

FUEL PURCHASE CONTRACT 902-07-10
LIGHT DISTILLATE NO. 2 FUEL OIL

AS FIRST PARTY: The Puerto Rico Electric Power Authority, hereinafter referred to as "PREPA", a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act 83 of May 2, 1941, as amended, employer's Social Security [REDACTED] represented in this act by its Executive Director, mister Miguel Ángel Cordero López, of legal age, married, professional engineer, and resident of Caguas, Puerto Rico; and

AS SECOND PARTY: PetroWest, Inc., hereinafter referred to as "Seller", a corporation organized and existing under the laws of the Commonwealth of Puerto Rico, authorized to do business in Puerto Rico, employer's social security [REDACTED] represented in this act by its President, José Antonio González Amador, of legal age, married, and resident of Mayagüez, Puerto Rico, by virtue of Corporate Resolution, dated as of June 7, 2010.

WITNESSETH

WHEREAS, PREPA issued an Invitation to Bid No. Q035229 for the supply of light distillate No. 2 fuel oil at Daguao, Jobos, Vega Baja, and Yabucoa Gas Turbines Generating Stations.

WHEREAS, in response to the referred Invitation to Bid, Seller made an offer to supply said fuel.

In consideration of the mutual covenants herein stated, the parties agree themselves, their personal representatives, successors, and assignees, as follows:

ARTICLE I. Scope and Term of Contract

- A. The Seller agrees to sell and deliver to PREPA and PREPA agrees to purchase from the Seller No. 2 fuel oil in compliance with the specifications in Exhibit A, for the Daguao, Jobos, Vega Baja, and Yabucoa gas turbine generating stations. The monthly rate of delivery for each station shall be the amount requested by PREPA.
- B. PREPA reserves its right to purchase approximately up to twenty-five percent (25%) of the plant requirements on the open market if such quantities become available at a lower price than that contracted at the time of purchase.
- C. This Contract shall be in effect for a period of one (1) year, beginning on the date on which both parties signed. This Contract is subject to one (1) automatic renewal of one (1) year, unless either party indicates its intention that said automatic renewal does not occur by providing written notice to the order not less than one hundred twenty (120) days before the expiration of the original Contract term.
- D. The Contract may be extended on a monthly basis upon mutual agreement after the end of the contracted term or its renewal, provided that, said extensions shall not exceed four (4) consecutive months, except when an emergency is declared by PREPA's Governing Board.

ARTICLE II. Termination

Notwithstanding anything to the contrary in this Contract regarding its term, PREPA may, at any moment, terminate, cancel or accelerate its expiration, after giving the Seller a not less than thirty (30) days prior notice, when in PREPA's judgment such action responds to PREPA's best interests. Provided that, in the event the Seller fails to

comply with any of its obligations under the Contract, PREPA may declare an immediate Contract termination, cancellation or resolution, without prior notice to the Seller. The exercise of its right to terminate, cancel or rescind the Contract shall not be understood as a waiver by PREPA to any other remedy it may have under this Contract or under the law for delays or breach incurred by the Seller in the performance of its obligations under the Contract.

ARTICLE III. Independent Contractor

The Seller shall be considered as an independent contractor, for all the material purposes under this Contract, and all persons engaged or contracted by the Seller for the performance of its obligations herein, shall be considered as its employees or agents or those of its subcontractors, and not employees or agents of PREPA. In consequence, the Seller is not entitled to any fringe benefits, such as, but not limited to vacations, sick leave, and other.

ARTICLE IV. Delivery and Title

A. Fuel shall be delivered by tank trucks into PREPA's tanks at the Daguao, Jobos, Vega Baja, and Yabucoa stations. Delivery to any of these stations shall be deemed completed and title and risk shall pass to PREPA when the fuel passes the flange connection, adjacent to PREPA's storage tanks at said station.

