not below the limit referred to, in respect of each Fiscal Year, in paragraph (c) of this Section.

(b) The ratio referred to in paragraph (a) of this Section shall be obtained by dividing the value of the Borrower's limited current assets by the value of the Borrower's limited current liabilities.

(c) The limit referred to in paragraph (a) of this Section shall be determined, in respect of each Fiscal Year referred to below, by the quotient obtained by making, in any moment during such Fiscal Year, the division referred to in paragraph (b) of this Section:

   (i) in respect of Fiscal Year 1980, 0.6;
   (ii) in respect of Fiscal Year 1981, 0.7;
   (iii) in respect of Fiscal Year 1982, 0.9; and
   (iv) in respect of Fiscal Year 1983 and each Fiscal Year thereafter, 1.

(d) For purposes of this Section, "limited current assets" means cash, accounts receivable due within twelve months, other than accounts receivable in arrears, prepaid expenses properly chargeable to operating expenses within the next twelve months following the date on which such prepaid expenses were made and all other assets, other than inventories, which could, in the ordinary course of business, be converted into cash within twelve months; and "limited current liabilities" means accounts payable within twelve months, customer advances, profits available for withdrawal by the Guarantor, Taxes and Royalties, bonuses, and all other liabilities (including debt payable by its terms on demand
or maturing less than one year from the date on which it is
originally incurred and excluding debt maturing more than one year
from the date on which it is originally incurred) which will
become due and payable, or could under circumstances then existing
be called for payment pursuant to their terms, within twelve
months.

(e) The provisions of paragraphs (c) (ii) and (d) of Section
5.05 of this Agreement shall apply mutatis-mutandi to this Sec-
tion.

Section 5.07. (a) Except as shall be otherwise agreed between
the Bank and the Borrower, the Borrower shall not incur any debt
if, after the incurring of such debt, the ratio between all the
Borrower's outstanding debt and equity would be greater than:

(i) 75/25, in respect of Fiscal Year 1981;
(ii) 70/30, in respect of Fiscal Year 1982; and
(iii) 60/40, in respect of Fiscal Year 1983 and each
Fiscal Year thereafter.

(b) The provisions of paragraphs (c) (i) and (ii) and (d)
of Section 5.05 of this Agreement shall apply to this Section.

(c) For purposes of this Section, the term "equity" means
the unimpaired paid-in capital, including capital contributions
made to the Borrower pursuant to Article 17 of the Guarantor's
Decree-Law No. 22775, free-reserves and retained profits, all of
the Borrower, determined in accordance with sound accounting
practices.

ARTICLE VI
Remedies of the Bank

Section 6.01. For the purposes of Section 6.02 of the General
Conditions, the following additional events are specified pursuant
to paragraph (k) thereof:

(a) that the Estatutos shall have been amended, suspended,
repealed or waived so as to materially and adversely affect the
ability of the Borrower to comply with its obligations under this
Agreement;
(b) that any action taken: (i) by the Guarantor, including but not limited to, any Resolución Suprema or Decreto Supremo of the Guarantor, or (ii) by the Borrower, all for purposes of Section 7.01 of this Agreement shall have been amended, suspended, repealed or waived so as to materially and adversely affect the financial condition of the Borrower; and

(c) that COFIDE shall have failed to perform any of its obligations under this Agreement.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) that any event specified in paragraphs (a) or (b) of Section 6.01 of this Agreement shall occur; and

(b) that the event specified in paragraph (c) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to COFIDE.

ARTICLE VII
Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Guarantor and the Borrower have taken all such action, satisfactory to the Bank, as shall be necessary on their part for the Guarantor to pay to the Borrower the unpaid balance of the amounts due to the Borrower pursuant to the Guarantor's Resolución Ministerial No. 0774-78 EM/OSP dated October 18, 1878 and Resolución Ministerial No. 0375-79 EM/OSP dated April 27, 1979.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that all action taken by the Guarantor and the Borrower for purposes of Section 7.01 of this Agreement has been taken in accordance with the Guarantor's laws.
Section 7.03. The date July 30, 1980, is hereby specified for the purpose of Section 12.04 of the General Conditions.

