

PRODUCTION SHARING CONTRACT

BETWEEN

THE GOVERNMENT OF INDIA

AND

THE ASSAM COMPANY LIMITED

AND

JOSHI TECHNOLOGIES INTERNATIONAL INC.

WITH RESPECT TO THE CONTRACT AREA

IDENTIFIED AS AMGURI FIELD





7

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This Contract made this 23<sup>rd</sup> day of February 2001 between:

1. The President of India, acting through the Joint Secretary, Ministry of Petroleum and Natural Gas (hereinafter referred to as "Government") of the FIRST PART;

AND

The Assam Company Limited, a Company incorporated under the laws of India (hereinafter referred to as "ACL") having its registered office at Green Wood Tea Estate, P.O. Dibrugarh, Assam, India, which expression shall include its successors and such assigns as are permitted under Article 29 hereof, of the SECOND PART;

AND

Joshi Technologies International Inc., a Company incorporated under the laws of USA (hereinafter referred to as "JTI") having its registered office at 5801 East 41<sup>st</sup> Street, Suite 603, Tulsa, Oklahoma, 74135 USA, which expression shall include its successors and such assigns as are permitted under Article 29 hereof, of the THIRD PART;

**WITNESSETH:**

**WHEREAS**

- (1) The Oil Fields (Regulation and Development) Act, 1948 (53 of 1948) (hereinafter referred to as "the Act") and the Petroleum and Natural Gas Rules, 1959, made thereunder (hereinafter referred to as "the Rules") make provision, inter alia, for the regulation of Petroleum Operations and grant of licenses and leases for exploration, development and production of Petroleum in India;
- (2) The Rules provide for the grant of licenses and leases in respect of land vested in a State Government by that State Government with the prior approval of the Central Government, and JTI and ACL will apply for a Lease to carry out Exploration Operations, Development Operation and Production Operations in that area onshore identified as Field Amguri and more particularly described in Appendix-A and Appendix-B;



- (3) Rule 5 of the Rules provides for an agreement between the Central Government and the Lessee containing additional terms and conditions with respect to the Lease;
- (4) The Government desires that the Petroleum resources which may exist in India be discovered and exploited with the utmost expedition in the overall interest of India in accordance with Good International Petroleum Industry Practices;
- (5) JTI and ACL have committed that they have, or will acquire and make available, the necessary financial and technical resources and the technical and industrial competence and experience necessary for proper discharge and/or performance of all obligations required to be performed under this Contract in accordance with Good International Petroleum Industry Practices and will provide guarantees as required in Article 30 for the due performance of its obligations hereunder;
- (6) As a result of discussions between representatives of the Government, and JTI and ACL on the proposal of JTI and ACL, the Government has agreed to enter into this Contract with JTI and ACL with respect to the said area referred to in paragraph (2) above on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises and covenants and conditions herein contained, IT IS HEREBY AGREED between the Parties as follows:

## ARTICLE 1

### DEFINITIONS

In this Contract, unless the context requires otherwise, the following terms shall have the meaning ascribed to them hereunder:

- 1.1 "Accounting Procedure" means the principles and procedures of accounting set out in Appendix C.
- 1.2 "Act" means Oilfields (Regulation and Development) Act, 1948 as amended from time to time.
- 1.3 "Affiliate" means a company or a body;
- (a) which directly or indirectly controls or is controlled by a Company which is a Party to this Contract; or
  - (b) which directly or indirectly controls or is controlled by a company which directly or indirectly controls or is controlled by a Company which is a Party to this Contract.

For the purpose of this definition it is understood that "control" means:

- (i) ownership by one company of more than fifty percent(50%) of the voting securities of the other company; or
  - (ii) the power to direct, administer and dictate policies of the other company even where the voting securities held by such company exercising such effective control in that other company is less than fifty percent(50%) and the term "controlled" shall have a corresponding meaning.
- 1.4 "Appendix" means an Appendix attached to this Contract and made a part thereof.
- 1.5 "Appraisal Programme" means a programme, to carry out appraisal following a Discovery including Existing Discovery(ies) in the Contract Area for the purpose of appraising Discovery and delineating the Petroleum Reservoirs to which the Discovery relates in terms of thickness and lateral extent and determining the characteristics thereof and the quantity of recoverable Petroleum therein.
- 1.6 "Appraisal Well" means a Well drilled pursuant to an Appraisal Programme.

- 1.7 "Approved Work Programme" and "Approved Budget" means a Work Programme or Budget that has been approved by the Management Committee pursuant to the provisions of this Contract.
- 1.8 "Arms Length Sales" means sales made freely in the open market, in freely convertible currencies, between willing and unrelated sellers and buyers and in which such buyers and sellers have no contractual or other relationship, directly or indirectly, or any common or joint interest as is reasonably likely to influence selling prices and shall, inter alia, exclude sales (whether direct or indirect, through brokers or otherwise) involving Affiliates, sales between Companies which are Parties to this Contract, sales between governments and government-owned entities, counter trades, restricted or distress sales, sales involving barter arrangements and generally any transactions motivated in whole or in part by considerations other than normal commercial practices.
- 1.9 "Article" means an article of this Contract and the term "Articles" means more than one Article.
- 1.10 "Associated Natural Gas" or "ANG" means Natural Gas occurring in association with Crude Oil which by itself can be commercially produced either as free gas or in solution.
- 1.11 "Barrel" means a quantity or unit equal to 158.9074 litres (forty two (42) United States gallons) liquid measure, at a temperature of sixty (60) degrees Fahrenheit (15.56 degrees Celsius) and under one atmospheric pressure (14.70 p.s.i.a.).
- 1.12 "Basement" means any igneous or metamorphic rock, or rocks or any stratum of such nature, in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Petroleum in commercial quantities and which reflects the maximum depth at which any such accumulation can be reasonably expected in accordance with the knowledge generally accepted in the international petroleum industry.
- 1.13 "Budget" means a budget formulated in relation to a Work Programme.
- 1.14 "Calendar Day" means any of the seven days of a week.
- 1.15 "Calendar Month" means any of the twelve months of the Calendar Year.
- 1.16 "Calendar Quarter" or "Quarter" means a period of three consecutive Calendar Months commencing on the first day of January, April, July and October of each Calendar Year.

- 1.17 "Calendar Year" means a period of twelve consecutive Months according to the Gregorian calendar, commencing with the first day of January and ending with the thirty-first day of December.
- 1.18 "Cess" means cess levied pursuant to section 15 of the Oil Industry (Development) Act, 1974, as amended from time to time.
- 1.19 "Commercial Discovery" means a Discovery of Petroleum reserves which has been declared as a Commercial Discovery in accordance with the provisions of Article 10 and/or Article 22.
- 1.20 "Commercial Production" means production of Crude Oil or Condensate or Natural Gas or any combination of these from the Contract Area and delivery of the same at the relevant Delivery Point under a programme of regular production and sale.
- 1.21 "Company" for the purpose of this Contract means a Company which is a Party to this Contract and, where more than one Company is a Party to the Contract, the term "Companies" shall mean all such Companies collectively, including their respective successors and permitted assigns under Article 29.
- 1.22 "Condensate" means those low vapour pressure hydrocarbons obtained from Natural Gas through condensation or extraction and refers solely to those hydrocarbons that are liquid at normal surface temperature and pressure conditions provided that in the event Condensate is produced from a Development Area and is segregated and transported separately to the Delivery Point, then the provisions of this Contract shall apply to such Condensate as if it were Crude Oil.
- 1.23 "Contract" means this agreement and the Appendices mentioned herein and attached hereto and made an integral part hereof and any amendments made thereto pursuant to the terms hereof.
- 1.24 "Contract Area" means, on the Effective Date, the area described in Appendix-A and delineated on the map attached as Appendix-B or any portion of the said area remaining after relinquishment or surrender from time to time pursuant to the terms of this Contract (including any additional area as provided under Article 11.2).
- 1.25 "Contract Costs" means Exploration Costs, Development Costs and Production Costs as provided in Section 2 of the Accounting Procedure and allowed to be cost recoverable in terms of Section 3 of the Accounting Procedure.



- 1.26 "Contract Year" means a period of twelve consecutive months counted from the Effective Date or from the anniversary of the Effective Date.
- 1.27 "Contractor" means the Company(ies).
- 1.28 "Cost Petroleum" means, the portion of the total value of Crude Oil, Condensate and Natural Gas produced and saved from the Field which Contractor is entitled to take in a particular period, for the recovery of Contract Costs as provided in Article 15.
- 1.29 "Crude Oil" or "Oil" or "Crude" means all kinds of hydrocarbons and bitumen, both in solid and in liquid form, in their natural state or obtained from Natural Gas by condensation or extraction, including distillate and Condensate when commingled with the heavier hydrocarbons and delivered as a blend at the Delivery Point but excluding verified Natural Gas.
- 1.30 "Custody Transfer Point" means the tanks at the IOC's refinery to which Contractor's Crude Oil is to be delivered by OIL.
- 1.31 "Delivery Point" means, except as otherwise herein provided or as may be otherwise agreed between the Parties, as hereinafter defined, at the Contractor's facilities at Pump Station No. 3, Jorhat of OIL for receiving Contractor's Crude in acceptable condition for transportation through the Crude Oil trunk pipeline of OIL to the Custody Transfer Point.
- 1.32 "Development Area" means an area within the Contract Area consisting of a single Reservoir or multiple Reservoirs all grouped on or related to the same individual geological structure or stratigraphic conditions, designated with the approval of the Management Committee, subject to Article 11.2, to include the maximum area of potential productivity in the Contract Area in a simple geometric shape, in respect of which a Commercial Discovery has been declared and a Development Plan has been approved. Where circumstances justify, the Development Area may contain more than one Discovery with the approval of Management Committee.
- 1.33 "Development Costs" means those costs and expenditures incurred in carrying out Development Operations, as classified and defined in Section 2 of the Accounting Procedure and allowed to be recovered in terms of Section 3 thereof.
- 1.34 "Development Operations" means operations conducted in accordance with the Development Plan and shall include, but not be limited to the purchase, shipment or storage of equipment and materials used in developing Petroleum accumulations, the drilling, completion and testing of Development Wells, the drilling and completion of Wells for Gas or water

injection, the laying of gathering lines, the installation of offshore platforms and installations, installation of separators, tankages, pumps, artificial lift and other producing and injection facilities required to produce, process and transport Petroleum into main Oil storage or Gas processing facilities, either onshore or offshore, including the laying of pipelines within or outside the Contract Area, storage at Delivery Point(s), the installation of said storage or Gas processing facilities, the installation of export and loading facilities and other facilities required for the development and production of the said Petroleum accumulations and for the delivery of Crude Oil and/or Gas at the Delivery Point and also including incidental operations not specifically referred to herein but required for the most efficient and economic development and production of the said Petroleum accumulations in accordance with Good International Petroleum Industry Practices (GIPIP).

- 1.35 "Development Plan" means
- (a) in relation to the Existing Discoveries, the proposed Development Plan as per Appendix-H unless modified with the approval of Management Committee as provided in Article 10 and/or Article 22 ; and
  - (b) in relation to a New Discovery, a plan submitted under Article 10 or Article 22 for the development of a Commercial Discovery which has been approved by Management Committee or Government.
- 1.36 "Development Well" means a Well drilled, deepened or completed after the date of approval of the Development Plan pursuant to Development Operations or Production Operations for the purposes of producing Petroleum, increasing production, sustaining production or accelerating extraction of Petroleum including production Wells, injection Wells and dry Wells.
- 1.37 "Discovery" means the finding, during Petroleum Operations, of a deposit of Petroleum not previously known to have existed, which can be recovered at the surface in a flow measurable by conventional petroleum industry testing methods.
- 1.38 "Discovery Area" means that part of the Contract Area about which, based upon Discovery and the results obtained from a Well or Wells drilled in such part, the Contractor is of the opinion that Petroleum exists and is likely to be produced in commercial quantities.
- 1.39 "Effective Date" means the later of the date on which this Contract is executed by the Parties or the date of grant of Lease by the Central Government or State Government(s) as the case may be.

- 1.40 "Environmental Damage" means soil erosion, removal of vegetation, destruction of wildlife, pollution of groundwater or surface water, land contamination, air pollution, noise pollution, bush fire, disruption to water supplies, to natural drainage or natural flow of rivers or streams, damage to archaeological, palaeontological and cultural sites and shall include any damage or injury to, or destruction of, soil or water in their physical aspects together with vegetation associated therewith, aquatic or terrestrial mammals, fish, avi-fauna or any plant or animal life whether in the sea or in any other water or on, in or under land.
- 1.41 "Existing Discovery" means a discovery made by ONGC prior to the date of the execution of the Contract and as given in Article 10.1.
- 1.42 "Exploration Costs" means those costs and expenditures incurred in carrying out Exploration Operations, as classified and defined in Section 2 of the Accounting Procedure and allowed to be recovered in terms of Section 3 thereof.
- 1.43 "Exploration Operations" means operations conducted in the Contract Area pursuant to this Contract in searching for Petroleum and in the course of an Appraisal Programme and shall include but not be limited to aerial, geological, geophysical, geochemical, palaeontological, palynological, topographical and seismic surveys, analysis, studies and their interpretation, investigations relating to the subsurface geology including structural test drilling, stratigraphic test drilling, drilling of Exploration Wells and Appraisal Wells and other related activities such as surveying, drill site preparation and all work necessarily connected therewith that is conducted in connection with Petroleum exploration.
- 1.44 "Exploration Well" means a Well drilled for the purpose of searching for undiscovered Petroleum accumulations on any geological entity (be it of structural, stratigraphic, facies or pressure nature) to at least a depth or stratigraphic level specified in the Work Programme.
- 1.45 "Field" means an Oil Field or a Gas Field or combination of both as the case may be.
- 1.46 "Financial Year" means the period from the first day of April to the thirty-first day of March of the following Calendar Year.
- 1.47 "Foreign Company" means a Company within the meaning of Section 591 of the Companies Act, 1956.
- 1.48 "Gas" means Natural Gas.

- 1.49 "Gas Field" means, within the Contract Area, a Natural Gas Reservoir or a group of Natural Gas Reservoirs within a common geological structure or feature.
- 1.50 "Good International Petroleum Industry Practices" or "GIPIP" means those practices, methods, standards, and procedures generally accepted and followed internationally by prudent, diligent, skilled, and experienced operators in Petroleum exploration, development, and production operations and which, at a particular time in question, in the exercise of reasonable judgement and in light of facts then known at the time a decision was made, would be expected to accomplish the desired results and goals established in respect of which the practices, methods, standards, procedures and safety regulations, as the case may be, were followed; provided, however, that "Good International Petroleum Industry Practices" is not intended to be limited to the optimum practices or method to the exclusion of all others, but rather to be a spectrum of reasonable and prudent practices, methods, standards, procedures and safety regulations. What constitutes the GIPIP in a particular circumstance shall be agreed to by the Management Committee and failing which the same shall be decided by the Directorate General of Hydrocarbons or its assigns or successor and its decision shall be binding.
- 1.51 "Government" or "Central Government" means Government of India unless otherwise stated.
- 1.52 "Investment" shall have the meaning ascribed to that expression in Appendix D.
- 1.53 "Investment Multiple" means, the ratio of accumulated Net Cash Income, earned by the Company(ies) to accumulated Investment as determined in accordance with Appendix D.
- 1.54 "IOC" means Indian Oil Corporation Limited, a body corporate incorporated under the Companies Act 1956 including its successors.
- 1.55 "Lease" means a petroleum mining lease referred to in the Rules and shall, unless otherwise stated therein exclude right for exploration and exploitation of coal/lignite bed methane (CBM).
- 1.56 "Lessee" means the Contractor to whom a Lease is issued under the Rules for the purpose of carrying out Petroleum Operations in a Field.
- 1.57 "LIBOR" means the London Inter-Bank Offer Rate for six-month deposits of United States Dollars as quoted by the London office of the Bank of America (or such other Bank as the Parties may agree) for the day or days in question.

- 1.58 "Management Committee" means the committee constituted pursuant to Article 6 hereof.
- 1.59 "Month" means Calendar Month.
- 1.60 "Natural Gas" means wet gas, dry gas, all other gaseous hydrocarbons, and all substances contained therein, including sulphur, carbon dioxide and nitrogen but excluding extraction of helium, which are produced from Oil or Gas Wells, excluding those condensed or extracted liquid hydrocarbons that are liquid at normal temperature and pressure conditions, and including the residue gas remaining after the condensation or extraction of liquid hydrocarbons from Gas.
- 1.61 "Net Cash Income" shall have the meaning assigned in paragraph 2 of Appendix D.
- 1.62 "New Discovery" means a Discovery other than an Existing Discovery.
- 1.63 "Non Associated Natural Gas" or "NANG" means Natural Gas which is produced either without association with Crude Oil or in association with such quantities of Crude Oil which by itself cannot be commercially produced.
- 1.64 "OIL" means Oil India Limited, a body corporate incorporated under the Companies Act 1956 including its successors.
- 1.65 "Oil Field" means, within the Contract Area, an Oil Reservoir or a group of Oil Reservoirs within a common geological structure or feature.
- 1.66 "ONGC" means Oil and Natural Gas Corporation Limited, a body corporate incorporated under the Companies Act 1956 including its successors.
- 1.67 "Operator" means one of the Parties comprising Contractor designated as the operator pursuant to Article 7.
- 1.68 "Operating Agreement" means the operating agreement entered by the constituents of the Contractor in accordance with Article 7, with respect to conduct of Petroleum Operations.
- 1.69 "Operating Committee" means the committee established by that name in the Operating Agreement pursuant to Article 7.
- 1.70 "Participating Interest" means, in respect of each Party constituting the Contractor, the undivided share expressed as a percentage of such Party's participation in the rights and obligations under this Contract.

- 1.71 "Parties" means, the parties signatory to this Contract including their successors and permitted assigns under this Contract and the term "Party" means any of the Parties.
- 1.72 "Petroleum" means, Crude Oil, Condensate and/or Natural Gas existing in their natural condition but excluding helium occurring in association with Petroleum or shale.
- 1.73 "Petroleum Operations" means, as the context may require, Exploration Operations, Development Operations or Production Operations or any combination of two or more of such operations, including construction, operation and maintenance of all necessary facilities, plugging and abandonment of Wells, safety, environmental protection, transportation, storage, sale or disposition of Petroleum to the Delivery Point, Site Restoration and any or all other incidental operations or activities as may be necessary.
- 1.74 "Production Costs" means, those costs and expenditures incurred in carrying out Production Operations as classified and defined in Section 2 of the Accounting Procedure and allowed to be recovered in terms of Section 3 thereof.
- 1.75 "Production Operations" means, all operations conducted for the purpose of producing Petroleum from a Field after the commencement of production from the Field including the operation and maintenance of all necessary facilities therefor.
- 1.76 "Profit Petroleum" means, the total value of Crude Oil, Condensate and Natural Gas produced and saved from the Field in a particular period, as reduced by Cost Petroleum and calculated as provided in Article 16.
- 1.77 "Programme Quantity" shall have the meaning assigned in Article 10.
- 1.78 "Re-completion" means an operation whereby a completion in one zone is abandoned in order to attempt a completion in a different zone within an existing Well bore.
- 1.79 "Reservoir" means a naturally occurring discrete accumulation of Petroleum.
- 1.80 "Royalty" means the royalty payable pursuant to section 6A(2) of the Oilfield (Regulation and Development) Act, 1948 and Rule 14 of the Petroleum & Natural Gas Rules, 1959, as amended from time to time.