Tank truck deliveries to these stations shall be made with twenty-four (24) hours prior notice and in coordination with the superintendent of said station so as to assure the continuous operation of the station.

The Seller is responsible for cleaning, removing, and disposing any spill of this product, which might occur before PREPA's intake flange during delivery; and shall be responsible for securing all materials, permits, and personnel required for handling the transfer of fuel.

- B. The fuel shall be supplied by the Seller and shall be delivered and pumped into PREPA's storage tanks. The Seller shall have the capability to effect deliveries within twenty-four (24) hours after request of product by PREPA including deliveries on Saturdays, Sundays, and holidays, if necessary, in order to fulfill PREPA's operational requirements.
- C. PREPA shall submit to Seller a daily estimate of its requirements and location for delivery of fuel during the following day.
- D. If the Seller, for any reason, except as provided for in Article XIII, Force Majeure, fails to deliver the fuel required as provided for in this Contract, PREPA may procure the product from any other supplier. In such event, PREPA may deduct from the Seller's pending invoices or the Seller shall reimburse PREPA for any difference which PREPA may have paid in excess of the contracted price.
- It shall be understood that PREPA is not waiving any rights available to it under the law, including rights to any claims or actions for damages caused by the Seller's noncompliance with the terms of this Contract.
- E. Should PREPA need fuel of the same type and quality of the fuel herein Contracted for, at any of its other plants, PREPA at its option may request deliveries and the Seller shall deliver to such other plant up to a maximum of the Seller's monthly

contractual commitment or inventory capabilities, whichever is greatest. The fuel oil to be delivered under this condition by the Seller shall be at the same price and under the same payment conditions as for this site, adjusted to reflect any increased or decreased transportation costs resulting from delivery to such other plant.

- F. Seller is responsible for cleaning, removing, and disposing of any drips or spills of his fuel, which might occur during delivery up to the point of PREPA's storage tanks.
- G. The Seller must provide a quality certificate of each shipment delivered to the plant superintendent or his representative before delivery begins. Such certificate must be signed by a chemist licensed in Puerto Rico and must include all parameters specified in Exhibit A, Fuel Specifications, of this Contract.

ARTICLE V. Specifications

The fuel shall be in accordance with the latest corresponding specifications, stated in Exhibit A, Fuel Specifications, and in Article IV, Delivery and Title, Specifications, of the Conditions and Specifications, which are part of this Contract.

ARTICLE VI. Working Hours, Laytime and Demurrage

- A. PREPA's working hours are Monday thru Friday from 7:30 to 11:30 AM and from 12:30 to 4:00 PM. The Seller shall take all the necessary actions in order to supply the required daily volume during PREPA's working hours. Deliveries not made during PREPA's normal working hours may be rejected without penalty to PREPA. PREPA reserves the right to modify its working hours schedule in order to accommodate fuel requirements in excess of sixty thousand (60,000) gallons per day for each site.

- B. PREPA assumes no responsibility or liability for demurrage incurred by the tank trucks delivering fuel pursuant to this Contract, unless such demurrage is attributable to the fault or negligence of PREPA.
- C. The Seller shall furnish all appropriate documentation and available evidence to support of any demurrage claim, which may be brought against PREPA.

ARTICLE VII. General Liabilities

- A. The Seller agrees to make, use, provide, and take all proper, necessary precautions, safeguards, and protection against the occurrence or happening of injuries, death, and/or damages to any person or property during the delivery process. It also agrees to be responsible for, and indemnify, and save PREPA harmless from public liability, costs, and expenses resulting there from, or damages that may happen or occur solely through the fault, or negligent acts, or omissions of the Seller, its employees, agents, and subcontractor, during the performance of the supply, or while carrying out any act or action directly or indirectly related, or in connection with the performance of this Contract, and from loss, liability, and fines incurred for, or by reason of violation by the Seller of any federal, state or municipal ordinance or regulation of law, while said delivery is in progress.
- B. The Seller will be held responsible for any fines, penalties, damages, expenses, costs or claims, actions, and causes of actions, which may arise due to the fact that any of the fuel provided by the Seller has deviations or variations from the contracted and guaranteed specifications for the same. Therefore, should such circumstances take place, the Seller will hold and save harmless and will defend

PREPA, its officers, agents, and employees from any claims, actions, causes of actions, damages, costs, fines, penalties, and expenses due or attributable to variations or deviations from fuel specifications as contracted and guaranteed by the Seller.