ARTICLE VIII

Addresses

Section 8.01. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 440098 (ITT)
W. Telex: 248423 (RCA) or 64145 (WUI)

For the Borrower:

Petróleos del Perú
Paseo de la República 3361
Lima 27
Perú

Cable address: PETROPERU
Telex: 25592 PE
Lima, Perú

For COFIDE:

COFIDE
Avenida Garcilaso de la Vega 1456
Lima 1
Perú

Cable address: COFIDE
Telex: 20162 PE
Lima, Perú

25356 PE
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Nicolás Andión Barletta
Regional Vice President
Latin America and the Caribbean

PETROLEOS DEL PERU

By /s/ Alfonso Arias Schuster
Authorized Representative

CORPORACION FINANCIERA DE DESARROLLO — COFIDE

By /s/ Alfonso Arias Schuster
Authorized Representative

By /s/ Fernando Renza Salinas
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Equipment and materials for Part I (a) and Part I (b) of the Project</td>
<td>14,200,000</td>
<td>100% of foreign expenditures and 80% of local expenditures</td>
</tr>
<tr>
<td>(2) Seismic surveying services under Part II (a) of the Project</td>
<td>10,300,000</td>
<td>90% (representing the estimated foreign exchange component)</td>
</tr>
<tr>
<td>(3) Consultants' and experts' services for Part I (a) (ii), Part II (b), Part III (a) and (b) and Part IV of the Project</td>
<td>5,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(4) Training under Part III (c) of the Project and consultants' and experts' services therefor</td>
<td>1,000,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than the Guarantor and for goods or services supplied from the territory of any country other than the Guarantor; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Guarantor on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of $2,000,000 may be made in respect of payments made for expenditures before that date but after February 1, 1980 in respect of:
(i) Category (1), for equipment; and (ii) Category (3), for consultant services for Part II (b) of the Project;

(b) in respect of Category (1), for equipment procured for purposes of Part I (b) of the Project, unless the Bank has notified the Borrower that it accepts the justification contained in the report referred to in paragraph (a) of Section 3.05 of this Agreement; provided, however, that the Bank may accept such justification in respect of only certain of the well locations and well pumping systems covered by such report and may deem this condition met only in part in respect thereof; and
(c) in respect of Category (2), for any survey under Part II (a) (ii) of the Project, unless the Bank and the Borrower have reached the agreement required by Section 3.06 of this Agreement in respect of such survey.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
SCHEDULE 2

Description of the Project

The Project consists of:

Part I: Rehabilitation of Production

(a) Restoring of declining primary production from the following oil fields in the Peruvian Amazon jungle: Corrientes (also known as Trompeteros), Pavayacu, Capirona and Yanayacu, comprising: (i) acquisition and utilization of pumping equipment (approximately 35 pumps), a workover rig and a pulling unit, all for the aforesaid purpose; and (ii) execution of reservoir simulation studies for each of the above-mentioned oil fields.

(b) Reactivation of primary production from 300 temporarily abandoned wells in the Talara area by means of a combination of pumping systems (mechanical - both permanent and moveable, mechanical with central electrical system and swabbing), including acquisition and installation of pumping equipment and other accessory equipment and facilities therefor.

Part II: Development of New Production Potential

(a) Reactivation of the Borrower's exploration activities comprising:

   (i) semi-detailed seismic surveying, in a length of about 800 line-kilometers in each of the Borrower's Blocks 8 and 31 located in the north-eastern and central Peruvian jungle, respectively;

   (ii) detailed seismic surveying, in an aggregate length of about 500 line-kilometers, in either or both of the Blocks referred to in (i) above; and

   (iii) processing of the information and data obtained in the carrying out of (i) and (ii) above and the preparation of comprehensive reports on the basis of such information.

(b) Updating of an existing feasibility study for a future secondary recovery project in La Brea-Pariñas area.
Part III: Improvement of the Financial and Technical Capabilities of the Borrower

This Part of the Project comprises:

(a) studies on the Borrower's financial administration, accounting and management information practices and procedures;

(b) an inventory of the Borrower's fixed assets and a reconciliation of the Borrower's books in respect of such assets; and

(c) training programs for the Borrower's staff on maintenance and repair work of new facilities acquired under the Project, reservoir engineering practices and production control procedures.

Part IV: Overall Development of the Guarantor's Petroleum Sector

(a) A study on the future exploration and development investment requirements of Perú in order to maintain petroleum production at a level which would ensure the Guarantor's self-sufficiency in crude oil throughout the period 1981-1990; such study will, inter alia, analyze and recommend institutional development strategies for the Borrower in the future development of the hydrocarbon sector in light of the overall investment requirements in the sector, institutional capacity and the Guarantor's policy objectives, as well as the legal, economic and financial framework, policy initiatives and specific incentives required to achieve the investment level necessary for the development of the hydrocarbon sector.

(b) A study concerning pricing of hydrocarbons which will recommend policy alternatives to maximize the hydrocarbon sector's contribution to the economic development of Perú. The study will analyze pricing policies and price levels on a product-by-product basis to recommend pricing policies that would ensure rational allocation of resources and the financial viability of the Borrower. The impact of such policies will be assessed in financial and economic terms, taking into account, inter alia, effects on other sectors, opportunity costs, social implications, demand elasticity, supply constraints, alternative sources of energy, and the measurement and costs of explicit and implicit subsidies.
(c) A study to assess the economic and technical feasibility, with specific recommendations on the optimal timing therefor, of various alternatives for the expansion of the Ramal Norte (Northern Branch) of the North Peruvian Pipeline.