- 1.81 "Rules" means the Petroleum and Natural Gas Rules, 1959 and any amendments made thereto from time to time.
- 1.82 "Section" means a section of the Accounting Procedure.
- 1.83 "Self-sufficiency" means, in relation to any Year, that the volume of Crude Oil and Crude Oil equivalent of petroleum products exported from India during that Year either equals or exceeds the volume of Crude Oil and Crude Oil equivalent of petroleum products imported into India during the same Year, as determined by Government.
- 1.84 "Site Restoration" shall mean all activities required to return a site to its state as of the Effective Date pursuant to the Contractor's environmental impact study and approved by the Government or to render a site compatible with its intended after-use (to the extent reasonable) after cessation of Petroleum Operations in relation thereto and shall include, where appropriate, proper abandonment of Wells or other facilities, removal of equipment, structures and debris, establishment of compatible contours and drainage, replacement of top soil, re-vegetation, slope stabilisation, in-filling of excavations or any other appropriate actions in the circumstances.
- 1.85 "Statement" or "Statements" refers to the statements required to be furnished in accordance with Appendix C of this Contract.
- 1.86 "State Government" means any Government of a state of the Union of India, which has control over the Contract Area for the purpose of grant of Licenses/ Leases. In case the Contract Area covers more than one state, the State Government shall include all such governments of those states.
- 1.87 "Subcontractor " means any company or person contracted by the Contractor or Operator to provide goods or services with respect to Petroleum Operations.
- 1.88 "US \$" or "USD" or "US Dollar" or "United States Dollar" means the currency of the United States of America.
- 1.89 "Well" means a borehole, made by drilling in the course of Petroleum Operations, but does not include a seismic shot hole.
- 1.90 "Work Programme" and "Budget" means a work programme or budget formulated for the purpose of carrying out Petroleum Operations.
- 1.91 "Year" means a Financial Year.

ARTICLE 2

DURATION

2.1 The term of this Contract, subject to the terms hereof, shall be for a period of twenty five (25) years from the Effective Date, unless the Contract is terminated or expire earlier in accordance with its terms, but may be extended upon mutual agreement between the Parties for such period as may be agreed after taking into account the balance recoverable reserves and balance economic life of the Field from the expiry of the initial period.

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**ARTICLE 3**

**PARTICIPATING INTERESTS**

3.1 The Participating Interest of the Parties comprising the Contractor shall be as follows:

The Assam Company Limited	-	Seventy five percent (75%)
Joshi Technologies Limited	-	Twenty five percent (25%)

3.2 Each Party comprising the Contractor shall contribute its Participating Interest share of all Contract Costs with respect to the Contract Area and assume its Participating Interest share of all rights and obligations from the Effective Date.

3.3 Except as provided in this Article or elsewhere in this Contract, such rights and obligations shall include but not be limited to:

- (a) the right to take Cost Petroleum in accordance with the provisions of Article 15;
- (b) the right to take its Participating Interest share of Profit Petroleum in accordance with the provisions of Article 16;
- (c) the right to receive its Participating Interest share of any incidental income and receipts arising from Petroleum Operations; and
- (d) the obligation to contribute its Participating Interest share of costs and expenses.

ARTICLE 4

ABANDONMENT

- 4.1 As and when the Contract is terminated or expires under the provisions of this Contract, the entire Contract Area remaining with the Contractor shall be deemed to have been relinquished by the Contractor as on the date on which the Contract is terminated or expires.
- 4.2 Relinquishment of the Contract Area or termination of the Contract shall not be construed as absolving the Contractor of any liability undertaken or incurred by the Contractor in respect of the Contract Area during the period between the Effective Date and the date of such relinquishment of the Contract Area or termination or expiry of Contract.
- 4.3 Subject to Article 14.9, the liability of Contractor shall be limited to any liability undertaken or incurred in respect of, relating to or connected with the Contract, and/or any claim arising out of or in relation to the act of negligence, misconduct, commission or omission in carrying out Petroleum Operations during the period between the Effective Date and the date of relinquishment of the Contract Area or termination or expiry of the Contract, as the case may be.

**ARTICLE 5**

**WORK PROGRAMME**

- 5.1 The Contractor shall commence Petroleum Operations not later than six (6) months from the Effective Date.
- 5.2 As soon as possible after the Effective Date, in respect of the period ending with the last day of the Year in which the Effective Date falls and thereafter ninety (90) days before commencement of each following Year, the Contractor shall submit to the Management Committee, through the Operating Committee, the Work Programmes and Budgets relating to Petroleum Operations to be carried out during the relevant Year.
- 5.3 The Contractor may propose amendments to the details of an Approved Work Programme and Budget in the light of then existing circumstances and shall submit to the Management Committee, through the Operating Committee, modifications or revisions to the Work Programme and Budgets referred to in Article 5.2.
- 5.4 Work Programmes and Budgets related to Development Operations and Production Operations shall be submitted as provided in Articles 10 and 22.

ARTICLE 6

MANAGEMENT COMMITTEE

- 6.1 There shall be constituted a committee to be called the Management Committee with functions as stated herein below.
- 6.2 Government shall nominate two (2) members representing Government in the Management Committee where as each Company constituting Contractor shall nominate one (1) member each to represent Company in the Management Committee provided that in case Contractor constitute only one (1) Company, that Company shall have two (2) members.
- 6.3 Each Party may nominate alternate members with full authority to act in the absence and on behalf of the members nominated under Article 6.2 and may, at any time, nominate another member or alternate member to replace any member nominated earlier by notice to other members of the Management Committee.
- 6.4 One representative of the Government shall be designated as the Chairman of the Management Committee. The member of the Operator in the Management Committee shall be designated as the Secretary of the Committee.
- 6.5 The following matters shall be submitted by Operator on behalf of Contractor with the approval of Operating Committee to the Management Committee for approval:
- a) annual Work Programmes and Budgets and any modifications or revisions thereto, in respect of Exploration Operations, Appraisal Programme, declaration of a New Discovery as Commercial Discovery, Development Operations and Production Operations;
  - b) proposals for the approval of Development Plans as may be required under this Contract, or revisions or additions to a Development Plan;
  - c) appointment of auditors, approval and adoption of audited accounts;
  - d) collaboration with licensees or contractors of other areas.
  - e) claims or settlement of claims for on behalf of or against the Contractor in excess of limits fixed by the Management Committee from time to time;
  - f) plans for the production of Crude Oil and Natural Gas prior to the date of commencement of Commercial Production.
  - g) proposal about abandonment plan/Site Restoration as required to be submitted under Article 14.10;

- h) any other matter required by the terms of this Contract to be submitted for the approval of the Management Committee;
- i) any other matter which the Contractor decides to submit to it; and
- j) any matter, which Government refers to the Management Committee for its consideration and reasoned opinion.

- 6.6 The Management Committee shall not take any decision without obtaining prior approval of the Government where such approval is required under this Contract or any applicable law (including rules and regulations) of India. The Management Committee shall obtain such approval/decision and convey the same to Contractor with utmost expedition.
- 6.7 The Management Committee shall meet at least once every three (3) months or more frequently at the request of any member. The Secretary, with the approval of the Chairman, shall convene each meeting by notifying the members twenty eight (28) days prior to such a meeting (or a shorter period of notice if the members unanimously so agree) of the time and place of the meeting and the purpose thereof and shall include in the notice a provisional agenda for the meeting. The Chairman shall be responsible for processing the final agenda for such meeting and the agenda shall include all items of business requested by the members to be included, provided such requests are received by the Secretary at least ten (10) days prior to the date fixed for the meeting. The Secretary shall forward the agenda to the members at least nine (9) days prior to the date fixed for the meeting. Matters not included in the agenda may be taken up at the meeting by any member with the unanimous consent of all the members whether present or not present at the meeting.
- 6.8 The Chairman shall preside over the meetings of the Management Committee and, in his absence, any other member representing Government and present shall preside over the meetings.
- 6.9 The Chairman shall appoint the member nominated by the Operator as Secretary to the Management Committee with responsibility, inter alia, for preparation of the minutes of every meeting in the English language and provision to every member of the Management Committee with two copies of the minutes approved by the Chairman not later than fourteen (14) days after the date of the meeting.
- 6.10 Within fourteen (14) days of the receipt of the minutes of a meeting, members shall notify the Chairman and the other members of their approval of the minutes by putting their signatures on one copy of the minutes and returning the same to the Chairman or by indicating such approval to the Chairman by telex, cable, or facsimile, with copies to the other members. Any member may suggest any modification, amendment or addition to the

minutes by telex, cable or facsimile to the Chairman and other members or by indicating such suggestions when returning the copy of the minutes to the Chairman. If the Chairman or any other member does not agree with the modification, amendment or addition to the minutes suggested by any member, the matter shall be brought to the attention of the other members and resubmitted to the Management Committee at the next meeting and the minutes shall stand approved as to all other matters. If a member fails to appropriately respond within the aforesaid fourteen (14) day period as herein provided, the minutes shall be deemed to be approved by such member.

- 6.11 The meetings of the Management Committee shall be held in India, unless otherwise mutually agreed by the members of the Management Committee. All expenses of the members of the Management Committee attending meetings shall be borne by the respective Party and shall in no event be cost recoverable.
- 6.12 All matters requiring the approval of the Management Committee shall be generally approved by a unanimous vote of the members of the Management Committee present as well as the views of the members received by some other mode of communication as specified elsewhere in this Article. However, in case, unanimity is not achieved in decision making process within a reasonable period as may be required under the circumstances, the decision of the Management Committee may be approved by the majority Participating Interest of seventy percent (70%) or more with Government having a positive vote in favour of the decision. There shall be a quorum of the Management Committee for holding a meeting and making decisions with each Party to the Contract represented by at least one of its nominated members in the Management Committee.
- 6.13 Any member shall be entitled, if either he or his alternate is unable to attend a meeting, to cast his vote by telex, cable or facsimile or transmission received by the Chairman prior to the date on which the vote is taken in the course of the meeting. Such vote shall have the same effect as if that member had been present and so voted at the meeting.
- 6.14 A member of the Management Committee who is unable to attend a meeting may by giving prior written notice to all other members appoint a member representing another Party who consents to such appointment as its proxy to attend a meeting and to exercise the appointing member's right to vote at that meeting whether as directed by the appointing member or otherwise. A member appointed as a proxy and attending a meeting shall be present in two separate capacities and vote accordingly. The position taken by proxy member in the meeting shall be binding on the appointing Party.

6.15 Without prejudice to Article 6.7, where the Operating Committee has agreed that a recommendation be made to the Management Committee, the Chairman may, when in his reasonable opinion it is not practical or appropriate to incur a delay in convening a meeting, submit the recommendation (together with the reasons for the recommendation) for consideration by the Management Committee by giving each member notice by electronic mail, telex or facsimile transmission, or any other modern means of communication receipt of which shall be confirmed by telephone by the Chairman (or, in case of an emergency, by telephone confirmed by telex or facsimile transmission not later than the next business day).

6.15.1 In the case of any recommendation submitted to the members for decision pursuant to Article 6.15 :

- i) Subject to paragraph (ii) of this Article 6.15.1 the members shall vote, by telex or facsimile transmission to the Chairman, with a copy to the other members:
  - a) within 48 hours of service of notice in the case of an emergency or
  - b) in any other case, within a time nominated in the notice being reasonable in the circumstances but not less than five (5) business days from the date of service of the notice.
- ii) Except in the case of an emergency, a member may, within 48 hours of the service of the notice of the proposal, require by further notice that the proposal be put to a meeting pursuant to Article 6.7.
- iii) Any member failing to vote within the time limits set out in Article 6.15.1(i) shall be deemed to have voted in favour of the proposal.
- iv) The result of any such vote shall be notified by the Chairman to all the members.

6.16 The Management Committee, if it considers necessary, may appoint legal, financial or technical subcommittees comprised of such representatives as may be agreed by the Management Committee to consider any matter requiring approval or decision of the Management Committee. Such subcommittee expenses shall form part of Contract Cost with relevant cost classification as decided by Management Committee pursuant to the Section 2 of the Accounting Procedure and will be cost recoverable.

## ARTICLE 7

### OPERATORSHIP, OPERATING AGREEMENT AND OPERATING COMMITTEE

- 7.1 JTI shall be the Operator for the purpose of carrying out Petroleum Operations pursuant to this Contract during the term of the Contract.
- 7.2 No change in the operatorship shall be effected without the consent of the Government and such consent shall not be unreasonably withheld.
- 7.3 The functions required of the Contractor under this Contract shall be performed by the Operator on behalf of all constituents of the Contractor subject to, and in accordance with, the terms and provisions of this Contract and generally accepted Good International Petroleum Industry Practice provided, however, that this provision shall not be construed as relieving the constituent(s) of Contractor from any of its obligations or liability under the Contract.
- 7.4 Within fifteen (15) days of the Effective Date or such longer period as may be agreed to by Government, the Companies constituting Contractor shall execute an Operating Agreement. The said agreement shall be consistent with the provisions of this Contract and shall provide for, among other things:
- (a) the appointment, resignation, removal and responsibilities of the Operator;
  - (b) the establishment of an Operating Committee comprising of an agreed number of representatives of the Companies chaired by a representative of the Operator;
  - (c) functions of the said Operating Committee taking into account the provisions of the Contract, procedures for decision making, frequency and place of meetings; and
  - (d) contribution to costs, default, sole risk, disposal of Petroleum and assignment as between the parties to the Operating Agreement.
- 7.4.1 Operator shall provide to Government a copy of the duly executed Operating Agreement within thirty (30) days of the Effective Date or such longer period as may be agreed to by Government.



7.4.2

In case Contractor constitutes of one Company, the provision of Article 7.4 and 7.4.1 shall not be applicable. However, in case of increase in the number of constituents of Contractor, the provision of Article 7.4 and 7.4.1 shall be applicable from the date of such approval by Government in accordance with the provisions of Contract.

## ARTICLE 8

### GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

8.1 Subject to the provisions of this Contract, the Contractor shall have the following rights:

- a. subject to the provisions of Article 12, the exclusive right to carry out Petroleum Operations and to recover costs and expenses as provided in this Contract. The right shall exclude exploitation of coal/lignite bed methane (CBM) by the Contractor in the Contract Area;
- b. the right to use, free of charge, such quantities of Petroleum produced as are reasonably required for conducting Petroleum Operations in the Contract Area in accordance with generally accepted Good International Petroleum Industry Practices;
- c. the right to lay pipelines, build roads, construct bridges, ferries, aerodromes, landing fields, radio telephones and related communication and infrastructure facilities and exercise other ancillary rights as may be reasonably necessary for the conduct of Petroleum Operations subject to such approvals as may be required and the applicable laws in force from time to time for the regulation and control thereof;
- d. the right to use all available technical data, seismic and well information, maps, samples etc. of the Contract Area as available at the time of preparation of data package for the Field, free of charge, subject to nominal copying/reproduction costs for further Petroleum Operations. The Contractor shall submit the list of data required by them to Oil and Natural Gas Corporation Limited (ONGC) and the same, if available and reproducible, shall be made available to the Contractor within one hundred and twenty (120) days of the Effective Date in the office of ONGC.
- e. such other rights as are specified in this Contract.

8.2 The Government reserves the right to itself, or to grant to others the right, to prospect for and mine minerals or substances other than Petroleum within the Contract Area; provided, however, that if after the Effective Date, others are issued rights, or the Government proceeds directly to prospect for and mine in the Contract Area any minerals or substances other than Petroleum, the Contractor shall use its best efforts to avoid obstruction to or interference with such operations within the Contract Area and the third parties and/or Government, as the case may be, shall use best efforts to ensure that operations carried out do not obstruct or unduly interfere with Petroleum Operations in the Contract Area.

8.3

The Contractor shall having due regard to GIPIP:

- a. except as otherwise expressly provided in this Contract, conduct all Petroleum Operations at its sole risk, cost and expense and provide all funds necessary for the conduct of Petroleum Operations including funds for the purchase or lease of equipment, materials or supplies required for Petroleum Operations as well as for making payments to employees, contractors and subcontractors;
- b. conduct all Petroleum Operations within the Contract Area diligently, expeditiously, efficiently and in a safe and workmanlike manner pursuant to the Work Programme formulated in accordance with Contract;
- c. ensure provision of all information, data, samples etc. which may be required to furnish under the applicable laws or under this Contract;
- d. ensure that all equipment, materials, supplies, plant and installations used by the Contractor, the Operator, and Subcontractors comply with generally accepted standards and are of proper construction and kept in good working order;
- e. in the preparation and implementation of Work Programmes and in the conduct of Petroleum Operations, follow Good International Petroleum Industry Practices with such degree of diligence and prudence reasonably and ordinarily exercised by experienced parties engaged in a similar activity under similar circumstances and conditions;
- f. establish and submit to the Management Committee for approval appropriate criteria and procedures including tender procedures for the acquisition of goods and services as provided in Article 24.2 and for the purchase, lease or rental of machinery, equipment, assets and facilities required for Petroleum Operations based on economic considerations and generally accepted GIPIP with the objective of ensuring cost and operational efficiency in the conduct of Petroleum Operations. Notwithstanding provision provided herein, the procedure for acquisition of goods and services, as of Effective Date, shall be as per the Appendix-F of this Contract. The Appendix-F to this Contract may be modified or changed with the approval of Management Committee when circumstances so justify;
- g. after the designation of a Field, pursuant to this Contract, forthwith proceed to take all necessary action for prompt and orderly development of the Field and for the production of Petroleum in accordance with the terms of this Contract;
- h. in case Operator is a Foreign Company, appoint a technically competent and sufficiently experienced representative, and, in his absence, a suitable qualified replacement therefor, who shall be resident in India and who shall have full authority to take such steps



as may be necessary to implement this Contract and whose name (s) shall, on appointment within ninety (90) days after commencement of the first Contract Year, be made known to the Government;

- i. provide acceptable working conditions, living accommodation and access to medical attention and nursing care for all personnel employed in Petroleum Operations;
- j. carry out such other obligations as are specified in this Contract, in particular those specified in Article 14; and
- k. be always mindful of the rights and interests of India in the conduct of Petroleum Operations.

8.4

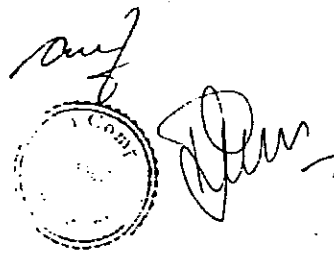
ONGC will make best efforts to handover the facilities on as is where is basis as soon as possible but in no case later than sixty (60) days of Effective Date.

**ARTICLE 9**

**GOVERNMENT ASSISTANCE**

9.1 Upon application in the prescribed manner, and subject to compliance with applicable laws and relevant procedures, the Government will:

- (a) use their good offices to provide the right of ingress and egress from the Contract Area and any facilities used in Petroleum Operations, wherever located, and which may be within their control;
- (b) use their good offices, when necessary, to assist Contractor in procurement or commissioning of facilities required for execution of Work Programmes including necessary approvals, permits, consents, authorisations, visas, work permits, licenses, rights of way, easement, surface rights and security protection at Contractor's cost, required pursuant to this Contract and which may be available from resources within its control;
- (c) in the event that onshore facilities are required outside the Contract Area for Petroleum Operations including, but not limited to, storage, loading and processing facilities, pipelines and offices, use their good offices in assisting the Contractor to obtain from the authorities of the State in which such facilities are required, such licenses, permits, authorizations, consents, security protection at Contractor's cost, surface rights and easements as are required for the construction and operation of the said facilities by the Contractor.