- C. The appearing parties agree that their responsibilities for damages under this Contract will be governed by the Puerto Rico Civil Code and its case law, as dictated by the Supreme Court of Puerto Rico.

ARTICLE VIII. Price

- A. Price contracted for fuel delivered shall be per barrel of 42 U.S. gallons, volume corrected to a temperature of sixty degrees (60°) Fahrenheit.
- B. The unit price in dollars per barrel (\$/bbl.) has to be computed using the contracted fixed price differential of \$7.7600 per barrel plus an escalator factor taking as reference the base postings on the date of commencement of delivery. The escalator formula is as follows:

Fifty per cent (50%) of LS Diesel Off-road fuel from the average of quotations for the New York Harbor (Cargo) prices as published by the Platt's Oilgram Price Report;

Plus fifty per cent (50%) of LS Diesel Off-road fuel from the average of quotations for the US Gulf Coast (Waterborne) prices as published by the Platt's Oilgram Price Report; and the final result rounded to four decimal places.

The price for a fuel delivery shall be based on the day the delivery commences. Should delivery take place on Saturday, Sunday or on a Holiday, the effective prices appearing in the last edition of Platts Oilgram Price Report published before that date will be utilized to readjust the prices. A sample calculation of the escalation factor appears as Exhibit B of this Contract.

- C. Excise tax and municipality patent payment are to be presented as separate line items and the same are in addition to the contracted price.
- D. The Seller shall invoice on a monthly basis for all deliveries occurring during said month of the particular year.
- E. Prices contracted shall be for a sixty (60) days payment term after the ending of month for all deliveries occurring during the month, having in mind that PREPA will pay on the basis of received quality and quantity.

The risk and title will be borne by the Seller until the fuel oil passes PREPA's intake flange at the respective installation.

ARTICLE IX. Duties and Taxes

The contracted price shall include all taxes, fees or established import tariffs for foreign material with the exception of Puerto Rico's excise tax and municipality patent payment which are to be presented as separate line items and the same are in addition to the contracted price. In the event that any new or increased taxes, fees or tariffs, applicable to the product being supplied hereby are levied by Federal and/or Commonwealth of Puerto Rico Government, and as long as these taxes, fees or tariffs do not discriminate whether the product is domestic or foreign, these will be passed on in their entirety to PREPA; any changes up or down in these taxes, fees or tariffs, should they be imposed, will be reflected in the price in its entirety and Seller will adjust the price accordingly. However, should said new or increased taxes, fees or tariffs discriminate whether the product is domestic or foreign and said new or increased taxes, fees or tariffs result in a lower price for domestic fuel, the Seller must supply fuel which results

in the lowest cost to the PREPA. Should domestic fuel be unavailable, the parties shall meet within five (5) days from Seller's notification to PREPA that the lowest priced fuel is unavailable, or at PREPA's request, to discuss fuel availability from other sources and negotiate the financial aspect of any taxes, fees, or tariffs applicable to the product. If an agreement cannot be reached, PREPA shall have the right to terminate the Contract.

ARTICLE X. Guaranteed Calorific Value

- A. The Seller guarantees that the minimum calorific values of the fuel supplied hereunder shall be as specified herein, or as quoted by the Seller, whichever is the higher. However, PREPA will not pay any premium for calorific values in excess of the minimum established in Exhibit A, Fuel Specifications.
- B. During any delivery by the Seller, in which the fuel fails to meet such guarantee, the deficiency shall be determined in barrels, calculated on the basis of the example attached as Exhibit C, Sample Calculation, of this Contract. The deficiency thus calculated shall serve as a credit deficiency occurred, for an equivalent number of barrels, before computing the fuel billings for such invoice.