* * *

The Project is expected to be completed by July 31, 1982.
<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15 beginning June 15, 1983 through June 15, 1996</td>
<td>1,160,000</td>
</tr>
<tr>
<td>On December 15, 1996</td>
<td>1,180,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1.45%</td>
</tr>
<tr>
<td>Not more than three years but not more than six years before maturity</td>
<td>2.90%</td>
</tr>
<tr>
<td>Not more than six years but not more than eleven years before maturity</td>
<td>5.35%</td>
</tr>
<tr>
<td>Not more than eleven years but not more than fifteen years before maturity</td>
<td>7.30%</td>
</tr>
<tr>
<td>Not more than fifteen years before maturity</td>
<td>8.25%</td>
</tr>
</tbody>
</table>
SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part C hereof, goods and services for Part I and Part II (a) (i) and (ii) of the Project shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, and in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods, offered in such bid; and (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids.

B. Preference for Domestic and Regional Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in
Perú or in a country which is a member of the Latin American Free Trade Association or a party to the Cartagena Agreement may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following four groups:

   (a) **Group A**: bids offering goods manufactured in Perú if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Perú equal to at least 20% of the ex-factory bid price of such goods.

   (b) **Group B**: all other domestic bids.

   (c) **Group C**: bids offering goods manufactured in a country other than Perú which is a member of the Latin American Free Trade Association or a party to the Cartagena Agreement.

   (d) **Group D**: bids offering any other goods.

3. In order to determine the lowest evaluated bid of each group, all evaluated bids in each group shall first be compared among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group C or group D, all group C and group D bids shall be further compared with the lowest evaluated bid from group A after adding to the evaluated bid price of the imported goods offered in each group C and group D bid, for
the purpose of this further comparison only, an amount equal to:
(i) the amount of customs duties and other import taxes which a
non-exempt importer would have to pay for the importation of the
goods offered in such group C bid or group D bid; or (ii) 15% of
the c.i.f. bid price of such goods if said customs duties and
taxes exceed 15% of such price. If either the group A bid or the
group C bid in such further comparison is the lowest, it shall be
selected for the award.

5. If, as a result of the further comparison under para-
graph (4) above, a bid from group D is the lowest, and provided
there are taxes actually payable for the importation of goods
offered in the lowest evaluated bid from group C, as determined
under paragraph (3) above, all group D bids shall be finally
compared with such lowest evaluated bid from group C, after adding
to the c.i.f. bid price of goods to be imported offered in each
group D bid, for the purpose of this final comparison only, an
amount equal to the smaller of (i) the positive difference, if
any, between the amount of customs duties and other import taxes
which would actually be payable for the importation of goods
offered in such group D bid and for the importation of goods
offered in the group C bid, or (ii) 15% of the c.i.f. price of
goods to be imported offered in such group D bid. If the lowest
bid in such comparison is the group C bid, it shall be selected
for the award; if not, the lowest evaluated bid from group D, as
determined under paragraph (3) above, shall be selected for the
award.

C. Other Procurement Procedures

Contracts for: (a) drilling materials and surface and sub-
surface equipment other than pumps; (b) the first 17 pumps to
be acquired for purposes of Part I (a) (i) of the Project; and
(c) the provision of services for Part II (a) (iii) of the Proj-
ect, may be awarded after soliciting price quotations from sup-
pliers or contractors, as the case may be, satisfactory to the
Bank from not less than three countries (member countries of
the Bank and Switzerland); provided, however, that the aggregate
amount of contracts so awarded shall not exceed the equivalent of
$3,000,000.

D. Review of Procurement Decisions by the Bank

1. Review of a list of contractors for contracts included in
Part B hereof. The Borrower shall, before price quotations are
solicited, inform the Bank in detail of the procedure to be followed, and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of contractors, together with a statement of their qualifications, shall be furnished by the Borrower to the Bank for its comments before price quotations are solicited by the Borrower, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Bank shall reasonably request.

2. Review of invitations to bid or of price solicitations and of proposed awards and final contracts:

With respect to all contracts estimated to cost the equivalent of $200,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid, or the price solicitations, as the case may be, and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents, or the solicitation, as the case may be, shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids or price quotations, as the case may be, have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder or quoter, as the case may be, to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids or quotations received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids or quotations were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.
3. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids or quotations, as the case may be, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

4. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 10% of the Original Price, the Borrower shall inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.
CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 28th day of April, 1980.

FOR SECRETARY