A handwritten signature in black ink is written above a circular stamp. The stamp contains some illegible text, possibly a date or reference number.

## ARTICLE 10

### DISCOVERY, DEVELOPMENT AND PRODUCTION

- 10.1 Amguri Field is containing 10 Wells. Existing Discovery for Oil is defined as having being encountered in Barail sand in Well Amguri- #1 and for Gas in Tipam formation in Well # 8-A.
- 10.2 Appendix-H to this Contract shall constitute the Work Programme for the Existing Discoveries, unless Contractor proposes any amendment on technical ground to the Management Committee within ninety (90) days of the Effective Date with detailed reasons for amendment and provided Management Committee approves the same.
- 10.3 If and when a New Discovery is made within the Contract Area, the Contractor shall:
- (a) forthwith inform the Management Committee and Government of the Discovery;
  - (b) promptly thereafter, but in no event later than a period of thirty (30) days from the date of the Discovery, furnish to the Management Committee and Government particulars, in writing, of the Discovery;
  - (c) promptly run tests to determine whether the Discovery is of potential commercial interest and, within a period of sixty (60) days after completion of such tests, submit a report to the Management Committee, containing data obtained from such tests and its analysis and interpretation thereof, together with a written notification of whether, in the Contractor's opinion, such Discovery is of potential commercial interest and merits appraisal.
- 10.4 If the Contractor determines to conduct a drill stem or production test, in open hole or through perforated casing, with regard to the Discovery, it shall notify the Government of the time of such test at least forty eight (48) hours prior to the proposed test, and the Government shall have the right to have a representative present during such test.
- 10.5 If, pursuant to Article 10.3 (c), the Contractor notifies the Management Committee that the Discovery is of potential commercial interest, the Contractor shall prepare and submit to the Management Committee within one hundred and twenty (120) days of such notification, a proposed Appraisal Programme with a Work Programme and Budget to carry out an adequate and effective appraisal of such Discovery designed to achieve both the following objectives: (i) determine without delay, and, in any event,

within the period specified in Article 10.7, whether such Discovery is a Commercial Discovery and (ii) determine, with reasonable precision, the boundaries of the area to be delineated as the Development Area.

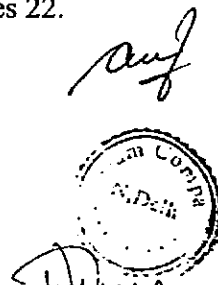
- 10.6 The proposed Appraisal Programme shall be considered and approved by the Management Committee within thirty (30) days after submission thereof pursuant to Article 10.5. The said Appraisal Programme, together with the Work Programme and Budget as approved by the Management Committee shall be adopted as the Appraisal Programme and the Contractor shall promptly commence implementation thereof.
- 10.7 The Contractor shall in respect of a New Discovery of Petroleum advise the Management Committee by notice in writing within a period of thirty (30) months from the date on which the notice provided for in Article 10.3 was delivered, whether such Discovery should be declared a Commercial Discovery or not. Such notice shall be accompanied by a report on the Discovery setting forth all relevant technical and economic data including estimated recoverable reserves, sustainable production levels, estimated development and production expenditures, prevailing and forecasted prices, and other pertinent technical and economic factors according to Good International Petroleum Industry Practices as well as all evaluations, interpretations and analyses of such data and feasibility studies relating to the Discovery prepared by or for the Contractor, with respect to the Discovery and any other relevant information. If the Contractor is of the opinion that Petroleum has been discovered in commercial quantities, it shall submit the proposal to the Management Committee for approval of Commercial Discovery. In the case of a Discovery of Gas, the provisions of Article 22 shall apply.
- 10.8 The Management Committee shall, within forty five (45) days of the date of the notice referred to in Article 10.7, consider the proposal of the Contractor and ask any other additional information it may reasonably require so as to complete the review of the proposal made by the Contractor to arrive at a decision. The proposal shall be decided by the Management Committee within the later of (a) ninety (90) days from the date of notice referred to in Article 10.7 or (b) ninety (90) days of receipt of such other information as may be required under this Article 10.8.
- 10.9 After declaration of Commercial Discovery by the Contractor, within two hundred (200) days of the declaration of the Discovery as a Commercial Discovery, the Contractor shall submit to the Management Committee a comprehensive development plan of the Commercial Discovery which shall:



- (a) relate to the Discovery Area and contain a Reservoir or part thereof and the boundaries of the proposed Field;
- (b) be designed to ensure the most efficient, beneficial and timely use of the Petroleum resources discovered;
- (c) be compiled in accordance with sound engineering, economic, safety and environmental principles recognised in the generally accepted GIPIP.

Such plan shall contain detailed proposals by the Contractor for the construction, establishment and operation of all facilities and services for and incidental to the recovery, storage and transportation of the Petroleum from the proposed Field to the Delivery Point together with all data and supporting information including but not limited to:

- (i) description of the nature and characteristic of the Reservoir, data, statistics, interpretations and conclusions on all aspects of the geology, Reservoir evaluation, petroleum engineering factors, Reservoir models, estimates of reserve in place, possible production magnitude, nature and ratio of Petroleum fluids and analysis of producible Petroleum;
- (ii) outlines of the development project and/or alternative development projects, if any, describing the production facilities to be installed and the number of Wells to be drilled under such development project and/or alternative development projects, if any;
- (iii) estimate of the rate of production to be established and projection of the possible sustained rate of production in accordance with Good International Petroleum Industry Practices under such development project and/or alternative development projects, if any, which will ensure that the area does not suffer an excessive rate of decline of production or an excessive loss of Reservoir pressure;
- (iv) estimates of Development Costs and Production Costs under such development project and/or alternative development projects, if any;
- (v) Contractor's recommendations as to the particular project that it would prefer;
- (vi) Work Programme and Budget for development proposals relating to the proposed Field;
- (vii) anticipated adverse impact on the environment and measures to be taken for prevention or minimisation thereof and for general protection of the environment in conduct of Petroleum Operations;
- (viii) measures to be taken for the health and safety of persons employed in Petroleum Operations;
- (ix) the information required in Articles 22.



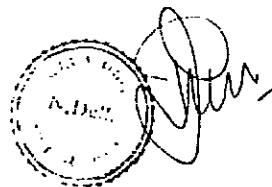


- 10.10 A proposed Development Plan submitted by the Contractor pursuant to Article 10.9 may be approved by the Management Committee within one hundred and twenty (120) days of submission thereof or receipt of any additional information requested by the Management Committee. If, within a period of one hundred and twenty (120) days after submission of a proposed Development Plan or one hundred and twenty (120) days from the receipt of any additional information, where asked by Management Committee, the Contractor shall have option to submit the proposal to the Government. The Government shall respond on the proposed Development Plan submitted by the Contractor within one hundred and twenty (120) days. In case Government refuses to approve the proposed Development Plan, it shall convey the reasons for such refusal and the Contractor shall be given opportunity to make appropriate modifications to meet concerns of Government and the provisions of the foregoing Article.
- 10.11 A Development Plan approved by Management Committee or Government, as may be the case, from time to time shall commit the Contractor to the obligations stipulated in Articles 10.13 to 10.14
- 10.12 The Management Committee shall obtain such approvals from the Government as may be required under the Contract.
- 10.13 Work Programmes and Budgets for Development and Production Operations shall be submitted to the Management Committee as soon as possible after the approval of Development Plan and thereafter not later than 31st December each Year in respect of the Year immediately following.
- 10.14 The Management Committee, when considering any Work Programme and Budget, may require the Contractor to prepare an estimate of potential production to be achieved through the implementation of the said Work Programme and Budget for each of the three (3) Years following the Year to which the Work Programme and Budget relate. If major changes in yearly estimates of potential production are required, these shall be based on concrete evidence necessitating such changes.
- 10.15 Not later than the fifteenth (15th) of January each Year, in respect of the Year immediately following commencement of Commercial Production, the Contractor shall determine the "Programme Quantity" with the approval of the Management Committee. The Programme Quantity for any Year shall be the maximum quantity of Petroleum based on Contractor's estimates, as approved by the Management Committee, which can be produced from a Field consistent with Good International Petroleum Industry Practices and minimising unit production cost, taking into account the capacity of the producing Wells, gathering lines, separators, storage capacity and other

production facilities available for use during the relevant Year, as well as the transportation facilities up to the Delivery Point.

10.16 Proposed revisions to the details of a Development Plan or an yearly Work Programme or Budget in respect of Development and Production Operations shall, for good cause and if the circumstances so justify, be submitted for approval to the Management Committee.

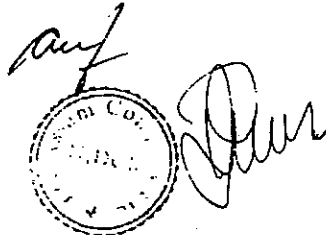
10.17 In the event the area encompassing the Commercial Discovery extends beyond the Field designated in the Development Plan, either within the original Contract Area but subsequently relinquished or, outside the original Contract Area, the Management Committee may make recommendations to the Government concerning enlargement of the Field, provided the same was not awarded to any other Company by the Government or is not held by any other party or not on offer by the Government and no application for a License or Lease is pending with the Government. Government may consider such request for extension at its sole discretion and on terms and conditions, which it may consider fit.



ARTICLE 11

PETROLEUM MINING LEASE

- 11.1 On signing of the Contract, the Contractor shall submit an application to the relevant State Government(s) for grant of a Lease.
- 11.2 Where a part of a Reservoir, in respect of which a Commercial Discovery has been declared, extends beyond the Contract Area, such area may be included in the proposed Development Area, in relation to which application for a Lease is made, on terms and conditions as decided by the Central Government; provided that such area is:
- (a) not subject to a license or lease granted to any other person;
  - (b) not the subject of negotiations/bidding or contract awarded for a license or lease;
  - (c) available for licensing/leasing (i.e. is not an area over which Petroleum Operations are excluded).
- 11.3 The Lease may be granted by the relevant State Government(s) and Central Government will provide necessary assistance to enable the Contractor to obtain such Lease, for an initial period of twenty (20) years from the date of grant thereof subject to:
- (a) cancellation in accordance with its terms or for termination of this Contract in accordance with its terms;
  - (b) extension by mutual agreement between the Parties for such period as may be agreed after taking into account the balance recoverable reserves and balance economic life of the Field/Development Area from the expiry of the initial period.
  - (c) the terms of this Contract and other terms and conditions as set forth in such Lease be consistent with this Contract and the relevant legislation.

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "Oil & Gas" and "Ministry of Petroleum & Natural Resources" around the perimeter, with some illegible text in the center.

## ARTICLE 12

### UNIT DEVELOPMENT

- 12.1 If a Reservoir in a Discovery Area is situated partly within the Contract Area and partly in an area in India over which other parties have a contract to conduct Petroleum Operations and both parts of the Reservoir can be more efficiently developed together on a commercial basis, the Government may, for securing the more effective recovery of Petroleum from such Reservoir, by notice in writing to the Contractor, require that the Contractor:
- (a) collaborate and agree with such other parties on the joint development of the Reservoir;
  - (b) submit such agreement between the Contractor and such other parties to the Government for approval; and
  - (c) prepare a plan for such joint development of the said Reservoir, within one hundred and eighty (180) days of the approval of the agreement referred to in (b) above.
- 12.2 If no plan is submitted within the period specified in Article 12.1 (c) or such longer period as the Government and the Contractor and the other parties referred to in Article 12.1 may agree, or, if such plan as submitted is not acceptable to the Government and the parties cannot agree on amendments to the proposed joint development plan, the Government may cause to be prepared, at the expense of the Contractor and such other parties a plan for such joint development consistent with generally accepted Good International Petroleum Industry Practices which shall take into consideration any plans and presentations made by the Contractor and the aforementioned other parties.
- 12.3 If the parties are unable to agree on the proposed plan for joint development, the Government may call for a joint development plan from an independent agency, which agency, may make such a proposal after taking into account the position of the parties in this regard. Such a development plan, if approved by Government, shall be binding on the parties, notwithstanding their disagreement with the plan. However, the Contractor may in case of any disagreement on the issue of joint development or the proposed joint development plan, prepared in accordance with Article 12.2 or within thirty (30) days of the plan approval as aforesaid in this Article, notify the Government that it elects to surrender its rights in the Reservoir/Discovery in lieu of participation in a joint development.

12.4 If a proposed joint development plan is agreed and adopted by the parties, or adopted following determination by the Government, the plan as finally adopted shall be the approved joint development plan and the Contractor shall comply with the terms of the said Development Plan as if the Commercial Discovery is established.

12.5 The provisions of Articles 12.1, 12.2 and 12.3 shall apply mutatis mutandis to a Discovery of a Reservoir located partly within the Contract Area, which, although not equivalent to a Commercial Discovery if developed alone, would be a Commercial Discovery if developed together with that part of the Reservoir which extends outside the Contract Area to the areas subject to contract for petroleum operations by other parties.



## ARTICLE 13

### MEASUREMENT OF PETROLEUM

- 13.1 Petroleum used for internal consumption for Petroleum Operations, flared, saved and sold from the Contract Area shall be measured by methods and appliances generally accepted and customarily used in Good International Petroleum Industry Practices and approved by the Management Committee and the Government.
- 13.2 The Government may, at all reasonable times, inspect and test the appliances used for measuring the volume and determining the quality of Petroleum, provided that any such inspection or testing shall be carried out in such a manner so as not to unduly interfere with Petroleum Operations.
- 13.3 Before commencement of production from the Contract Area, the Parties shall mutually agree on:
- (a) methods to be employed for measurement of volumes of Petroleum production;
  - (b) the point or points at which Petroleum shall be measured and the respective shares allocated to the Parties in accordance with the terms of this Contract;
  - (c) the frequency of inspections and testing of measurement appliances and relevant procedures relating thereto; and
  - (d) the consequences of a determination of an error in measurement.
- 13.4 The Contractor shall undertake to measure the volume and quality of the Petroleum produced and saved from the Contract Area at the agreed measurement point consistent with generally accepted GIPIP, with the frequency and according to procedures agreed pursuant to Article 13.3. The Contractor shall not make any alteration in the agreed method or procedures for measurement or to any of the approved appliances used for that purpose without the written consent of the Management Committee and the Government.
- 13.5 The Contractor shall give the Government timely notice of its intention to conduct measuring operations or any agreed alteration for such operations and the Government shall have the right to be present at and supervise, either directly or through authorised representatives, such operations.
- 13.6 The Contractor shall keep all the records of analysis and measurement of hydrocarbons calibrations and proving of measurement system and make available to Government or its authorized agency such records on request.

ARTICLE 14

PROTECTION OF THE ENVIRONMENT

14.1 The Government and the Contractor recognise that Petroleum Operations will cause some impact on the environment in the Contract Area. Accordingly, in performance of the Contract, the Contractor shall conduct its Petroleum Operations with due regard to concerns with respect to protection of the environment and conservation of natural resources and shall in particular;

- (a) employ GIPIP and standards including advanced techniques, practices and methods of operation for the prevention of Environmental Damage in conducting its Petroleum Operations;
- (b) take necessary and adequate steps to:
  - (i) prevent Environmental Damage and, where some adverse impact on the environment is unavoidable, to minimise such damage and the consequential effects thereof on property and people;
  - (ii) ensure adequate compensation for injury to persons or damage to property caused by the effect of Petroleum Operations.
- (c) comply with the requirements of applicable laws and the reasonable requirements of the Government from time to time.

14.2 If the Contractor fails to comply with the provisions of paragraph (b)(i) of Article 14.1 or contravenes any relevant law, and such failure or contravention results in any Environmental Damage, the Contractor shall forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.

14.3 If the Government in accordance with the laws has good reason to believe that any works or installations erected by the Contractor or any operations conducted by the Contractor are endangering or may endanger persons or any property of any person, or are causing or may cause pollution, or are harming or may harm fauna or flora or the environment to a degree which the Government deems unacceptable, the Government may require the Contractor to take remedial measures within such reasonable period as may be determined by the Government and to repair any damage to the environment. If the Government deems it necessary, it may also require the Contractor to discontinue Petroleum Operations in whole or in part until the

Contractor has taken such remedial measures or has repaired any damage caused.

14.4 The measures and methods to be used by the Contractor for the purpose of complying with the terms of paragraph (b)(i) of Article 14.1 shall be determined in timely consultation with the Government upon the commencement of Petroleum Operations or whenever there is a significant change in the scope or method of conducting Petroleum Operations and shall take into account the international standards applicable in similar circumstances and the relevant environmental impact study carried out in accordance with Article 14.5 below. The Contractor shall notify the Government, in writing, of the measures and methods finally determined by the Contractor and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.

14.5 The Contractor shall cause a person or persons with special knowledge on environmental matters to carry out two environmental impact studies in order:

- (a) to determine at the time of the studies the prevailing situation relating to the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas; and
- (b) to establish the likely effect on the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas in consequence of the relevant phase of Petroleum Operations to be conducted under this Contract, and to submit, for consideration by the Parties, methods and measures contemplated in Article 14.4 for minimising Environmental Damage and carrying out Site Restoration activities.

14.5.1 The first of the aforementioned studies shall be carried out in two parts, namely, a preliminary part which must be concluded before commencement of any field work relating to a seismographic or other survey, and a final part relating to drilling in the Exploration Period. The part of the study relating to drilling operations in the Exploration Period shall be approved by Government before the commencement of such drilling operations, it being understood that such approval shall not be unreasonably withheld.

14.5.2 The second of the aforementioned studies shall be completed before commencement of Development Operations and shall be submitted by the Contractor as part of the Development Plan, with specific approval of Government being obtained before commencement of Development Operations, it being understood that such approval shall not be unreasonably withheld.



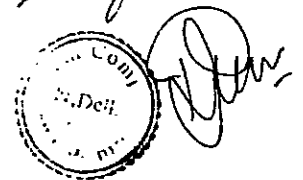
14.5.3

The studies mentioned in Article 14.5 above shall contain proposed environmental guidelines to be followed in order to minimize Environmental Damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the phase of operations to which the study relates:

- (a) proposed access cutting;
- (b) clearing and timber salvage;
- (c) wildlife and habitat protection;
- (d) fuel storage and handling;
- (e) use of explosives;
- (f) camps and staging;
- (g) liquid and solid waste disposal;
- (h) cultural and archaeological sites;
- (i) selection of drilling sites;
- (j) terrain stabilization;
- (k) protection of freshwater horizons;
- (l) blowout prevention plan;
- (m) flaring during completion and testing of Gas and Oil Wells;
- (n) abandonment of Wells;
- (o) rig dismantling and site completion;
- (p) reclamation for abandonment;
- (q) noise control;
- (r) debris disposal; and
- (s) protection of natural drainage and water flow.

14.5.4

Government shall convey its decision regarding any proposal for environmental clearances submitted by the Contractor pursuant to the provisions of this Article or Contract or required under any laws of India within one hundred and twenty (120) days from the date of submission of application by Contractor seeking such clearance. Any clarifications/additional informations required by the Government shall be asked by it within sixty (60) days from the date of submission of the application by Contractor. The final decision by the Government shall be conveyed within sixty (60) days from the receipt of such clarifications/additional information from the Contractor. In case Government fails to convey any decision to the Contractor, such application for the clearance by the Contractor shall be deemed to have been approved by the Government.