ARTICLE XI. Measurements and Payment

- A. For tank truck deliveries, fuel shall be measured while being delivered into PREPA's storage tanks by printing meters, furnished and installed by PREPA. A temperature of ninety Fahrenheit degrees (90°) will be used to correct to sixty Fahrenheit degrees (60°) the volume delivered. Every invoice for a tank truck delivery should be accompanied by a copy of delivery ticket properly signed by PREPA's duly authorized representative. For the purpose of determining the quantity delivered,

the printed meter reading will be used. Should a meter be out of service an alternate method shall be agreed upon for fuel measurement or the fuel will not be accepted for delivery. All the tank trucks should have all hatches and outlet valves properly locked with metallic seals at the time the delivery is to commence; otherwise the product will not be accepted by PREPA.

- B. All invoices submitted by the Seller shall be paid net by PREPA in U.S. currency within sixty (60) days after the receipt of fuel and after receipt of invoice and all the necessary documents for making payments, at PREPA's Fuels Office.
- C. All invoices submitted by the Seller shall include the following Certification in order to proceed with its payment. This is an essential requirement and those invoices without this Certification, will not be processed for payment.

No Interest Certification:

Under penalty of absolute nullity, I hereby certify that no employee, official or director of PREPA is a party or has any interest in the profits or benefits to be obtained under this Contract, or if any employee, official or director of PREPA has any interest in the profits or benefits under this Contract a waiver has been previously obtained. I, also certify that the only consideration to deliver the fuel under this Contract is the payment agreed with PREPA's authorized representative. The total amount of this invoice is fair and correct. The fuel was delivered and no payment has been received for said concept.



Seller's Signature

- D. All the billings and requests for payment should be mailed to:

Puerto Rico Electric Power Authority
Attention: Fuels Office
PO Box 364267
San Juan, Puerto Rico 00936-4267

ARTICLE XII. Sales to Others

If the Seller sells or offers for sale to others in Puerto Rico burnable fuel of a quality comparable or superior to that of fuel to be supplied hereunder for delivery in Puerto Rico or elsewhere, at F.O.B. supplier terminal prices per BTU lower than those payable for fuel hereunder, the Seller shall so notify PREPA immediately and extend to PREPA such lower price as from the date of such sale or offer for sale. The lower price shall apply to a quantity of fuel sold by the Seller to PREPA hereunder equivalent to the number of barrels of fuel sold or offered by the Seller at such lower price, but in no case shall this lower price be applicable to a quantity less than the average quantity received during a two weeks (2) period.

ARTICLE XIII. Force Majeure

The parties hereto shall be excused from performing hereunder and shall not be liable in damages or otherwise, if and only to the extent that they shall be unable to perform, or are prevented from performing by a Force Majeure event. For purposes of this Contract, Force Majeure means any cause without the fault or negligence, and beyond the reasonable control of, the party claiming the occurrence of a Force Majeure event. Force Majeure may include, but not be limited to, the following: Acts of God, industrial disturbances, acts of the public enemy, war, blockages, boycotts, riots, insurrections, epidemics, earthquakes, storms, floods, civil disturbances, lockouts, fires, explosions, interruptions of services due to the acts or failure to act of any governmental authority, provided that these events, or any other claimed as a Force Majeure event, and/or its effects, are beyond the reasonable control and without the fault or negligence of the

party claiming the Force Majeure, and that such party, within ten (10) days after the occurrence of the alleged Force Majeure, gives the other party written notice describing the particulars of the occurrence and its estimated duration. The party claiming the Force Majeure shall continue the performance of its obligations hereunder immediately after the conclusion of the Force Majeure.