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- 14.6 The Contractor shall ensure that:
- (a) Petroleum Operations are conducted in an environmentally acceptable and safe manner consistent with Good International Petroleum Industry Practices and that such Petroleum Operations are properly monitored;
  - (b) the pertinent completed environmental impact studies are made available to its employees and to its contractors and Subcontractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out the Petroleum Operations; and
  - (c) the contracts entered into between the Contractor and its contractors and Subcontractors relating to its Petroleum Operations shall include the provisions stipulated herein and any established measures and methods for the implementation of the Contractor's obligations in relation to the environment under this Contract.
- 14.7 The Contractor shall, prior to conducting any drilling activities, prepare and submit for review by the Government contingency plans for dealing with Oil spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with the Government and concerns expressed shall be taken into account.
- 14.7.1 ONGC shall transfer the environment clearance, if available, to the Contractor along with the scope of the project covered under such clearance.
- 14.7.2 In the event of an emergency, accident, Oil spill or fire arising from Petroleum Operations affecting the environment, the Contractor shall forthwith notify the Government and shall promptly implement the relevant contingency plan and perform such Site Restoration as may be necessary in accordance with Good International Petroleum Industry Practices.
- 14.7.3 In the event of any other emergency or accident arising from the Petroleum Operations affecting the environment, the Contractor shall take such action as may be prudent and necessary in accordance with Good International Petroleum Industry Practice in such circumstances.
- 14.8 In the event that the Contractor fails to comply with any of the terms contained in Article 14.7 within a period specified by the Government, the Government, after giving the Contractor reasonable notice in the circumstances, may take any action which may be necessary to ensure compliance with such terms and to recover from the Contractor, immediately after having taken such action, all costs and expenditures

incurred in connection with such action together with such interest as may be determined in accordance with Section 1.7 of Appendix C of this Contract.

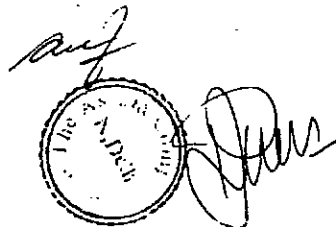
- 14.9 On expiry or termination of this Contract or relinquishment of part of the Contract Area, the Contractor shall:
- (a) remove all equipment and installations from the relinquished area or former Contract Area in a manner agreed with the Government pursuant to an abandonment plan; and
  - (b) perform all necessary Site Restoration in accordance with Good International Petroleum Industry Practice and take all other action necessary to prevent hazards to human life or to the property of others or the environment.
- 14.10 The Contractor shall prepare a proposal for the restoration of site including abandonment plan and requirement of funds for this and any annual contribution in accordance with the scheme framed by Government to the Site Restoration fund. This will be submitted along with the annual Budget for the consideration and approval of the Management Committee.
- 14.11 Subject to Section 3.2 of Accounting Procedure, any Site Restoration fund scheme formulated by Government and subject to provisions of this Contract, any and all costs incurred by Contractor pursuant to this Article shall be cost recoverable including but not limited to sinking funds established for abandonment and restoration of Field(s)/Contract Area.
- 14.12 In this Article, a reference to Government includes the State Government.
- 14.13 Where the Contract Area is partly located on areas forming part of certain national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas, passage through these areas shall generally not be permitted. However, if there is no passage, other than through these areas to reach a particular point beyond these areas, permission of the appropriate authorities shall be obtained.
- 14.14 The obligations and liability of the Contractor for the environment hereunder shall be limited to damage to the environment which:
- (a) occurs after the Effective Date; and
  - (b) results from an act or omission of the Contractor.



**ARTICLE 15**

**RECOVERY OF COST PETROLEUM**

- 15.1 The Contractor shall be entitled to recover Contract Costs out of the total volume of Petroleum produced and saved from the Field in each Year in accordance with the provisions of this Article.
- 15.2 For Development of Existing Discoveries, Contractor shall be entitled to recover out of Cost Petroleum the aggregate of such Development Costs at the rate of one hundred percent (100%) per annum.
- 15.3 For the purposes of this Article 15.2 Contractor's "Cost Recovery Limit" means costs incurred after the Effective Date relating to the construction and/or establishment of such facilities as are necessary to produce, process, store and transport Petroleum from within the Existing Discoveries. Such "cost recovery limit" shall be decided and approved by the Management Committee in relation to the Development Plan finalised or approved by Management Committee keeping in view the efficient and optimal exploitation of Petroleum from such existing Discoveries and Contractor's Work Programme at Appendix -- H.
- 15.4 The Contractor shall be entitled to recover out of the Cost Petroleum the Exploration Costs which it has incurred in the Contract Area in any Year after the date of Commercial Production from the Contract Area at the rate of one hundred percent (100%) per annum of such Exploration Costs beginning from the date such Exploration Costs are incurred.
- 15.5 The Contractor shall be entitled to recover out of the Cost Petroleum, the Development Costs on development of New Discoveries, from that Field, which it has incurred after the date of first Commercial Production at the rate of one hundred percent (100%) per annum of such Development Costs beginning from the date such Development Costs are incurred.
- 15.6 The Contractor shall be entitled to recover in full during any Year the Production Costs incurred in a Field out of the Cost Petroleum.
- 15.7 The Contractor shall be entitled to recover in full during any Year the Royalty payments to the Government/State Government (s) in that Year out of the Cost Petroleum.

  
The NSI Group Ltd.

15.8 If during any Year the Cost Petroleum is not sufficient to enable the Contractor to recover in full the Contract Costs due for recovery in that Year in accordance with the provisions of this Articles, then, subject to the provisions of Article 15.9 :

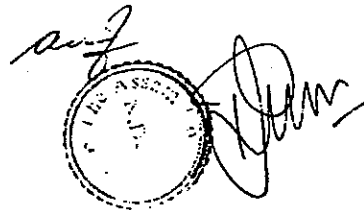
- (a) recovery shall first be made of the Royalty and Cess payments; and
- (b) recovery shall next be made of the Production Costs; and
- (c) recovery shall next be made of the Exploration Costs; and
- (d) recovery shall then be made of the Development Costs.

The unrecovered portions of Contract Costs shall be carried forward to the following Year and the Contractor shall be entitled to recover such Costs in such Year or the subsequent Years as if such Costs were due for recovery in that Year, or the succeeding Years, until the unrecovered Contract Costs have been fully recovered out of Cost Petroleum from the relevant Field.

15.9 The maximum amount of Cost Petroleum to which the Contractor shall be entitled, in accordance with the provisions of this Article, shall be one hundred percent (100%), of the total value of the Petroleum produced and saved from the relevant Field.

15.10 For the purposes of this Article, as well as Article 16, costs, receipts and income shall be converted into production unit equivalents, and vice versa, using the relevant prices established pursuant to Article 20 for Crude Oil, Condensate and Article 22 for Natural Gas.

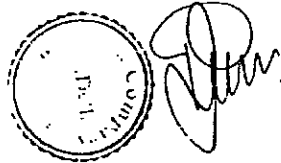
15.11 Pending completion of the calculations required to establish definitively the Contractor's entitlement to Cost Petroleum from each Field in any Year, the Contractor shall take delivery, provisionally, of volumes of Crude Oil or Natural Gas representing its estimated Cost Petroleum entitlement calculated with reference to estimated production quantities, costs, expenses and prices as established by the Contractor and approved by the Management Committee. Such provisional determination of Cost Petroleum shall be made every Quarter on an accumulative basis. Within sixty days of the end of each Year, a final calculation of the Contractor's entitlement to Cost Petroleum, based on actual production quantities, costs, expenses and prices for the entire Year, shall be undertaken and any necessary adjustments to the Cost Petroleum entitlement shall be agreed upon between the Government and the Contractor within thirty (30) days and made within thirty (30) days thereafter.

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15.12 Where more than one Party constitutes the Contractor, the percentage of the total Cost Petroleum from each of the Field which shall be available to each such Party in any Year for recovery of its share of Contract Costs shall be determined on the basis of the respective Participating Interest of each such Party.

15.13 Subject to Article 18, nothing herein contained shall provide for the recovery of costs by ONGC which were incurred prior to the Effective Date.

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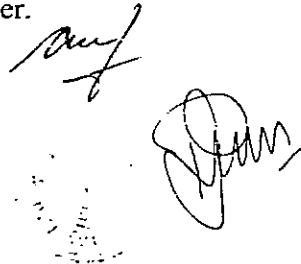
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ARTICLE 16

PRODUCTION SHARING OF PETROLEUM

- 16.1 The Parties to this Contract shall share in the Profit Petroleum in each Year in accordance with the provisions of this Article. A Party's share of Profit Petroleum in any Year, shall be calculated on the basis of the Investment Multiple (IM) actually achieved by the Contractor at the end of the preceding Year for the Field as provided in Appendix D. For sharing of Profit Petroleum in the first Year of the Contract, Contractor shall compute a provisional Investment Multiple in the manner as provided in the Appendix-D for the first Quarter and this will provisionally apply for all the Quarters in Year one with final adjustment being made at the end of the first Year based on the IM for Year one, and in subsequent years the profit sharing will be based on the IM of previous Year as provided in this Contract.
- 16.2.1 When the Investment Multiple of the Contractor at the end of any Year is more than one (1) but is less than two (2), the Government shall be entitled to take and receive ten percent [10%] and the Contractor shall be entitled to take and receive ninety percent [90%] of the total Profit Petroleum from the Field with effect from the start of the succeeding Year.
- 16.2.2 When the Investment Multiple of the Contractor at the end of any Year is equal to or more than two (2) but is less than two and one half (2.5) the Government shall be entitled to take and receive twenty percent [20%] and the Contractor shall be entitled to take and receive eighty percent [80%] of the total Profit Petroleum from the Field with effect from the start of the succeeding Year.
- 16.2.3 When the Investment Multiple of the Contractor at the end of any Year is equal to or more than two and one half (2.5) but is less than three (3), the Government shall be entitled to take and receive thirty percent [30%] and the Contractor shall be entitled to take and receive seventy percent [70%] of the total Profit Petroleum from the Field with effect from the start of the succeeding Year.
- 16.2.4 When the Investment Multiple of the Contractor at the end of any Year is equal to or more than three (3), the Government shall be entitled to take and receive thirty five percent [35%] and the Contractor shall be entitled to take and receive sixty five percent [65%] of the total Profit Petroleum from the Field with effect from the start of the succeeding Year.

- 16.3 Any balance left to the credit of the Party in any Site Restoration account, opened pursuant to the provision of Article 14.10, after Site Restoration has been completed by the Contractor in accordance with the provisions of this Contract and the laws in this regard, shall be shared between Government and Contractor as per the investment Multiple reached at the time of ceasing of production of Petroleum from the Field.
- 16.4 The Government shall have the option to take its entitlement to Profit Petroleum either in cash or in kind in any Year. Such option shall be exercised by notification to the Contractor no later than 30th June in each Year preceding the Year in which the entitlement is due. Where the Government has notified the Contractor of its intention to take its share in kind, the Parties shall meet to agree on a procedure for delivery of the Government's share of Profit Petroleum and, where relevant, the composition of the Petroleum which is to be delivered.
- 16.5 The value of the Contractor's Investment Multiple at the end of any Year in respect of the Field shall be calculated in the manner provided for, and on the basis of the net cash flows specified, in Appendix D to this Contract. However, the amount of Profit Petroleum to be shared between the Government and the Contractor shall be determined for each Quarter on an accumulative basis. Pending finalisation of accounts, where the Government has elected to take its Profit Petroleum in kind, Profit Petroleum shall be shared between the Government and the Contractor on the basis of provisional estimated figures of Contract Costs, production, prices, receipts, income and any other income or allowable deductions and on the basis of the value of the Investment Multiple achieved at the end of the preceding Year, subject to Article 16.1. All such provisional estimates shall be approved by the Management Committee. When it is necessary to convert monetary units into physical units of production equivalents or vice versa, the price or prices determined pursuant to Articles 20 and 22 for Crude Oil, Condensate and Natural Gas respectively shall be used. Within sixty (60) days of the end of each Year, a final calculation of Profit Petroleum based on actual costs, quantities, prices and income for the entire Year shall be completed and any necessary adjustments to the sharing of Petroleum shall be agreed upon between the Government and the Contractor within thirty (30) days and made within thirty (30) days thereafter.

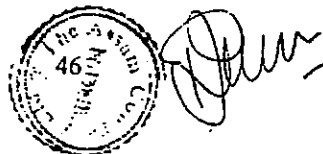
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ARTICLE 17

TAXES, ROYALTIES, RENTALS, DUTIES ETC.

- 17.1 Companies, their employees, persons providing any materials, supplies, services or facilities or supplying any ship, aircraft, machinery, equipment or plant (whether by way of sale or hire) to the Companies for Petroleum Operations or for any other purpose and the employees of such persons shall be subject to all fiscal legislation in India except where, pursuant to any authority granted under any applicable law, they are exempted wholly or partly from the application of the provisions of a particular law or as otherwise provided herein.
- 17.2.1 The Contractor shall be liable for payment of Royalty and Cess at the rate of Rs. 528 per tonne and Rs. 900 per tonne of Crude Oil respectively, Royalty at the rate of ten percent (10%) of wellhead value of Gas, and other payments required under the Lease. The Companies comprising Contractor shall not be liable to the Government for payment of Royalty or Cess in excess of the above stated rates and if required to pay any excess amount, the same shall be suitably reimbursed by the Government. These payments shall be made to the Government in time as provided in the Petroleum Mining Lease or instructions issued from time to time in this regard.
- 17.2.2 All payments (except income tax) made by the Contractor pursuant to this Article 17 and all other expenses which are in the nature of expenses provided in this Article 17, including but not limited to any duties, levies, fees, charges and any other assessments levied by any government or taxing authority in connection with the Contractor's activities under the Contract and paid by the Contractor shall be cost recoverable as Contract Costs.
- 17.3 The Contractor shall not be required to pay Royalty or Cess in respect of Petroleum that is used in Petroleum Operations, unavoidably lost or flared.
- 17.4 Pursuant to the provisions of section 42 of the Income Tax Act, 1961, the allowances specified herein shall apply in computing income tax payable by a Company on its profits and gains from the business of Petroleum Operations in lieu of (and not in addition to) corresponding allowances provided for under the heading "Profits and Gains of Business or Profession" in the Income Tax Act, 1961. Any other allowance, which are not specified herein, shall be treated in accordance with the provisions of Income Tax Act, 1961.



17.4.1 Subject to the provisions herein below, deductions at the rate of one hundred percent (100%) per annum shall be allowed for all expenditures, both capital and revenue expenditures, incurred in respect of Exploration Operations and drilling operations. The expenditure incurred in respect of Development Operations, other than drilling operations, and Production Operations will be allowable as per the provisions of the Income Tax Act, 1961. The expenses so incurred are subject to the following:

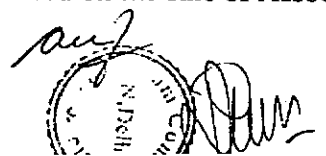
- (a) where any expenditure is not solely incurred on Petroleum Operations or is incurred as part of or in conjunction with any other business, only that proportion of the total expenditure which can be proved to the assessing officer to represent a fair proportionate part thereof, having regard to all relevant facts and circumstances, shall be allowed;
- (b) sections 40A and 44C of the Income Tax Act, 1961, shall apply.

17.4.2 A Company shall be entitled, for income tax purposes only, to deduct all its unsuccessful Exploration Costs in contract areas covered by other contracts from the aggregate value of Petroleum allocable to the Company from any Field(s) in the Contract Area in the manner as follows:

- (a) unsuccessful Exploration Costs incurred in contract areas other than the Contract Area where a Commercial Discovery has been made up to the date of commencement of Commercial Production shall be aggregated and the Company shall be entitled to deduct such costs at the rate of one hundred per cent (100%) per annum;
- (b) unsuccessful Exploration Costs incurred in contract areas other than the Contract Area where a Commercial Discovery has been made, after the commencement of Commercial Production, shall be deductible at the rate of one hundred per cent (100%) per annum of such costs beginning from the Year such costs are incurred.

17.4.3 All allowable expenditure incurred prior to the Year in which Commercial Production commences shall be aggregated and the assessed loss for that Year as well as the assessed loss, if any, incurred in the assessment year relevant to the Year in which Commercial Production commences, or in any subsequent assessment year, shall be carried forward to succeeding assessment years and set off as provided in the Income Tax Act, 1961.


17.4.4 The profits and gains of the business of the Parties comprising Contractor consisting of Petroleum Operations shall, for the purpose of levy of income tax under the Income Tax Act, 1961, be computed on the basis of the value, determined in accordance with Article 20, of its Participating Interest share of Crude Oil produced and saved and sold, or otherwise disposed of, from the Contract Area and from any revenue realised on the sale of Associated

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or Non Associated Natural Gas referred to in Article 22 as well as any other gains or receipts from Petroleum Operations as reduced by the deductions as specified herein, and, except as herein provided, all the provisions of the Income Tax Act, 1961, shall apply.

- 17.4.5 Company(ies) shall be eligible for benefits available under Section 80 iA of the Income Tax Act, 1961 as applicable from time to time.
- 17.5 For the purposes of Article 17 and Section 42 of the Income Tax Act, 1961:
- 17.5.1 The following terms used in Section 42 of the Income Tax Act, 1961, shall have the meanings corresponding to the terms used in this Contract and defined in Article 1 as follows:
- (a) "agreement" means this Contract as defined in Article 1;
  - (b) "commercial production" shall have the meaning assigned in Article-1.
- 17.5.2 The terms "assessing officer", "assessed loss", and "assessment year" shall have the meaning as defined in the Income Tax Act, 1961.
- 17.5.3 The other terms used herein and defined in Article 1 shall have the meaning therein ascribed.
- 17.6 Machinery, plant, equipment, materials and supplies imported by the Contractor and its Subcontractors solely and exclusively for use in Petroleum Operations under this Contract or similar contracts with Government where customs duty has been exempted by the Government shall be exempt from customs duties, export duties or other charges on re-exportation of the said items in accordance with applicable legislation.
- 17.7 The Government shall have the right to inspect the records and documents of the physical item or items for which an exemption has been provided pursuant to Article 17.6 to determine that such item or items are being or have been imported solely and exclusively for the purpose for which the exemption was granted. The Government shall also be entitled to inspect such physical items wherever located to ensure that such items are being used for the purpose herein specified and any item not being so used shall immediately become liable to payment of the applicable customs duties.

*and*



*[Signature]*

- 17.8 Subject to Article 28.4, Contractor and its Subcontractors may sell or otherwise transfer in India all imported items which are no longer required for Petroleum Operations, subject to applicable laws including rules, regulations, procedures, notifications etc. governing customs duties and sale or disposal of such items.
- 17.9 Any sales tax or tax of similar nature payable on the sale(s) of Petroleum under this Contract shall be borne/reimbursed by the buyer(s).
- 17.10 Subject to the provisions herein above provided, Contractor shall be liable for payment of:
- (a) annual license charges and rental fees and other charges under the Rules;
  - (b) charges payable by specified industries or in connection with Petroleum Operations under applicable legislation;
  - (c) payments for purchase, lease or rental of land or land rights in connection with Petroleum Operations;
  - (d) taxes, fees or charges for specific services rendered on request or to the public generally;
  - (e) customs duties, except for those items subject to exemption as provided in Article 17, applicable at the rates specified from time to time;
  - (f) stamp duties, registration fees, license fees, taxes such as taxes on property or assets (not calculated by reference to income or otherwise exempted) or other levies, fees or charges of a non-discriminatory nature and generally applicable in India or in the State where Petroleum Operations are being conducted.
- 17.11 If any change in or to any Indian law, rule or regulation dealing with income tax or other corporate tax, export/import tax, excise, customs duty or any other levies, duties or taxes imposed on Petroleum or dependent upon the value of Petroleum results in a material change to the expected economic benefits accruing to any of the Parties after the date of execution of the Contract, the Parties shall consult promptly in good faith to make necessary revisions and adjustments to the Contract in order to maintain such expected economic benefits to each of the Parties, provided, however, that the expected economic benefits to the Parties shall not be reduced as a result of the operation of this Article.