In the event that the Force Majeure extends for a period of more than sixty (60) consecutive days, the party not claiming the Force Majeure may terminate this Agreement without further obligation. The burden of proof as to whether a Force Majeure has occurred shall be on the party claiming the Force Majeure.

Notice of termination under this provision shall create no liability to the parties, except that the parties shall still be responsible for the payments of amounts due and owing to the other party not subject to claims.

ARTICLE XIV. Termination on Insolvency

 If Seller enters into bankruptcy proceedings, or if Seller becomes bankrupt or insolvent, or if a petition in bankruptcy is filed against Seller, or if a receiver is appointed for Seller, PREPA shall have the right to terminate the Contract upon written notice to Seller, without prejudice to any claim or any other right of PREPA under the Contract at the time of such termination.

Notice of termination under this provision shall create no liability to PREPA, except that PREPA shall still be responsible for the payment of amounts due and owing to Seller not subject to claims by PREPA.

ARTICLE XV. Contingent Fees

A. The Seller warrants that it has not employed any person to solicit or secure the Contract upon any agreement for a commission, percentage, brokerage or contingent fee. Breach of this warranty will give PREPA the right to immediately terminate the Contract and/or to deduct from any payment the amount of such commission, percentage, brokerage or contingent fee or to claim said amount by whatever means available under the law.

B. No officer, employee or agent of PREPA or of the Commonwealth of Puerto Rico or Municipal Governments shall be admitted to any share or part of the ensuing Contract or to any benefit that may arise there from, but this provision shall not be construed to extend to the ensuing Contract if made with a well known oil corporation for its general benefit, although said corporation employs a relative, by reasons of consanguinity or affinity, to a PREPA employee.

C. The Seller represents and warrants that it is authorized to enter into, and to perform its obligations under this Contract and that it is not prohibited from doing business in Puerto Rico or barred from contracting with agencies or instrumentalities of the Commonwealth of Puerto Rico.

ARTICLE XVI. Performance Bond

Upon execution of the Contract, the Seller will furnish a performance bond payable to the order of PREPA issued by a qualified surety company, authorized to do business in Puerto Rico and acceptable to PREPA, in the amount of \$721,580.00, equivalent to five percent (5%) of the estimated Contract value, or a letter of credit will be accepted as

established in Article VIII. Bid and Performance Bond, of the Conditions and Specifications attached herewith.

ARTICLE XVII. Preferred Client

The Seller recognizes that PREPA provides an essential service for the Commonwealth of Puerto Rico. Should any force majeure event cause the Seller to suspend or reduce deliveries, the Seller shall give PREPA first priority for supply.

ARTICLE XVIII. Certifications

Previous to the signing of this Contract, Seller will have to submit the following documents or certifications:

- 1-24.
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- A. Certification, by Seller, which indicates that it has filed its Income Tax Returns during the five previous years and that it does not owe taxes to the Commonwealth of Puerto Rico, or is paying such taxes by an installment plan in full compliance with its terms.
 - B. An Income Tax Return Filing Certificate, issued by the Treasury Department of Puerto Rico, Area of Internal Revenues, assuring that Seller has filed his Income Tax Return for the last five years. To require such Certification, Seller will use the Request for Copy and/or Certification of Income Tax Returns Form issued by the Treasury Department of Puerto Rico. In addition, Seller shall submit a Certification of Debt issues by the Area of Internal Revenues.
 - C. Certification issued by the Municipal Revenues Collection Center (MRCC), assuring that Seller does not owe any tax to such governmental agency. To require such Certification, the Contractor will use the form issued by the MRCC.

D. Certificate, issued by the Department of Labor and Human Resources of Puerto Rico, assuring that Seller has paid to the Department of Labor and Human resources of Puerto Rico his employees' contribution, in accordance with the Puerto Rico Employment Security Act (unemployment, temporary disability or sickness, or social security for drivers/chauffeurs); or is paying such contribution by an installment plan in full compliance with its terms. To require such Certification, Seller will use the form issued by the Department of Labor and Human Resources. It shall be Sellers' responsibility, also, to require all subcontracted third parties to comply with all the previous Certifications and agrees to notify PREPA of such compliance within ten working days of subcontracting such third party.