**ARTICLE 18**

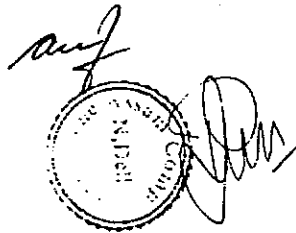
**BONUSES AND PAST COST PAYMENTS**

18.1 The Companies shall pay to ONGC such consideration as hereinafter mentioned in this Article :

- (a) a sum of Rs. Seven lakh and Fifty thousand (7,50,000) as signature bonus payment within fifteen (15) days of the Effective Date.
- (b) production bonus payments linked to production levels in the manner as provided here below :

Production (MMSCM of Gas)	Production bonus (Rs.)
First 12	10,00,000
Next 12	10,00,000

18.2 The payments referred to in Article-18.1 (a) and (b) shall in no event be recoverable as Contract Costs by Companies.



ARTICLE 19

DOMESTIC SUPPLY, SALE, DISPOSAL AND EXPORT OF  
CRUDE OIL AND CONDENSATE

- 19.1 Until such time as the total availability to the Government of Crude Oil and Condensate from all Petroleum production activities in India meets the total national demand, each constituent of the Contractor, shall be required to sell to the Government or its nominee all of its entitlement to Crude Oil and Condensate from each Field in order to assist in satisfying the national demand and the Government shall have the option to purchase the whole or any portion thereof at the price determined pursuant to Article 20.
- 19.2 If, during any Year, India attains Self-sufficiency, the Government shall promptly thereafter, but in no event later than the end of the first Quarter of the following Year, so advise the Company(ies) by written notice. In such event, as from the end of the second Quarter of the following Year, or such earlier date as the Parties may mutually agree, domestic sale obligation shall be suspended and the Company shall have the right to lift and export its Participating Interest share of Crude Oil and Condensate until such time, if any, as Self-sufficiency shall have ceased to exist. If Self-sufficiency ceases to exist during a Year, the Government shall recover its position to ask Company(ies) under Article 19.1 in respect of the following Year by giving ninety (90) days notice thereof to the Contractor to sell Crude Oil and Condensate to the Government or its nominee.
- 19.3 Upon India achieving Self-sufficiency, the Company(ies) shall be entitled to freely lift and export any Crude Oil and Condensate pursuant to this Article 19, subject to Government's generally applicable destination restrictions to countries with which the Government, for policy reasons, has severed or restricted trade.
- 19.4 No later than sixty (60) days prior to the commencement of production in a Field, and thereafter not less than sixty (60) days before the commencement of each Year, the Contractor shall cause to be prepared and submitted to the Parties a production forecast setting out the total quantity of Crude Oil that it estimates can be produced from a Field during the succeeding Year, based on a maximum efficient rate of recovery of Crude Oil from that Field in accordance with Good International Petroleum Industry Practice. Not later than thirty (30) days prior to the commencement of each Quarter, the Contractor shall advise its estimate of production for the succeeding Quarter and shall endeavour to produce the forecast quantity for each Quarter.

- 19.5 All payments in respect of sales to the Government or any other party designated or allowed by the Government to purchase Crude Oil or Condensate pursuant to provisions of this Article 19 shall be made by the purchasing party within the period for credit applicable in the calculation of the price pursuant to Article 20. If no time frame for credit is applicable in such calculation, payment shall be made within thirty (30) days following the date of delivery of invoices to the Government or its nominee. In the case of sales by a Foreign Company, payment other than Foreign Company's share of Cess, Royalty and the like, shall be made in United States Dollars or any other convertible currency acceptable to the Government and the Foreign Company, by wire transfer, to the credit of the Foreign Company's designated account with a bank within or outside India designated by the Foreign Company. Payment to Foreign Company for their share of Cess, Royalty and the like shall be made in Indian Rupees by wire transfer to the credit of the Foreign Company's designated account with a bank within India designated by the Foreign Company. Subject to Article 21.3, in the case of sales by a Domestic Company, payment shall be made in Indian Rupees to the credit of the Domestic Company's designated account with a bank in India designated by the Domestic Company. All amounts unpaid by the Government or its nominee by the due date shall, from the due date, bear interest calculated on a day to day basis at the LIBOR plus two percentage (2%) points from the date due until paid.
- 19.6 Each constituent of Contractor shall be entitled to freely lift and sell in domestic market in India any Crude Oil or Condensate which the Government has elected not to purchase pursuant to this Article 19.
- 19.7 Each constituent of the Contractor shall, throughout the term of this Contract, have the right to separately take in kind and dispose of all its share of Cost Petroleum and Profit Petroleum and shall have the obligation to lift the said Crude Oil and Profit Petroleum on a current basis and in such quantities so as not to cause a restriction of production or inconvenience to the other Company(ies).
- 19.8 The Government shall, throughout the term of this Contract, have the right to separately take in kind and dispose of its share of Crude Oil and shall have the obligation to lift the said Oil on a current basis and in such quantities so as not to cause a restriction of production or inconvenience to the Contractor.
- 19.9 For the purpose of implementing the provisions of this Article, a Crude Oil lifting procedure and crude sales agreement based on generally acceptable international terms shall be agreed upon by the Contractor with buyer(s) and to be executed on the date of execution of this Contract for the Existing Discovery (ies) and no later than three (3) months or such longer period as may be mutually agreed between the Contractor and buyer (s) from the date of commencement of Commercial Production from a new Field. Such lifting procedure shall be made available to all the Parties to this Contract.


## ARTICLE 20

### VALUATION OF PETROLEUM

- 20.1 For the purpose of this Contract, the value of Crude Oil and Condensate shall be based on the price determined as provided herein.
- 20.2 A price for Crude Oil shall be determined for each Calendar Month or such other period as the Parties may agree (hereinafter referred to as "the Delivery Period") in terms of United States Dollars per Barrel, FOB the Delivery Point, for Crude Oil produced and sold or otherwise disposed of from the each Field, for each Delivery Period, in accordance with the appropriate basis for the type of sale or disposal specified below.
- 20.3 In the event that some or all of the total sales of Crude Oil by a constituent of the Contractor during a Delivery Period are made to third parties in Arms-Length Sales, all sales so made shall be valued at the weighted average of the prices actually received by such constituent, calculated by dividing the total receipts from all such sales FOB the Delivery Point by the total number of Barrels of the Crude Oil sold in such sales.
- 20.3.1 Each constituent of Contractor shall separately submit to the Government, within fifteen (15) days after the end of each Delivery Period, a report containing the actual prices obtained in its Arms-Length Sales of any Crude Oil to third parties. Such reports shall distinguish between term sales and spot sales and itemise volumes, customers, prices received and credit terms, and such constituent shall allow the designated Government company to examine the relevant sales contracts.
- 20.4 In the event that some or all of a Contractor Party's total sales of Crude Oil during a Delivery period are made to the Government or its nominee, the pricing of all sales so made shall, unless otherwise agreed between the Parties, be determined on the basis of the FOB selling price per Barrel of one or more crude oils which, at the time of calculation, are being freely and actively traded in the international market and are similar in characteristics and quality to the Crude Oil in respect of which the price is being determined, such FOB selling price to be ascertained from Platt's Crude Oil market Wire daily publication ("Platt's"). For any Delivery Period in which sales take place, the price shall be the arithmetic average price per Barrel determined by calculating the average for such Delivery Period of the mean of the high and low FOB price for each day of the crude oil(s) selected for comparison adjusted for differences in the Crude Oil and the crude oil(s) being compared for product yield/quality and sulphur content etc. In the



event of changing market conditions, the Parties may review and mutually agree on changes to the period over which the average price of comparable crude oils may be calculated.

20.4.1 The provisional on account price payable by IOC to the Contractor for the net dry Crude Oil delivered at the Custody Transfer Point shall be seventy percent (70%) of the Brent (DTD) price ascertained from Platt's Crude Oil market wire daily publication (Platt's), as per the Crude offtake and sales agreement.

20.4.2 In order to arrive firm price, the following procedure shall be followed for collection of Crude Oil samples, conducting Crude Oil assays, equating Crude Oil with the basket of freely traded Crude Oil(s) in the international market.

- (i) Samples(s) of the Crude Oil produced under the Contract shall be collected by the buyer refinery in the presence of Contractor for carrying out Crude Oil assay.
- (ii) The organisation, which will carry out Crude Oil assays, shall be selected by the buyer refinery, preferably in India, in consultation with the Contractor. The cost on Crude Oil assay shall be borne by the Contractor and shall form part of Contract Costs.

20.4.3 The Crude Oil price would be discounted for differences in the Crude Oil quality, if any, as per details given below:

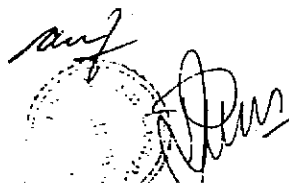
Free water	Nil
BS&W	0.2% Vol.Max.
RVP	0.7 Kg./sq. cm g Max.
Pour Point	18 Degree C Max.
Salt Content	10 PTB Max.

In case the Crude Oil quality does not meet any of the above specifications, then the price would be discounted depending on the extent of variation, for which the Contractor and buyer refinery shall meet in good faith to determine an appropriate discount.

20.4.4 The Parties shall endeavour to finalise the Crude Oil price within one hundred and twenty (120) days or such longer period as may be agreed by the Parties.

20.4.5 The price determined pursuant to this Article shall be made applicable from the Effective Date and calculations to revise, as may be required, the entitlement to Petroleum of the Parties shall be made as soon as practicable.

- 20.4.6 At least sixty (60) days prior to commencement of production from the new Fields, the Parties shall meet in order to establish a provisional list of the crude oils to be selected for comparison with the Crude Oil to be sold and an appropriate mechanism for the purpose of giving effect to Article 20.4 and definitively establishing the price of the Crude Oil to be sold pursuant to Article 20.4. In determining the quality of a Crude Oil, account shall be taken of all relevant characteristics including but not limited to gravity, sulphur and metal content, pour point and product yield.
- 20.4.7 In the event that, at the relevant time, no crude oils of similar quality to the Crude Oil to be sold are being actively traded in the international markets where prices can be ascertained by international publication, or the official FOB selling prices and the international spot market price vary widely between producers, the Parties shall meet to determine in good faith an appropriate pricing basis.
- 20.4.8 The Parties shall meet annually, or sooner upon notice served by any Party on the others, to review the list of selected crude oils or the mechanism established pursuant to Article 20.4.1 in light of any new facts since the date of selection of such crude oils establishment of such mechanism and to determine what adjustment, if any, should be made to such selection or mechanism by mutual agreement of the Parties.
- 20.5 In the event that, in any Delivery Period, some but not all of the sales of Crude Oil by a constituent of the Contractor from a Field are made to the Government or a Government company and some but not all are made to the third parties in Arms-Length Sales and the price as established in accordance with Article 20.4 differs by more than one percent (1%) from the price as determined in accordance with Article 20.3 for the same Delivery Period, the Parties shall meet, upon notice from any Party, to determine if the prices established for the relevant Delivery Period should be adjusted taking into account third-party Arms-Length Sales made by the constituent of the same or similar Crude Oil from the relevant Field or other Fields and published information in respect of other genuine third-party Arms-Length Sales of the same or similar Crude Oil for such Delivery Period. Until the matter of an adjustment for the relevant Delivery Period is finally determined, the price as established in accordance with this Article shall apply for such Delivery Period. Any adjustment, if necessary, shall be made within thirty (30) days after the date of adjustment for such Delivery Period is finally determined.
- 20.5 In case of third party sale, a constituent of Contractor shall determine the relevant prices in accordance with this Article and the calculation, basis of calculation and the price determined shall be supplied to the Government or

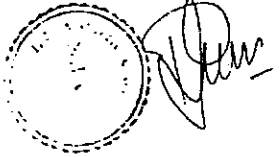
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- the Government company and shall be subject to agreement by the Government or the Government company before it is finally determined. Pending final determination, the last established price, if any, for the Crude Oil shall be used.
- 20.7 In the event that the Parties fail to reach agreement on any matter concerning selection of the crude oils for comparison, the calculation, the basis of, or mechanism for the calculation of the prices, the prices arrived at, the adjustment of any price or generally about the manner in which the prices are determined according to the provisions of this Article within thirty (30) days, or such longer period as may be mutually agreed amongst the Parties, from the date of commencement of Commercial Production or the end of each Delivery Period thereafter, any Party may refer the matter or matters in issue for final determination by a sole expert appointed as provided in Article 34.
- 20.7.1 Within ten (10) days of the said appointment, the Parties shall provide the expert with all information they deem necessary or as the expert may reasonably require.
- 20.7.2 Within fifteen (15) days from the date of his appointment, the expert shall report to the Parties on the issues referred to him for determination, applying the criteria or mechanism set forth herein and indicate his decision thereon to be applicable for the relevant Delivery Period for Crude Oil and such decision shall be accepted as final and binding by the Parties.
- 20.7.3 Except for the adjustments referred to in Article 20.5, any price or pricing mechanism agreed by the Parties pursuant to the provisions of this Article shall not be changed retroactively.
- 20.8 Any sale or disposal to Affiliates or other sale or disposal of Crude Oil produced from a Field, other than to the Government or Government companies, or to third parties in Arms-Length Sales, in any Delivery Period, shall be valued on the same basis as sales to the Government or a Government company. In the event of such a sale or disposal by a constituent of the Contractor, such constituent shall submit to the Government, within fifteen (15) days after the end of such Delivery Period, all relevant information concerning such sales or disposals.
- 20.9 In the event that in any Delivery Period there is more than one type of sales referred to in Articles 20.3, 20.4 and 20.8, then, for the purpose of calculating the Cost Petroleum and the Profit Petroleum entitlement pursuant to Articles 15 and 16, a single price per Barrel of Crude Oil for all the sales for the relevant Delivery Period shall be used. Such single price shall be the weighted average of the prices determined for each type of sale,

weighted by the respective volumes of Crude Oil sold in each type of sale in the relevant Delivery Period.

- 20.10 In this Article the term "Government" shall include any other agency of the Government to which Crude Oil is to be sold.
- 20.11 The provisions specified above for the determination of the price of sales of Crude Oil shall apply mutatis mutandis to Condensates.
- 20.12 The price of Natural Gas shall be determined as provided in Article 22.

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## ARTICLE 21

### CURRENCY AND EXCHANGE CONTROL PROVISIONS

- 21.1 Subject to the provisions herein, and to compliance with the relevant provisions of the laws of general application in India governing currency and foreign exchange and related administrative instructions and procedures issued thereunder on a non-discriminatory basis, each Foreign Company comprising the Contractor shall, during the term of this Contract, have the right to:
- (a) repatriate abroad, in United States Dollars or any other freely convertible currency acceptable to the Government and the Foreign Company, the net proceeds of sales of Petroleum in India;
  - (b) receive, retain and use abroad the proceeds of any export sales of Petroleum under the Contract;
  - (c) open, maintain and operate bank accounts with reputable banks, both inside and outside India, for the purpose of this Contract;
  - (d) freely import, through normal banking channels, funds necessary for carrying out the Petroleum Operations;
  - (e) convert into foreign exchange and repatriate sums imported pursuant to (d) above in excess (if any) of its requirements; and
  - (f) make payments outside of India for purchases, services and loans obtained abroad without the requirement that funds used in making such payments must come from or originate in India.
- Provided, however, that repatriation pursuant to subparagraphs (a) and (e) and payments pursuant to subparagraph (f) shall be subject to the provisions of any treaties and bilateral arrangements between the Government and any country with respect to payments to or from that country.
- 21.2 The rates of exchange for the purchase and sale of currency by the Companies shall be the prevailing rates of general application determined by the Reserve Bank of India or such other financial body as may be mutually agreed by the Parties and, for accounting purposes under this Contract, these rates shall apply as provided in Section 1.6 of Appendix C.
- 21.3 A Party other than a Foreign Company comprising the Contractor shall be governed by the relevant currency and foreign exchange laws and related administrative instructions and procedures issued thereunder.
- 21.4 Indian Companies shall have right to remit their portion of expenditure in foreign currency(ies) in accordance with the exchange control provisions.

## ARTICLE 22

### NATURAL GAS

- 22.1 Subject to Article 22.2, Gas Authority of India Limited (GAIL) shall have the first call on the utilisation of Natural Gas discovered and produced from the Contract Area. Accordingly, any proposal by the Contractor relating to a Discovery and production of Natural Gas from the Contract Area shall be made in the context of the Government's policy for the utilisation of Natural Gas and shall take into account the objectives of the Government to develop its resources in the most efficient manner and to promote conservation measures.
- 22.2 Contractor shall have the right to use Natural Gas produced from the Contract Area for the purpose of Petroleum Operations including re-injection for pressure maintenance in Oil Fields, Gas lifting and captive power generation required for Petroleum Operations.
- 22.3 For the purpose of sales in the domestic market in India pursuant to this Article 22, GAIL whose registered office is at 16 Bhikaji Cama Place, R.K. Puram, New Delhi-110066 shall have option to purchase the total Natural Gas produced and saved from the Contract Area.
- 22.4 Associated Natural Gas (ANG)
- 22.4.1 In the event that a Discovery of Crude Oil contains ANG, Contractor shall declare in the proposal for the declaration of the said Discovery as a Commercial Discovery as specified in Article 10, whether (and by what amount) the estimated production of ANG is anticipated to exceed the quantities of ANG which will be used in accordance with Article 22.2 (such excess being hereinafter referred to as "the Excess ANG"). In such an event the Contractor shall indicate whether, on the basis of the available data and information, it has reasonable grounds for believing that the Excess ANG could be commercially exploited in accordance with the terms of this Contract along with the commercial production of the Crude Oil from Development Area, and whether the Contractor intends to so exploit the Excess ANG.
- 22.4.2 Based on the principle of full utilisation and minimum flaring of ANG, a proposed development plan for an Oil Discovery shall, to the extent practicable, include a plan for utilisation of the ANG including estimated quantities to be flared, re-injected, and to be used for Petroleum Operations; and, if the Contractor proposes to commercially exploit the Excess ANG for

sale in the domestic market in accordance with Government's policy, or elsewhere, the proposed plans for such exploitation.


22.4.3 If the Contractor wishes to exploit the Excess ANG, subject to Article 22.1, the Contractor shall first offer to supply to GAIL and only when GAIL expresses its inability in writing within a reasonable period to purchase this Gas, Contractor shall be free to explore markets for the commercial exploitation of the said Excess ANG and submit its proposals for such exploitation to the Government in accordance with Article 22.4.2.

22.4.4 Where the Contractor is of the view that Excess ANG cannot be commercially exploited and chooses not to exploit the said Excess ANG, or is unable to find a market for the Excess ANG pursuant to Article 22.4.3, the Government shall be entitled to take and utilise such Excess ANG free of any costs/charge.

22.4.5 If the Government elects to take the Excess ANG as provided in Article 22.4.4:


- (a) The Contractor shall deliver such Excess ANG to the Government (or its nominee) free of any cost/charge, at the downstream flange of the Gas/Oil separation facilities;
- (b) The Contractor shall, based on sound petroleum engineering practices, install such facilities as would facilitate, insofar as practicable, uninterrupted delivery of such Excess ANG to the Government or its nominee;
- (c) The cost of all facilities installed pursuant to paragraph (b) above shall be borne by the Government (or its nominee);
- (d) The Government or its nominee shall bear all costs including gathering, treating, processing and transporting costs beyond the downstream flange of the Gas/Oil separation facilities; and
- (e) The delivery of such Excess ANG shall be subject to procedures to be agreed between the Government or its nominee and the Contractor prior to such delivery, such procedures to include matters relating to timing of off-take of such Excess ANG.

22.4.6 Excess ANG which is not commercially exploited by the Contractor, or taken by the Government or its nominee or GAIL pursuant to this Article 22, shall be returned to the subsurface structure or flared or otherwise disposed off as approved by the Government in the context of the Development Plan, provided that flaring will be resorted to only for small quantities and as a last resort.

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- 22.4.7 As soon as practicable after the submission of the proposed development plan, the Contractor and the Government or GAIL shall meet to discuss the sale and/or disposal of any ANG discovered with a view to giving effect to the provisions of this Article 22 in a timely manner.
- 22.4.8 In case of an "Existing Discovery" containing "Excess ANG", the Contractor shall submit a proposal giving Contractor's plan for exploitation of such "Excess ANG" along with the development plan for Crude Oil as provided in Article 10. The provisions of Articles 22.4.2 to 22.4.6 shall be applicable for development and exploitation of "Existing Discovery (ies)" also.
- 22.5 Non Associated Natural Gas (NANG)
- 22.5.1 In the event of a Discovery of NANG in the Contract Area, the Contractor shall promptly report such Discovery to the Management Committee and the Government and the provisions of Articles 10.1 and 10.2 shall apply. The remaining provisions of Article 10 would apply to the Discovery and development of NANG only insofar as they are not inconsistent with the provisions of this Article. Notwithstanding the provisions of Article 3, the Contractor shall be entitled to retain the Discovery Area subject to the provisions of this Article 22.
- 22.5.2 If, pursuant to Article 10.3 the Contractor gives notification that the Discovery is of potential commercial interest, the Contractor shall submit to the Management Committee, within one (1) Calendar Year from the date of notification of the above said Discovery, the proposed Appraisal Programme, including a Work Programme and Budget to carry out an adequate and effective appraisal of such Discovery, to determine (i) without delay, whether such Discovery is a Commercial Discovery and (ii) with reasonable precision, the boundaries of the area to be delineated as the Development Area. Such proposed Appraisal Programme shall be supported by all relevant data such as Well data, Contractor's best estimate of reserve range and production potential, and shall indicate the date of commencement of the proposed Appraisal Programme.
- 22.5.3 The proposed Appraisal Programme together with the Work Programme and Budget referred to in Article 22.5.2 shall be considered by the Management Committee within one hundred and twenty (120) days of its submission by the Contractor. Management Committee shall review the Appraisal Programme of the Contractor and offer its comments within said period. The said Appraisal Programme together with the Work Programme and Budget submitted by the Contractor as revised or modified or amended in light of Management Committee review and advice, shall be adopted as

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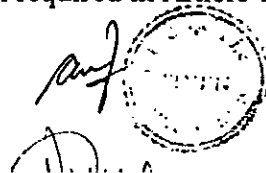


the Appraisal Programme and the Contractor shall promptly proceed with implementation of the said Programme.

22.5.4 If on the basis of the results of the Appraisal Programme, the Contractor is of the opinion that NANG has been discovered in commercial quantities, it shall submit to the Management Committee as soon as practicable but not later than three (3) years from the date of notification of the aforementioned Discovery, a proposal for the declaration of the Discovery as a Commercial Discovery. Such Proposal shall take into account the Government's policies on Gas utilization and propose alternative options, if any, for use or consumption of the NANG and be accompanied by a report on the Discovery supported by, inter alia, technical and economic data, evaluations, interpretations and analyses of such data and feasibility studies relating to the Discovery prepared by or on behalf of the Contractor, and other relevant information. If no proposal is submitted to the Management Committee by the Contractor within three (3) years from the said Discovery, the Contractor shall relinquish its rights to develop such Discovery and the area relating to such Discovery shall be excluded from the Contract Area.

22.5.5 Where the Contractor has submitted a proposal for the declaration of a Discovery as a Commercial Discovery, the Management Committee shall consider the proposal of the Contractor with reference to commercial utilization or commercial development of the NANG and its sale to GAIL or elsewhere in case when GAIL expresses its inability in writing within a reasonable period to purchase this Gas, and in the context of Government's policy on Gas utilization and the chain of activities required to bring the NANG from the Delivery Point to potential consumers in the domestic market. The Management Committee may, within ninety (90) days of the submission of the said proposal, request the Contractor to submit any additional information on the Discovery, the anticipated markets or any other related matter, that may reasonably be required to facilitate a review. The Management Committee will advise the Contractor of its review within one hundred and fifty (150) days from the submission of proposal or within sixty (60) days from the receipt of additional information, as the case may be, on the proposal made by Contractor to declare the Discovery as a Commercial Discovery.

22.5.6 If the Contractor declares the Discovery a Commercial Discovery after taking into account the advice of Management Committee as referred to in the Article 22.5.5, Contractor shall, within one (1) Calendar Year of the declaration of the Discovery as a Commercial Discovery, submit a development plan for the development of the Discovery to the Management Committee for approval. Such plan shall be supported by all relevant information including, inter alia, the information required in Article 10.7.

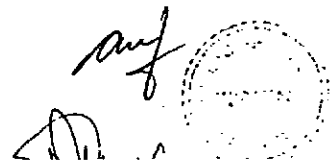


22.5.7 The Management Committee shall consider the proposed development plan and give their approval within one hundred and eighty (180) days of submission thereof by the Contractor. The Management Committee shall ask for any clarification/additional information required necessary to consider the development plan within ninety (90) days of receipt of the proposal from the Contractor. If the Management Committee fails to convey its decision within one hundred and eighty (180) days from the submission of the development plan or ninety (90) days from the receipt of the clarifications/additional information, whichever is later, the Contractor may submit the development plan for the approval of the Government. Also, where, Management Committee rejects the development plan of the Contractor, Contractor can submit the development plan for the approval of the Government.

22.5.8 Where the development plan is submitted to the Government for approval pursuant to Article 22.5.7, the Government shall convey its decision within one hundred and twenty (120) days from the date of receipt of the proposal from the Contractor. Government, where it considers necessary, may ask clarifications/additional information from the Contractor within ninety (90) days and shall convey its decision within sixty (60) days from the date of receipt of such clarifications/additional information.

22.5.9 If the Government has failed to approve or disapproves the Contractor's proposed development plan, within one hundred and twenty (120) days from receipt or within sixty (60) days from the receipt of clarifications/information from the Contractor as mentioned in the Article 22.5.8, the Government shall advise the Contractor, in writing, of the reasons for such failure or disapproval and the Government and the Contractor shall meet to discuss the said development plan and the reasons for the said failure to approve or disapproval, and use their best efforts to agree on appropriate modifications thereto to meet the Government's concerns or objections. Thereafter, the Contractor shall have the right to resubmit, within ninety (90) days of communication from the Government, the proposed development plan duly amended to meet the Government's concerns. Such right of resubmission of the proposed development plan shall be exercisable by the Contractor only once. If no such plan is submitted to the Government within the above specified period, the Contractor shall relinquish its right to develop such Gas Discovery and such Discovery shall be excluded from the Contract Area.

22.5.10 In the event that the Management Committee or Government, as may be the case, approves the Contractor's development plan for the development of such Commercial Discovery, with such modifications and amendments as the Management Committee or Government, as may be the case, may approve, the said Gas Discovery shall be promptly developed by the

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Contractor in accordance with the approved plan which shall be the Development Plan.

22.5.11 The Contractor will have a two (2) years period, from the date of approval of the Development Plan by the Management Committee or Government, to tie-up the market(s) for sale of Non-associated Natural Gas.

22.5.12 In the event the Contractor does not commence development of such Discovery within ten (10) years from the date of the first Discovery Well, the Contractor shall relinquish its right to develop such Discovery and the area relating to such Discovery shall be excluded from the Contract Area.

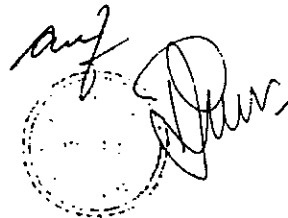
22.6 Valuation of Natural Gas

22.6.1 The Contractor shall sell all Natural Gas produced and saved from the Contract Area to GAIL unless when GAIL expresses its inability in writing within a reasonable period to purchase this Gas.

22.6.2 Notwithstanding the provision of Article 22.6.1, Natural Gas produced from the Contract Area shall be valued for the purposes of this Contract as follows :

- (a) Gas which is used as per Article 22.2 or flared with the approval of the Government or re-injected or sold to the Government pursuant to Article 22.4.5 shall be ascribed a zero value;
- (b) Gas which is sold to the Government or GAIL shall be valued at the prices actually obtained; and
- (c) Gas which is sold or disposed of otherwise than in accordance with paragraph (a) or (b) shall be valued on the basis of competitive arms length sales in the region for similar sales under similar conditions.

22.6.3 The formula or basis on which the prices shall be determined pursuant to Articles 22.6.2 (c) shall be approved by the Government prior to the sale of Natural Gas to the consumers/buyers. For granting this approval, Government shall take into account the prevailing policy, if any, on pricing of Natural Gas including any linkages with traded liquid fuels, and it may delegate or assign this function to a regulatory authority as and when such an authority is in existence.

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## ARTICLE 23

### EMPLOYMENT, TRAINING AND TRANSFER OF TECHNOLOGY

- 23.1 Without prejudice to the right of the Contractor to select and employ such number of personnel as, in the opinion of the Contractor, are required for carrying out Petroleum Operations in a safe, cost effective and efficient manner, the Contractor shall, to the maximum extent possible, employ, and require the Operator and Subcontractors to employ, citizens of India having appropriate qualifications and experience, taking into account experience required in the level and nature of the Petroleum Operations.
- 23.2 The Contractor shall offer a mutually agreed number of Indian nationals the opportunity for on-the-job training and practical experience in Petroleum Operations. Not later than six (6) months after approval of the Development Plan, the Contractor shall, in consultation with the Government, establish and implement training programmes for staff positions in each phase and level of Petroleum Operations including skilled, technical, executive and management positions, with a view to ensuring employment of nationals of India and gradual and progressive reduction of foreign personnel.
- 23.3 At the request of the Government, the Foreign Companies shall separately endeavour to negotiate, in good faith, technical assistance agreements with the Government or a company nominated by Government for this purpose setting forth the terms by which each Foreign Company constituting the Contractor may render technical assistance and make available commercially proven technical information of a proprietary nature for use in India by the Government or the company nominated by Government. The issues to be addressed in negotiating such technical assistance agreements shall include, but not be limited to, licensing issues, royalty conditions, confidentiality restrictions, liabilities, costs and method of payment.

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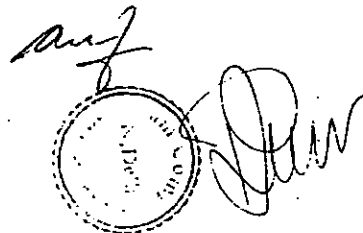


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**ARTICLE 24**

**LOCAL GOODS AND SERVICES**

- 24.1 In the conduct of Petroleum Operations, the Contractor shall:
- (a) give preference to the purchase and use of goods manufactured, produced or supplied in India provided that such goods are available on terms equal to or better than imported goods with respect to timing of delivery, quality and quantity required, price and other terms;
  - (b) employ Indian Subcontractors having the required skills or expertise, to the maximum extent possible, insofar as their services are available on comparable standards with those obtained elsewhere and at competitive prices and on competitive terms; provided that where no such Subcontractors are available, preference shall be given to non-Indian Subcontractors who utilise Indian goods to the maximum extent possible, subject, however, to the proviso in paragraph (a) above;
  - (c) ensure that provisions in terms of paragraphs (a) to (b) above are contained in contracts between the Operator and its Subcontractors.
- 24.2 Subject to Article 8.3(f), the Contractor shall establish appropriate procedures, including tender procedures, for the acquisition of goods and services which shall ensure that suppliers and Subcontractors in India are given adequate opportunity to compete for the supply of goods and services.
- 24.3 Within sixty (60) days after the end of each Year, the Contractor shall provide the Government with a report outlining its achievements in utilising Indian resources during that Year in accordance with Section 11 of Appendix C to this Contract.
- 24.4 In this Article "goods" means equipment, materials and supplies.

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ARTICLE 25

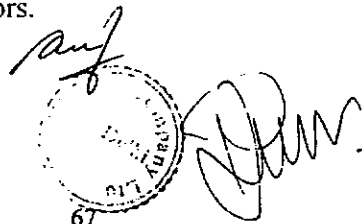
INSURANCE AND INDEMNIFICATION

25.1           Insurance

25.1.1           The Contractor shall, during the term of this Contract, maintain and obtain insurance coverage for and in relation to Petroleum Operations for such amounts and against such risks as are customarily or prudently insured in the international petroleum industry in accordance with Good International Petroleum Industry Practices, and shall furnish to the Government certificates evidencing that such coverage is in effect. Such insurance policies shall include the Government as additional insured and shall waive subrogation against the Government. The said insurance shall, without prejudice to the generality of the foregoing, cover:

- (a)    loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with Petroleum Operations; provided, however, that if for any reason the Contractor fails to insure any such installation, equipment or assets, it shall replace any loss thereof or repair any damage caused thereto;
- (b)    loss, damage or injury caused by pollution in the course of or as a result of Petroleum Operations;
- (c)    loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor may be liable;
- (d)    any claim for which the Government may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor is liable to indemnify the Government, or the State Government;
- (e)    with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations;
- (f)    the Contractor's and/or the Operator's liability to its employees engaged in Petroleum Operations.

25.1.2           The Contractor shall require its Subcontractors to obtain and maintain insurance against the risks referred to in Article 25.1.1 relating mutatis mutandis to such Subcontractors.

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25.2

Contractor shall indemnify, defend and hold the Government, State Government and ONGC harmless against all claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons caused by or resulting from any Petroleum Operations conducted by or on behalf of the Contractor.

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ARTICLE 26

RECORDS, REPORTS, ACCOUNTS AND AUDIT

- 26.1 The Contractor shall prepare and maintain at an office in India accurate and current books, records, reports and accounts of its activities for and in connection with Petroleum Operations so as to present a fair, clear and accurate record of all its activities, expenditures and receipts.
- 26.2 Based on generally accepted and recognised accounting principles and modern petroleum industry practices, record, books, accounts and accounting procedures in respect of Petroleum Operations shall be maintained on behalf of the Contractor by the Operator, at its business office in India, in accordance with the Accounting Procedure to this Contract.
- 26.3 The Contractor shall submit to the Government regular Statements and reports relating to Petroleum Operations as provided in Appendix-C.
- 26.4 The annual audit of accounts shall be carried out on behalf of the Contractor by a qualified, independent firm of recognised chartered accountants, registered in India and selected by the Contractor with the approval of the Management Committee and a copy of the audited accounts shall be submitted to Government within thirty (30) days of receipt thereof.
- 26.5 The Government shall have the right to audit the accounting records of the Contractor in respect of Petroleum Operations as provided in the Accounting Procedure.
- 26.6 The accounting and auditing provisions and procedures specified in this Contract are without prejudice to any other requirements imposed by any statute in India, including, without limitation, any specific requirements of the statutes relating to taxation of Companies.
- 26.7 For the purpose of any audit referred to in Articles 26.5, the Contractor shall make available to the auditor all such books, records, accounts and other documents and information as may be reasonably required by the auditor.





ARTICLE 27

INFORMATION, DATA, CONFIDENTIALITY,  
INSPECTION AND SECURITY

- 27.1 The Contractor shall, promptly after they become available in India, provide the Government, free of cost with all data obtained as a result of Petroleum Operations under the Contract including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, Well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations (hereinafter referred to as "Data"). Data shall be the property of the Government, provided, however, that the Contractor shall have the right to make use of such Data, free of cost, for the purpose of Petroleum Operations under this Contract as provided herein.
- 27.2 Contractor may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, with the approval of the Government, original material, except that where such material is capable of reproduction and copies have been supplied to the Government, Contractor may, subject to the right of inspection by the Government, export subject to any applicable regulations samples or other original Data for processing or laboratory examination or analysis, provided that representative samples equivalent in quality, size and quantity, or, where such material is capable of reproduction, copies of equivalent quality, have first been delivered to the Government.
- 27.3 Contractor shall keep the Government currently advised of all developments taking place during the course of Petroleum Operations and shall furnish the Government with full and accurate information and progress reports relating to Petroleum Operations (on a daily, monthly, yearly or other periodic basis) as Government may reasonably require, provided that this obligation shall not extend to proprietary technology. Contractor shall meet with the Government at a mutually convenient location in India to present the results of all geological and geophysical work carried out as well as the results of all engineering and drilling operations as soon as such Data becomes available to the Contractor.
- 27.4 All Data, information and reports obtained or prepared by, for or on behalf of, the Contractor pursuant to this Contract shall be treated as confidential and, subject to the provisions herein below, the Parties shall not disclose the

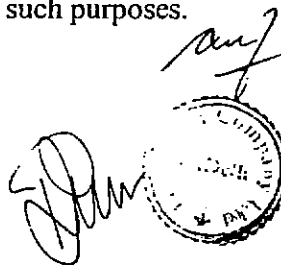
contents thereof to any third party without the consent in writing of the other Parties:

27.5 The obligation specified in Article 27.4 shall not operate so as to prevent disclosure:

- (a) to Affiliates, contractors, or Subcontractors for the purpose of Petroleum Operations;
- (b) to employees, professional consultants, advisers, data processing centres and laboratories, where required, for the performance of functions in connection with Petroleum Operations for any Party comprising the Contractor;
- (c) to banks or other financial institutions, in connection with Petroleum Operations;
- (d) to bonafide intending assignees or transferees of a Participating Interest of a Party comprising the Contractor or in connection with a sale of the stock or shares of a Party comprising the Contractor;
- (e) to the extent required by any applicable law or in connection with any legal proceedings or by the regulations of any stock exchange upon which the shares of a Party comprising Contractor are quoted;
- (f) to Government departments for, or in connection with, the preparation by or on behalf of the Government of statistical reports with respect to Petroleum Operations, or in connection with the administration of this Contract or any relevant law or for any purpose connected with Petroleum Operations;
- (g) by a Party with respect to any Data or information which, without disclosure by such Party, is generally known to the public.

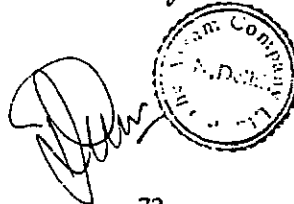
27.6 Any Data, information or reports disclosed by the Parties comprising the Contractor to any other person pursuant to Article 27.5 (a) to (d) shall be disclosed on the terms that such Data, information or reports shall be treated as confidential by the recipient. Prompt notice of disclosures made by Companies pursuant to Article 27.5 shall be given to the Government.

27.7 Any Data, information and reports relating to the Contract Area which, in the opinion of the Government, might have significance in connection with offers by the Government of open acreage or an exploration or exploitation programme to be conducted by a third party in another area, may be disclosed by the Government for such purposes.