If any of the previously required Certifications shows a debt, and Seller has requested a review or adjustment of this debt, Seller will certify that it has made such request at the time of granting the Contract. If the requested review or adjustment is denied and such determination is final, Seller will provide, immediately, to PREPA a proof of payment of this debt; otherwise, Seller accepts that the owed amount be offset by PREPA and retained at the origin, deducted from the corresponding payments.

Seller recognizes that submittal of the aforementioned certifications and documents is an essential condition of this Contract; and even in the case that they are partially incorrect, there will be sufficient cause for PREPA to terminate, cancel or rescind the Contract, and Seller have to refund all payments received.

ARTICLE XIX. Save and Hold Harmless

Seller agrees to save and hold harmless and to indemnify PREPA for all expenses and costs of any nature (including attorneys' fees) incurred by PREPA arising out damages, caused by Seller, by act or omission, in the performance or nonperformance of its obligations under the Contract.

ARTICLE XX. Contract Assignment

- A. This Contract, as well as any of the rights, duties, liabilities, and obligations under it, cannot be assigned, transferred, subcontracted, hypothecated, or otherwise disposed of by the Seller without the previous written consent of PREPA.
- B. PREPA does not favor requests for assignment, transfers, hypothecation or other type of disposal of the Contract, and/or duties and obligations under it, and will be reluctant to approve any request to that effect, unless, in the judgment of PREPA, the particular circumstances of the request warrant its approval and the assignment, transfer, hypothecation or disposal does not operate against PREPA's best interests.

ARTICLE XXI. Transfer of Fund

PREPA does not have the legal obligation or is not committed to accept an Agreement to Transfer Funds between Seller and third parties by reason of the goods or services lent under this Contract. Nevertheless, Seller could request to PREPA, in writing, the recognition and acceptance of a Fund Transfer Agreement between the Seller and a third party, submitting the Agreement for evaluation according to the rules and procedures in force in PREPA. PREPA reserved the right to accept or not the requested recognition of the transfer. The assignor will pay to the Authority \$200

annually to be discounted starting of the first payment of the transfer and yearly thereafter, for administrative expenses.

Seller accepts that the recognition of the transfer of fund by PREPA it is subject to the following Terms and Conditions: (a) PREPA maintains its preferential rights to retain and discount, of every payment owed under this Contract, all and any sum that the Seller owe to PREPA whether under this Contract or under any other Contract or Purchase Order or by the right of compensation (setoff) that have PREPA against the Seller and to apply the sum retained and discounted to its balance against the Seller; (b) PREPA maintains its preferential right to retain and to discount, of every payment owed under this Contract and payable to the transferee all and any sum that the transferee owed to PREPA including but not limited to any right of compensation (setoff) of PREPA against the transferee and to apply the sum retained and discounted to its balance against the Transferee; (c) PREPA maintains its unlimited right to retain the payments in case of: (i) Seller does not comply with all the obligations and contractual responsibilities that can have toward PREPA; (ii) the existence of claims of any type or nature from PREPA against Seller that rise in relation to said Contract or Purchase Order and/or relating to any other Contract between Seller and PREPA, including but not limited to claims of guarantee of the product sold or by defects or vices of the same and/or construction and independently that said obligations of Seller with PREPA be or not liquid and payable debts.

Seller and the Transferee recognize and accept that it is responsibility of Seller to pay the Transferee any quantity of money object of the transfer of funds that can receive

from PREPA while have not covered the debt object of the same. Furthermore, Seller and the Transferee relieve PREPA of any claim in relation to said payment. Seller and the Transferee recognize and accept that to comply with the recognition, PREPA will issue all payments, yielded or not, payable to Seller and the Transferee. It will be responsibility of the Transferee to perform the payments to Seller of those payments that do not correspond to him.