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- 27.8 Where an area ceases to be part of the Contract Area, the Contractor shall continue to treat Data and information with respect to the said area as confidential for a period of one (1) year and shall deliver to the Government copies or originals of all Data and information in its possession with respect to the said area. The Government shall, however, have the right to freely use the said Data and information thereafter.
- 27.9 The Government shall, at all reasonable times, through duly authorised representatives, be entitled to observe Petroleum Operations and to inspect all assets, books, records, reports, accounts, contracts, samples and Data kept by the Contractor or the Operator in respect of Petroleum Operations in the Contract Area, provided, however, that the Contractor shall not be required to disclose any proprietary technology. The duly authorised representatives shall be given reasonable assistance by the Contractor for such functions and the Contractor shall afford such representatives reasonable use of all facilities and privileges afforded to its own personnel in the field including the use of office space and housing for a period not exceeding 30 mandays in a Year and thereafter at the cost of Government. The said representatives shall be entitled to make a reasonable number of surveys, measurements, drawings, tests and copies of documents, take samples, and make reasonable use of the equipment and instruments of the Contractor provided that such functions shall not unduly interfere with the Contractor's Petroleum Operations.
- 27.10 Contractor shall give reasonable advance notice to the Government, or to any other authority designated by the Government for such purpose, of its programme of conducting surveys by aircraft or by ships, indicating, inter alia, the name of the survey to be conducted, approximate extent of the area to be covered, the duration of the survey, the commencement date, and the name of the airport or port from which the survey aircraft or ship will commence its voyage.
- 27.11 The Government, or the authority designated by the Government for such purpose, shall have the right to inspect any aircraft or ship used by the Contractor or a Subcontractor carrying out any survey or other operations in the Contract Area and shall have the right to put on board such aircraft or ship Government officers in such number as may reasonably be necessary to ensure compliance by the Contractor or the Subcontractor with the security requirements of India.

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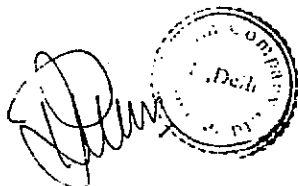
A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "Contractor" at the top, "A. D. D. S." in the center, and "L. A. S." at the bottom. The signature is written in a cursive style.

ARTICLE 28

TITLE TO PETROLEUM, DATA AND ASSETS

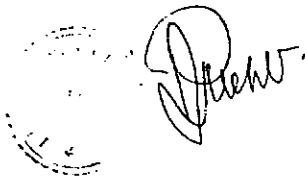
- 28.1 The Government is the sole owner of Petroleum underlying the Contract Area and shall remain the sole owner of Petroleum produced pursuant to the provisions of this Contract except as regards that part of Crude Oil, Condensate or Gas the title whereof has passed to the Contractor or any other person in accordance with the provisions of this Contract.
- 28.2 Title to Petroleum to which Contractor is entitled under this Contract, and title to Petroleum sold by the Companies shall pass to the relevant buyer party at the Delivery Point. Contractor shall be responsible for all costs and risks prior to the Delivery Point and each buyer party shall be responsible for all costs and risks associated with such buyer party's share after the Delivery Point. In case of the sale of Crude Oil to Government nominee, title to Crude Oil to which Contractor is entitled under this Contract, and title to the Crude Oil sold by the Contractor shall pass to the relevant Government nominee at the Custody Transfer Point and Contractor shall be responsible for all costs and risks prior to the Custody Transfer Point and the Government nominee shall be responsible for all costs and risks associated after the Custody Transfer Point.
- 28.3 Title to all Data specified in Article 27 shall be vested in the Government and the Contractor shall have the right to use thereof as therein provided.
- 28.4 Assets purchased by the Contractor for use in Petroleum Operations shall be owned by the Parties comprising Contractor in proportion to their Participating Interest, provided that the Government shall have the right to require vesting of full title and ownership in it, free of charge and encumbrances, of any or all assets, whether fixed or movable, acquired and owned by the Contractor for use in Petroleum Operations inside or outside the Contract Area, such right to be exercisable at the Government's option upon expiry or earlier termination of the Contract.
- 28.5 Contractor shall be responsible for proper maintenance, insurance and safety of all assets acquired for Petroleum Operations and for keeping them in good repair, order and working condition at all times, and the costs thereof shall be recoverable as Contract Costs in accordance with Appendix-C.

*[Handwritten signature]*



28.6 So long as this Contract remains in force, subject to Article 28.5, the Contractor shall, free of any charge for the purpose of carrying out Petroleum Operations hereunder, have the exclusive use of assets which have become the property of Government.

28.7 Equipment and assets no longer required for Petroleum Operations during the term of the Contract shall be sold, exchanged or otherwise disposed of by the Contractor, provided however that the proceeds of sale shall be credited to Petroleum Operations as provided in Appendix C, provided that prior written consent of the Management Committee shall be obtained for each transaction in excess of US\$ 50,000 (Fifty thousand United States Dollars) or such other value as may be agreed from time to time by the Management Committee. The consent of the Management Committee shall not be unreasonably withheld.

*anf*  


## ARTICLE 29

### ASSIGNMENT OF INTEREST

- 29.1 Subject to the terms of this Article and other terms of this Contract, any Party comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that:
- (a) the prospective assignee or transferee is of good standing, has the capacity and ability to meet its obligations hereunder, and is willing to provide an unconditional undertaking to the Government to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;
  - (b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;
  - (c) the prospective assignor or transferor and assignee or transferee respectively are willing to comply with any reasonable conditions of the Government as may be necessary in the circumstances with a view to ensuring performance under the Contract; and
  - (d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.
- 29.2 In case of any material change in the status of Companies or their shareholding or the relationship with any guarantor of the Companies, the Company(ies) shall seek the consent of the Government for assigning the Participating Interest under the changed circumstances.
- 29.3 An application for consent to assign or transfer shall be accompanied by all relevant information concerning the proposed assignment or transfer including detailed information on the proposed assignee or transferee and its shareholding and corporate structure, as was earlier required from the Companies constituting the Contractor, the terms of the proposed assignment or transfer and the unconditional undertaking referred to in Article.
- 29.4 The applicant shall also submit such information relating to the prospective assignee or transferee of the assignment or transfer as the Government may reasonably require to enable proper consideration and disposal of the application.

*[Handwritten signature]*



- 29.5 No assignment or transfer shall be effective until the approval of the Government is received or deemed to have been received. Approval may be given by the Government on such terms and conditions as it may deem fit. Provided that such terms and conditions may not increase the obligations of the Parties comprising the Contractor. Upon assignment or transfer of its interest in this Contract, the assignor or transferor shall be released and discharged from its obligations hereunder only to the extent that such obligations are assumed by the assignee or transferee with the approval of the Government.
- 29.6 In the event that the Government does not give its consent or does not respond to a request for assignment or transfer by a Party comprising the Contractor within one hundred and twenty (120) days of such request and receipt of all information referred to in Article 29.3 above, consent shall be deemed to have been given by the Government.
- 29.7 An assignment or transfer shall not be made where the Participating Interest to be retained by the proposed assignor or the percentage interest of assignee shall be less than ten percent (10%) of the total Participating Interest of all the constituents of the Contractor, except where the Government, on the recommendations of the Management Committee may, in special circumstances, so permit.
- 29.8 Nothing contained in this Article 29, shall prevent a Party comprising Contractor from mortgaging, pledging, charging or otherwise encumbering at its own risk and cost all or part of its Participating Interest for the purposes of security relating to finance to the extent required for performing its obligation under the Contract, provided that:
- (i) such Party shall remain solely liable for all its obligations relating to its Participating Interest to the exclusion of the other participants thereto;
  - (ii) the encumbrance shall be expressly subordinated to the rights of the other Parties under this Contract. The obligations occurring from the said encumbrance shall be the sole responsibility of the original Party and shall in no manner compromise the rights of other Parties to the Contract;
  - (iii) such Party has given reasonable notice of such encumbrance and furnishes to all other Parties (including, for the avoidance of doubt, the Government) a certified copy of the executed instrument(s) evidencing the encumbrances; and
  - (iv) keeping in view the national interest of India, prior consent of the Government shall be required (which consent shall not be unreasonably withheld) of the list of potential lenders with whom such Party can consider hypothecation.

- (v) the Party creating the charge shall ensure that such charge shall not in any way affect the interest of other Parties or result in interference with joint operations. In the event of any claims or liabilities imposed on other Parties because of the creation of such charges, the Party having created charge on its Participating Interest shall indemnify the other Parties.
- (vi) in case of foreclosure or default by a borrowing Party, the mortgagee shall not be deemed to have acquired a right to carry on either by itself or through an agent, the Petroleum Operation, without the written consent of the Government of India.


29.8.1

The Parties acknowledge that to obtain financing, a Party ("Borrower") will be required to secure for a permitted chargee the right to receive a copy of any notice served on the Borrower and the Parties agree that they shall serve a copy of any such notice on any such permitted chargee in accordance with the provisions of Article 38 at the same time as such notice is served on the Borrower. For the purposes of Article 38 the address for service of notices of the permitted chargee shall be that specified in the instrument or instruments referred to in Article 29.8(iii).

29.8.2

The financing arrangement referred to above, shall be subject to the rights of Government as contained in Article 29.1 of Contract and the pre-emptive rights of the Parties as may be contained in Operating Agreement. Any Party which wishes to exercise the said pre-emptive rights will explicitly assume the obligation on the same terms and conditions as the Borrower.

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ARTICLE 30

GUARANTEES

30.1 Each of the Companies constituting the Contractor shall procure and deliver to the Government on the Effective Date of this Contract:

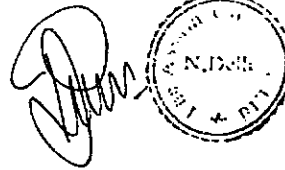
- (a) an irrevocable, unconditional bank guarantee from a reputable bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article 30.2, in a form provided at Appendix-G;
- (b) performance guarantee in favour of the Government from a parent company acceptable to the Government, in the form and substance set out in Appendix-E1, or, where there is no such parent company, the performance guarantee from the Company itself in the form and substance set out in Appendix-E2;
- (c) a legal opinion from its legal advisors, in a form satisfactory to the Government, to the effect that the aforesaid guarantees have been duly signed and delivered on behalf of the guarantors with due authority and is legally valid and enforceable and binding upon them.

30.2 The amount of the guarantee referred to in Article 30.1 (a) above shall be an amount equal to a Company's Participating Interest share and shall be ten percent (10%) of the total estimated annual expenditure in respect of the Work Programme to be undertaken by the Contractor in the Contract Area during the development phase of the Existing Discoveries, subject to Article 30.3.

30.3 The guarantee referred to in Article 30.2 shall provide that ;

- (a) at the end of each Contract Year it shall be automatically renewed for an amount equal to a Company's Participating Interest share of 10% per cent of the total estimated expenditure in respect of the Work Programme to be undertaken for the following Contract Year during the development phase of Existing Discoveries. The guarantee shall be renewed at the end of each Contract Year positively thirty (30) days before the expiry of the guarantee period.
- (b) at the end of the development phase of the Existing Discoveries, the guarantee will be released in favour of the Company on presentation to the bank of a certificate from the Government that the obligation of the Contractor has been fulfilled and the guarantee may be released, subject to Article 30.4.

- 30.4 If any of the documents referred to in Article 30.1 is not delivered within the period specified herein, this Contract may be cancelled by the Government upon ninety (90) days written notice of its intention to do so.
- 30.5 Notwithstanding any change in the composition or shareholding of the parent company furnishing a performance guarantee as provided herein, it shall, not under any circumstances, be absolved of its obligations contained in the guarantees provided pursuant to Article 30.1(b).






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ARTICLE 31

TERM AND TERMINATION OF CONTRACT

- 31.1 The term of this Contract shall be for the period of the License and any Lease granted thereunder, unless the Contract is terminated earlier in accordance with its terms, and shall be deemed to have been terminated, if for any reason, the Contractor ceases to hold such License or Lease.
- 31.2 Subject to the provision of this Contract and without prejudice to the provisions of Article 31.7 or any other provisions of this Contract, the Contractor shall have the right to terminate this Contract:
- (a) with respect to any part of the Contract Area other than a Development Area then producing, or that prior thereto had produced Petroleum, upon giving ninety (90) days written notice of its intention to do so; and
  - (b) with respect to any Development Area in which Petroleum is being produced, or that prior thereto had produced Petroleum, upon giving at least one hundred and eighty (180) days written notice of its intention to do so.
- 31.3 This Contract may, subject to the provisions herein below and Article 31, be terminated by the Government upon giving ninety (90) days written notice to the other Parties of its intention to do so in the following circumstances, namely, that the Contractor or a Party comprising the Contractor ("the Defaulting Party")
- (a) has knowingly submitted any false statement to the Government in any manner which was a material consideration in the execution of this Contract; or
  - (b) has intentionally and knowingly extracted or authorised the extraction of hydrocarbon not authorized to be extracted by the Contract or without the authority of the Government except such extractions as may be unavoidable as a result of operations conducted hereunder in accordance with generally accepted Good International Petroleum Industry Practices which, when so extracted, were immediately notified to the Government or
  - (c) is adjudged bankrupt by a competent court or enters into or scheme of composition with its creditors or takes advantage of any law for the benefit of debtors; or

  
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- (d) has passed a resolution to apply to a competent court for liquidation of the Company unless the liquidation is for the purpose of amalgamation or reconstruction of which the Government has been given notice and the Government is satisfied that the Company's performance under this Contract would not be adversely affected thereby and has given its approval thereto; or
- (e) has assigned any interest in the Contract without the prior consent of the Government as provided in Article 29; or
- (f) has failed to make any monetary payment required by law or under this Contract by the due date or within such further period after the due date as may thereafter be specified by the Government; or
- (g) has failed to comply with or has contravened the provisions of this Contract in a material particular; or
- (h) has failed to comply with any final determination or award made by a sole expert or arbitrators subject to Article 34; or
- (i) has failed to carry out or observe any of the terms and conditions of the License or Lease or the provisions of the Acts or Rules in force thereunder, subject however, to Article 32.
- (j) on notice of cancellation as provided in Article 30.4.
- (k) contractor has failed to commence the Petroleum Operations within one hundred and eighty (180) days of the Effective Date.

**PROVIDED THAT**

where the Contractor comprises two or more Parties, the Government shall not exercise its rights of termination pursuant to Article 31.3, on the occurrence, in relation to one or more, but not all, of the Parties comprising Contractor, of an event entitling the Government to terminate the Contract,

- (a) if any other Party or Parties constituting the Contractor (the non-Defaulting Party or Parties) satisfies the Government that it, or they, is/are willing and would be able to carry out the obligations of the Contractor.
- (b) where the non Defaulting Party or Parties with the consent of the Government has/have acquired the Participating Interest of the Defaulting Party pursuant to the provisions of the Operating Agreement and has/have procured and delivered to the Government a guarantee or guarantees as referred to in Article 30.1 in respect of the Participating Interest of the Defaulting Party acquired by the non Defaulting Party or Parties.

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- 31.4 This Contract may also be terminated by the Government on giving the requisite notice specified above if the events specified in Article 31.3 (c) and (d) occur with respect to a company which has given a performance guarantee pursuant to Article 30 subject however to Article 31.5.
- 31.5 If the circumstance or circumstances that give rise to the right of termination under Article 31.3(f) or (g) or (i) or Article 31.4 are remedied (whether by the Defaulting Party or by another Party or Parties in its behalf) within the ninety (90) day period, or such extended period as may be granted by the Government, following the notice of the Government's intention to terminate the Contract as aforesaid, such termination shall not become effective.
- 31.6 If the circumstance or circumstances that would otherwise result in termination are the subject matter of proceedings under Article 34, then termination shall not take place so long as such proceedings continue and thereafter may only take place when and if consistent with the arbitral award.
- 31.7 On termination of this Contract, for any reason whatsoever, the rights and obligations of the Contractor shall cease but such termination shall not affect any rights of any Party which may have accrued or any obligations undertaken or incurred by the Contractor or any Party comprising the contractor and not discharged prior to the date of termination.
- 31.8 In the event of termination pursuant to Articles 31.2, 31.3 or 31.4:
- (a) the Government may require the Contractor, for a period not exceeding one hundred and eighty (180) days from the date of termination, to continue, for the account and at the cost of the Government, Crude Oil or Natural Gas production activities until the right to continue such production has been transferred to another entity;
  - (b) a Foreign Company, which is a constituent of the Contractor, shall have to remove and export all its property subject to Article 28 and the provisions hereof provided that in the event that ownership of any property is in doubt, or disputed, such property shall not be exported unless and until the doubt or dispute has been settled in favour of the Foreign Company.
- 31.9 Within ninety (90) days after the termination of this Contract, pursuant to Article 31.2, 31.3, or 31.4, or such longer period as the Government may agree, the Contractor shall comply with Article 14.9 and any reasonably necessary action as directed by the Government to avoid Environmental Damage or hazards to human life or to the property of others.

ARTICLE 32

FORCE MAJEURE

- 32.1 Any non-performance or delay in performance by any Party hereto of any of its obligations under this Contract, or in fulfilling any condition of any License or Lease granted to such Party, or in meeting any requirement of the Act, the Rules or any License or Lease, shall, except for the payment of monies due under this Contract or under the Act and the Rules or any law, be excused if, and to the extent that, such non-performance or delay in performance under this Contract is caused by Force Majeure as defined in this Article.
- 32.2 For the purpose of this Contract, the term Force Majeure means any cause or event, other than the unavailability of funds, whether similar to or different from those enumerated herein, lying beyond the reasonable control of, and unanticipated or unforeseeable by, and not brought about at the instance of, the Party claiming to be affected by such event, or which, if anticipated or foreseeable, could not be avoided or provided for, and which has caused the non-performance or delay in performance. Without limitation to the generality of the foregoing, the term Force Majeure shall include natural phenomena or calamities, earthquakes, typhoons, fires, wars declared or undeclared, hostilities, invasions, blockades, riots, strikes, insurrection and civil disturbances but shall not include the unavailability of funds.
- 32.3 Where a Party is claiming suspension of its obligations on account of Force Majeure, it shall promptly, but in no case later than seven (7) days after the occurrence of the event of Force Majeure, notify the other Parties in writing giving full particulars of the Force Majeure, the estimated duration thereof, the obligations affected and the reasons for its suspension.
- 32.4 A Party claiming Force Majeure shall exercise reasonable diligence to seek to overcome the Force Majeure event and to mitigate the effects thereof on the performance of its obligations under this Contract. The Party affected shall promptly notify the other Parties as soon as the Force Majeure event has been removed and no longer prevents it from complying with the obligations which have been suspended and shall thereafter resume compliance with such obligations as soon as possible.
- 32.5 The Party asserting the claim of Force Majeure shall have the burden of proving that the circumstances constitute valid grounds of Force Majeure under this Article and that such Party has exercised reasonable diligence and efforts to remedy the cause of any alleged Force Majeure.

32.6 Where a Party is prevented from exercising any rights or performing any obligations under this Contract due to Force Majeure, the time for the performance of the obligations affected thereby and for performance of any obligation or the exercise of any right dependent thereon, and the term of this Contract, may be extended to the extent of Force Majeure period or by such period as may be agreed between the Parties.

32.7 Notwithstanding anything contained herein above, if an event of Force Majeure occurs and is likely to continue for a period in excess of thirty days, the Parties shall meet to discuss the consequences of the Force Majeure and the course of action to be taken to mitigate the effects thereof or to be adopted in the circumstances.




**ARTICLE 33**

**APPLICABLE LAW AND LANGUAGE OF THE CONTRACT**

- 33.1 This Contract shall be governed and interpreted in accordance with the laws of India.
- 33.2 Nothing in this Contract shall entitle the Contractor to exercise the rights, privileges and powers conferred upon it by this Contract in a manner which will contravene the laws of India.
- 33.3 The English language shall be the language of this Contract and shall be used in arbitral proceedings. All communications, hearing or visual materials or documents relating to this Contract shall be written or prepared in English.
- 33.4 The laws will also include amendments, revisions, modifications etc.