Seller and the Transferee recognize and accept that PREPA will automatically cease to have obligation of any nature under this transfer in any of the following circumstances:

(i) as soon as the debt of Seller toward the Transferee have been paid by Seller or collected from it, although itself have not pay off the same with the funds yields, (ii) as soon as PREPA have paid the sums under the Contract or Purchase Order object of this transfer (iii) as soon as PREPA have made payments to the total owed under the Contract or Purchase Order object of this transfer, (iv) as soon as a year have elapse since the due date and/or payment of any of the accounts receivables, yielded by Seller to the Transferee and the Transferee have not formulated, within such year, a written statement with acknowledgment of receipt to PREPA, demanding the payment.

Seller and the Transferee recognize and accept that is of its entire responsibility to request to PREPA, by means of a document, signed by both parties, to discontinue the payments to the transfer. Seller and Transferee relieve PREPA of any claim product of the breach of this obligation.

ARTICLE XXII. Notices

A. Any notice to be given hereunder shall be in writing and will be sufficiently served when delivered in person or properly mailed to the following addresses:

To PREPA: Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936-4267

Attention: Fuels Office Manager

To Seller: PetroWest, Inc.
PO Box 1256
Mayagüez, Puerto Rico 00681

Attention: José Antonio González Amador

B. Either Seller or PREPA, upon any change of its address as set forth above, shall notify the other party in writing and from and after giving of such notice, the address therein specified shall be deemed the address of such party for the giving of notices.

ARTICLE XXIII. Modifications and Novation

No modification, change, renewal, extension, discharge, or waiver of this Contract, or any of the provisions herein contained, shall be valid and binding except by a written, mutual agreement of the parties signed by a duly authorized officer of each party.

PREPA and the Seller expressly agree that no amendment or change order which could be made to Contract, during its term, shall be understood as a contractual novation, unless both parties agree to it, specifically and in writing. The previous provision shall be equally applicable in such other cases where PREPA gives the Seller a time extension for the compliance of any of its obligations under this Contract, or where PREPA dispenses the claim or demand of any of its credits or rights under the Contract.

ARTICLE XXIV. Choice of Law and Venue

This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico. Also, the contracting parties expressly agree that only the state courts of Puerto Rico will be the courts of competent and exclusive jurisdiction to decide over the judicial controversies that the appearing parties may have among them regarding the terms and conditions of this Contract.

ARTICLE XXV. Code of Ethic

The Seller agrees to comply with the provisions of Act of June 18, 2002, No. 84, which establishes a Code of Ethics for the Contractors, Suppliers and Economic Incentive Applicants of the Executive Agencies of the Commonwealth of Puerto Rico.

ARTICLE XXVI. Sworn Statement

Previous to the signing of this Contract, the Seller will have to submit a sworn statement that neither Seller nor any of its partners have been convicted, nor have they plead guilty of any felony or misdemeanor involving fraud, misuse or illegal appropriation of public funds as enumerated in Article 3 of Public Law number 428 of September 22, 2004, as amended.

ARTICLE XXVII. Separability

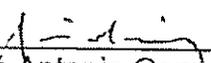
If a court of competent jurisdiction declares any of the Contract provisions as null or invalid, such holding will not affect the validity and effectiveness of the remaining provisions of the Contract and the parties agree to comply with their respective obligations under such provisions not included by the judicial declaration.

ARTICLE XXVIII. Entire Agreement

This Contract constitutes the entire agreement of the parties as to the subject matter; however, should there be any difficulty or differences in understanding, interpreting or applying its terms, the parties shall look for guidance and directives within the terms and conditions of the corresponding Invitation to Bid, Seller's Proposal, and Letter of Award, dated Septiembre 9, 2010.

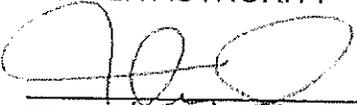
IN WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed as of October 29, 2010, at San Juan, Puerto Rico.

PETROWEST, INC.



José Antonio González Amador
President

PUERTO RICO ELECTRIC
POWER AUTHORITY



Miguel Ángel Cordero López
Executive Director

FUEL SPECIFICATIONS NO. 2 - ALL UNITS

PARAMETER	ASTM METHOD	MINIMUM	MAXIMUM
Sampling	D-4057-88	-	-
Gravity, API Degree at 60°	D-287-82	27.0	42.0
Viscosity, Kinematic CTS at 100° F	D-445-88 D-2161-87	2.3	5.8
Water and Sediment, % volume	D-95-83 D-473-81		0.1
Flash Point, Degree F, PMCT	D-93-90	125	
Sulfur, % weight ¹	D-4294-90		0.05
Ash, % weight	D-482-91		0.005
Pour Point, Degree F	D-97-87		30
Sodium plus Potassium, PPM ²	D-1318-88		1.0
Vanadium, PPM	D-1548-91		0.5
Calcium, PPM	D-1548-91		2.0
Heating Value, BTU/gal. (Gross) at 60° F	D-240-87	135,000	
Distillation Temp. 90% Point degree F	D-86		680
Carbon Residue WT. % (10% Bottoms)	D-524		1.0
Filterable Dirt (Particulates) Mg./100 ml.	D-2276		4
Cetane Index		35	
Color		Dyed	
Cetane Number	D-975	35	
Lead PPM	A.A.		1.0

¹Reproductibility and repeatability must be taken into consideration in order to comply with the maximum sulfur percent weight specification.

²Method D-1318-83 for sodium analysis, however, sodium as well as potassium can be analyzed by other acceptable atomic absorption or spectrometric analysis.

SAMPLE CALCULATION
ESCALATION FACTOR

Platt's Oilgram Price Report LS Diesel Off-road		
	New York - Cargo	US Gulf Coast - Waterborne
June 22, 2010	211.97 – 212.47	208.72 – 209.22

FIRST STEP: MARKET AVERAGE
$\text{LS Diesel Off-road} = \frac{(211.97 + 212.47 + 208.72 + 209.22)}{4} = 210.5950 \text{ (cpg)}$

SECOND STEP: FINAL CALCULATION
$\begin{aligned} \text{Escalation Factor for a delivery} \\ \text{commencing on June 22, 2010} &= [210.5950] * 0.42 \\ &= 88.4499 \text{ (\$/bbl)} \end{aligned}$

SAMPLE CALCULATION
BTU DEFICIENCY ADJUSTMENT

Example of calculation to determine credit due to PREPA if Seller supplies fuel of lower than the guaranteed Btus per gallon value.

The guaranteed value is 135,000 Btus per gallon of fuel measured at 60 degrees F.

Assume Seller delivers 5,000 barrels of fuel measured at 60 degrees F.

Assume the inspector's certificate of the fuel delivered indicates an API degree of 36.8 measured at 60 degrees F which is equivalent to 7.0 pounds. Per gallon and assume a heating value of 18,800 Btus per pound, or a fuel that measures 131,600 Btus per gallon measured at 60 degrees F, (7.00 lbs./gallon) (18,000 Btus/lbs.) = 131,600 Btus/gallon.

Therefore:

For each U.S. gallon the guaranteed value is of 135,000 Btus/gallon.

Actual Btus delivered were 131,600 Btus/gallon. Total barrels delivered were 5,000 barrels. To calculate the equivalent barrels deficiency divide the difference of Btus/gallon received by the guaranteed minimum and multiply this fraction by the delivered volume.

Example:

$$(5,000 \text{ barrels}) \times ((135,000 - 131,600) / 135,000) = 125.93 \text{ bbl. (deficiency)}$$