*anf*

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## ARTICLE 34

### SOLE EXPERT, CONCILIATION AND ARBITRATION

- 34.1 The Parties shall use their best efforts to settle amicably all disputes, differences or claims arising out of or in connection with any of the terms and conditions of this Contract or concerning the interpretation or performance thereof.
- 34.2 Matters which, by the terms of this Contract, the Parties have agreed to refer to a sole expert and any other matters which the Parties may agree to so refer, may be referred to a sole expert who shall be an independent and impartial person of international standing with relevant qualifications and experience, appointed by agreement between the Parties and who shall not, by virtue of nationality, personal connection or commercial interest, have a conflict between his/her own interest and his/her duty as a sole expert. In the event that the Parties fail or are unable, to agree on a sole expert, the sole expert shall be appointed by the Chief Justice of India pursuant to this Article. Any sole expert appointed shall be acting as an expert and not as an arbitrator and the decision of the sole expert on matters referred to him/her shall be final and binding on the Parties and not subject to arbitration.
- 34.3 Subject to the provisions of this Contract, the Parties hereby agree that any controversy difference, disagreement or claim for damages, compensation or otherwise (hereinafter in this Clause referred to as a "dispute") arising between the Parties, which cannot be settled amicably within ninety (90) days after the dispute arises, may (except for those referred to in Article 34.2, which may be referred to a sole expert) be submitted to an arbitral tribunal for final decision as hereinafter provided.
- 34.4 The arbitral tribunal shall consist of three arbitrators. Each Party to the dispute shall appoint one arbitrator and the Party or Parties shall so advise the other Parties. The two arbitrators appointed by the Parties shall appoint the third arbitrator.
- 34.5 Any Party may, after appointing an arbitrator, request the other Party(ies) in writing to appoint the second arbitrator. If such other Party fails to appoint an arbitrator within thirty (30) days of receipt of the written request to do so, such arbitrator may, at the request of the first Party, be appointed by the Chief Justice of India or by a person authorised by him within thirty (30) days of the date of receipt of such request, from amongst persons who are not nationals of the country of any of the Parties to the arbitration proceedings.
- 34.6 If the two arbitrators appointed by on behalf of the Parties fail to agree on the appointment of the third arbitrator within thirty (30) days of the appointment



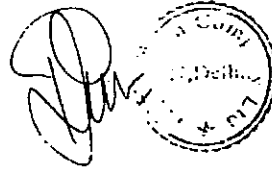
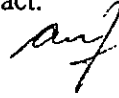
of the second arbitrator and if the Parties do not otherwise agree, at the request of either Party, the third arbitrator shall be appointed in accordance with Arbitration and Conciliation Act, 1996.

- 34.7 If any of the arbitrators fails or is unable to act, his successor shall be appointed by the Party or person who originally appointed such in the manner set out in this Article as if he was the first appointment.
- 34.8 The decision of the arbitral tribunal, and, in the case of difference among the arbitrators, the decision of the majority, shall be final and binding upon the Parties.
- 34.9 The arbitration agreement contained in this Article 34 shall be governed by the Arbitration and Conciliation Act, 1996 (Arbitration Act). Arbitration proceedings shall be conducted in accordance with the rules for arbitration provided in Arbitration Act and the United Nations Commission on International Trade Law (UNCITRAL) rules may apply to the extent where corresponding rules are not provided in the Act. In case of any conflict between the Arbitration Act and the provisions of this Article 34, the provisions of the Arbitration Act shall prevail.
- 34.10 The right to arbitrate disputes under this Contract shall survive expiry or the termination of this Contract.
- 34.11 Prior to submitting a dispute to arbitration, the Parties may by mutual agreement submit the matter for conciliation in accordance with Part III of the Arbitration and Conciliation Act, 1996. No arbitration proceedings shall be instituted while conciliation proceedings are pending provided that a Party may initiate arbitration proceedings in the event that dispute has not been resolved by conciliation within twenty one (21) days of the date of agreement by the Parties to submit such dispute to conciliation.
- 34.12 The venue of the sole expert, conciliation or arbitration proceedings pursuant to this Article, unless the Parties agree otherwise, shall be New Delhi, India and shall be conducted in the English language. Insofar as practicable, the Parties shall continue to implement the terms of this Contract notwithstanding the initiation of arbitral proceedings before a sole expert, conciliator or arbitral tribunal and any pending claim or dispute.
- 34.13 The fees and expenses of a sole expert or conciliator appointed by the Parties shall be borne equally by the Parties. The cost and expenses of arbitrator appointed by a Party in accordance with the provision of this Article shall be borne by the respective Party and the cost and expenses of third arbitrator and liability thereof shall be at the discretion of the arbitrators.

ARTICLE 35

CHANGE OF STATUS OF COMPANIES

35.1 The Parties comprising the Contractor shall notify the Government of any material change in their status, shareholding or relationship of that of any guarantor of the Companies, in particular, where such change would impact on performance of obligations under this Contract.



**ARTICLE 36**

**ENTIRE AGREEMENT, AMENDMENTS, WAIVER  
AND MISCELLANEOUS**

- 36.1 This Contract supersedes and replaces any previous agreement or understanding between the Parties, whether oral or written, on the subject matter hereof, prior to the execution date of this Contract.
- 36.2 This Contract shall not be amended, modified, varied or supplemented in any respect except by an instrument in writing signed by all the Parties, which shall state the date upon which the amendment or modification shall become effective.
- 36.3 No waiver by any Party of any one or more obligations or defaults by any other Party in the performance of this Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.
- 36.4 The provisions of this Contract shall inure to the benefit of and be binding upon the Parties and their permitted assigns and successors in interest.
- 36.5 In the event of any conflict between any provisions in the main body of this Contract and any provision in the Appendices, the provision in the main body shall prevail.
- 36.6 The headings of this Contract are for convenience of reference only and shall not be taken into account in interpreting the terms of this Contract.
- 36.7 Reference to any law or regulation having the force of law includes a reference to that law or regulation as from time to time may be amended, extended or re-enacted.
- 36.8 A reference in this Contract to the word "including" shall also mean "including but not limited to".

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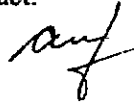
*[Signature]*

ARTICLE 37

CERTIFICATES

37.1

A Company shall furnish, prior to execution of this Contract, a duly authorised copy of a resolution properly and legally passed by the Board of Directors of the Company authorising its President or any Vice-President or any other representative to execute this Contract along with a certificate duly signed by the Secretary or an Assistant Secretary of the Company under its seal in this regard and to the effect that the Company has the power and authority to enter into this Contract and to perform its obligations thereunder and has taken all necessary action to authorise the execution, delivery and performance of the Contract.

A handwritten signature in cursive script, appearing to be the name 'Raf'.A handwritten signature in cursive script, appearing to be the name 'J. J. ...', positioned to the left of a circular embossed seal. The seal contains illegible text around its perimeter.


## ARTICLE 38

### NOTICES

- 38.1 All notices, statements, and other communications to be given, submitted or made hereunder by any Party to another shall be sufficiently given if given in writing in the English language and sent by registered post, postage paid, or by telegram, telex, facsimile, radio or cable, to the address or addresses of the other Party or Parties as follows:
- (a) If to the Government:  
Joint Secretary to the Government of India  
Ministry of Petroleum and Natural Gas  
Shastri Bhavan  
Dr. Rajendra Prasad Marg,  
New Delhi- 110001, INDIA
- Facsimile No.: 91-11-3383585
- (a) The Assam Company Limited,  
10 Community Centre,  
Basant Lok ,Vasant Vihar  
New Delhi – 110057, INDIA  
Facsimile No.: 91-11-6143394  
Telephone No. : 91-11-6146951/6146953
- (b) Joshi Technologies International Inc.,  
5801 East 41<sup>st</sup> Street, Suite 603,  
Tulsa, Oklahoma, 74135 USA  
Facsimile No.: 918-665-0807  
Telephone No. : 918-665-6419
- 38.2 Notices when given in terms of Article 38.1 shall be effective when delivered if offered at the address of the other Parties as under Article 38.1 during business hours on working days and, if received outside business hours, on the next following working day.
- 38.3 Any Party may, by reasonable notice as provided hereunder to the other Parties, change its address and other particulars for notice purpose.


IN WITNESS WHEREOF, the representatives of the Parties to this Contract being duly authorised have hereunto set their hands and have executed these presents this 23<sup>rd</sup> day of February, 2001.

Signed for and on behalf of the President of India

  
By: (J. M. Manmohan)

in the presence of: A. Chandra  
(AVINASH CHANDRA)

Signed for and on behalf of The Assam Company Limited

  
By: Ashok Jaiswal

in the presence of: P. K. Chandra  
(P. K. CHANDRA)

Signed for and on behalf of Joshi Technologies International Inc.

By: P. J. Mehta  
(P. J. MEHTA)

in the presence of: C. S. D. Joshi  
(C. S. D. Joshi)


**APPENDIX A**

**DESCRIPTION OF CONTRACT AREA**

The area comprising approximately 52.75 sq.km (Onshore) identified as block Amguri described herein and shown on the map attached as Appendix-B.

<b>Points</b>	<b>Latitude</b>			<b>Longitude</b>		
A	26 <sup>0</sup>	48'	33"	94 <sup>0</sup>	28'	24"
B	26 <sup>0</sup>	48'	43"	94 <sup>0</sup>	32'	33"
C	26 <sup>0</sup>	47'	28"	94 <sup>0</sup>	33'	33"
D	26 <sup>0</sup>	45'	00"	94 <sup>0</sup>	33'	32"
E	26 <sup>0</sup>	44'	54"	94 <sup>0</sup>	28'	24"

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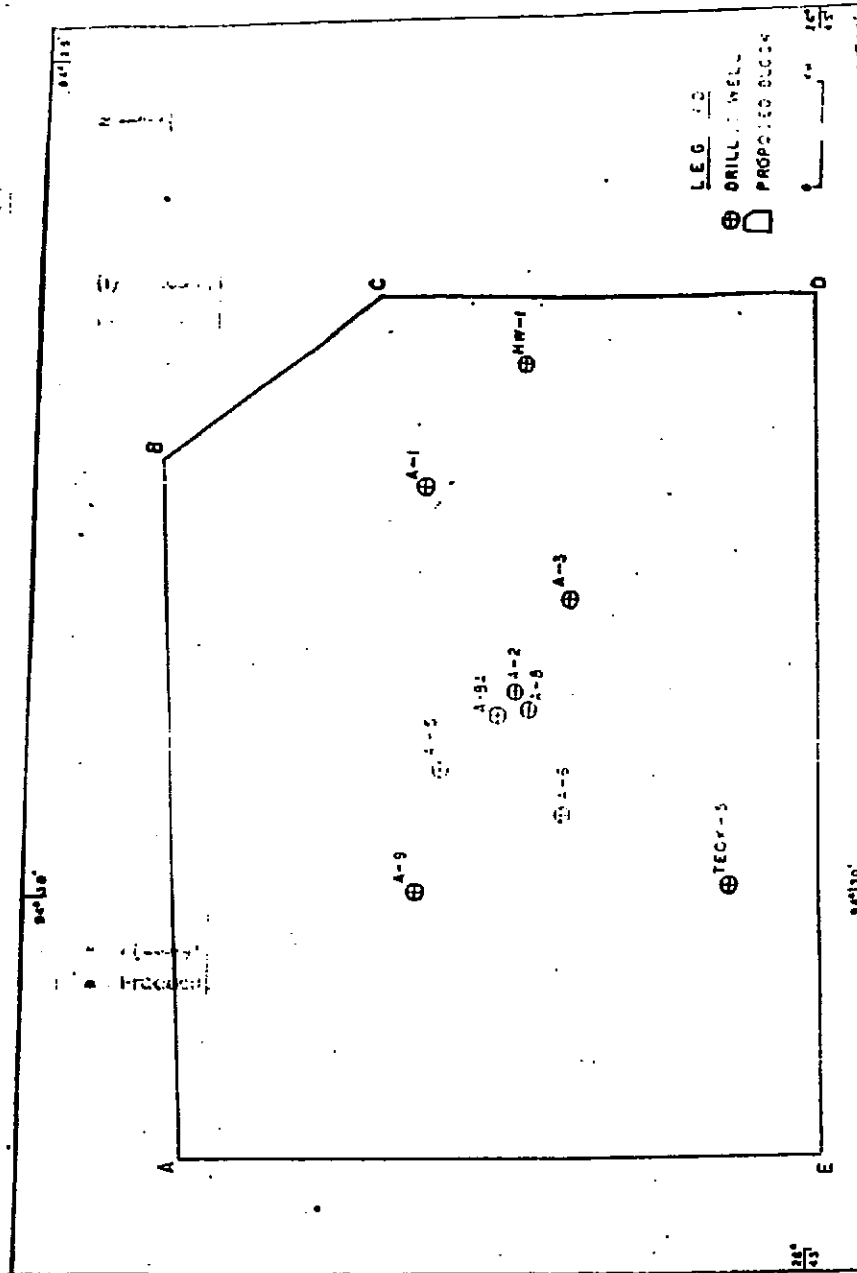
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APPENDIX B

MAP OF CONTRACT AREA

APPENDIX-B



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*[Signature]*  
N. Prithi  
LTD. COMPANY

**APPENDIX C**

**ACCOUNTING PROCEDURE TO PRODUCTION SHARING CONTRACT**

**BETWEEN**

**THE GOVERNMENT OF INDIA**

**AND**

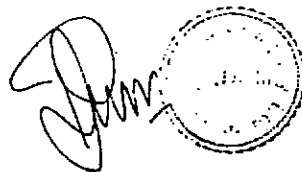
**THE ASSAM COMPANY LIMITED**

**AND**

**JOSHI TECHNOLOGIES INTERNATIONAL INC.**

**WITH RESPECT TO THE CONTRACT AREA**

**IDENTIFIED AS AMGURI FIELD**



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1.4	Documentation and Statements to be submitted by the Contractor
1.5	Language and units of account
1.6	Currency exchange rates
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**Section 11: Local Procurement Statement**

**Section 12: End of Year Statement**

**Section 13: Budget Statement**

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## ACCOUNTING PROCEDURE

### SECTION 1

#### GENERAL PROVISIONS

##### 1.1 Purpose

Generally, the purpose of this Accounting Procedure is to set out principles and procedures of accounting which will enable the Government of India to monitor effectively the Contractor's costs, expenditures, production and income so that the Government's entitlement to Profit Petroleum can be accurately determined pursuant to the terms of the Contract. More specifically, the purpose of the Accounting Procedure is to:

- classify costs and expenditures and to define which costs and expenditures shall be allowable for cost recovery and profit sharing and participation purposes;
- specify the manner in which the Contractor's accounts shall be prepared and approved; and
- address numerous other accounting related matters.

This Accounting Procedure is intended to apply to the provisions of the Contract and is without prejudice to the computation of income tax under applicable provisions of the Income-Tax Act, 1961, as amended.

##### 1.2 Definitions

For purposes of this Accounting Procedure, the terms used herein which are defined in the Contract shall have the same meaning when used in this Accounting Procedure.

##### 1.3 Inconsistency

In the event of any inconsistency or conflict between the provisions of this Accounting Procedure and the other provisions of the Contract, the other provisions of the Contract shall prevail.

##### 1.4 Documentation and Statements to be submitted by the Contractor

1.4.1 Within ninety (90) days of the Effective Date of the Contract, the Contractor shall submit to and discuss with the Government a proposed outline of charts of accounts, operating records and reports, which outline shall reflect each of the categories and sub-categories of costs and income



specified in Sections 2 and 3 and shall be in accordance with generally accepted standards and recognized accounting systems and consistent with normal petroleum industry practice and procedures for joint venture operations.

Within ninety (90) days of receiving the above submission, the Government shall either provide written notification of its approval of the proposal or request, in writing, revisions to the proposal.

Within one hundred and eighty (180) days from the Effective Date of the Contract, the Contractor and the Government shall agree on the outline of charts of accounts, records and reports which shall also describe the basis of the accounting system and procedures to be developed and used under this Contract. Following such agreement, the Contractor shall expeditiously prepare and provide the Government with formal copies of the comprehensive charts of accounts, records and reports and allow the Government to examine the manuals and to review procedures which are, and shall be, observed under the Contract.




1.4.2

Notwithstanding the generality of the foregoing, the Contractor shall make regular Statements relating to the Petroleum Operations as follows:

- (i) Statement of Royalty and Cess payable on Oil and Natural Gas (see section 5 of this Accounting Procedure).
- (ii) Production Statement (see Section 6 of this Accounting Procedure).
- (iii) Value of Production and Pricing Statement (see Section 7 of this Accounting Procedure).
- (iv) Statement of Costs, Expenditures and Receipts (see Section 8 of this Accounting Procedure).
- (v) Cost Recovery Statement (see Section 9 of this Accounting Procedure).
- (vi) Profit Sharing Statement (see Section 10 of this Accounting Procedure)
- (vii) Local Procurement Statement (see Section 11 of this Accounting Procedure).
- (viii) End of Year Statement (see Section 12 of this Accounting Procedure).
- (ix) Budget Statement (see Section 13 of this Accounting Procedure).

1.4.3

All reports and Statements shall be prepared in accordance with the Contract and the laws of India and, where there are no relevant provisions in either of these, in accordance with generally accepted practices in the international petroleum industry.

1.4.4 Each of the entities constituting the Contractor shall be responsible for maintaining its own accounting records in order to comply with all legal requirements and to support all returns or any other accounting reports required by any Government authority, in relation to the Petroleum Operations. However, for the purposes of giving effect to this Accounting Procedure, the Party constituting Contractor who is the Operator shall be responsible for maintaining, at its business office in India, on behalf of the Contractor, all the accounts of the Petroleum Operations in accordance with the provisions of the Accounting Procedure and the Contract.

1.5 Language and Units of Account

All accounts, records, books, reports and Statements shall be maintained and prepared in the English language. The accounts shall be maintained in United States Dollars, which shall be the controlling currency of account for cost recovery, and profit sharing purposes. Metric units and Barrels shall be employed for measurements required under the Contract. Where necessary for clarification, the Contractor may also maintain accounts and records in other languages, currencies and units.

1.6 Currency Exchange Rates

1.6.1 For conversion purposes between United States Dollars and Indian Rupees or any other currency, the monthly average of the daily mean of the buying and selling rates of exchange as quoted by the State Bank of India (or any other financial body as may be mutually agreed by the Parties) for the Month in which the revenues, costs, expenditures, receipts or income are recorded, shall be used. However, in the case of any single non-US Dollar transaction in excess of the equivalent of fifty thousand (50,000) US Dollars, the conversion into US Dollars shall be performed on the basis of the average of the applicable exchange rates for the day on which the transaction occurred.

1.6.2 Any realized or unrealized gains or losses from the exchange of currency in respect of Petroleum Operations shall be credited or charged to the accounts. A record of the exchange rates used in converting Indian Rupees or any other currencies into United States Dollars as specified in Section 1.6.1 shall be maintained by the Contractor and shall be identified in the relevant Statements required to be submitted by the Contractor in accordance with Section 1.4.2.

1.7 Payments

1.7.1 Subject to Article 21.3 of the Contract and the foreign exchange laws and regulations prevailing from time to time, all payments between the Parties

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shall, unless otherwise agreed, be in United States Dollars and shall be made through a bank designated by each receiving Party.

1.7.2 Unless otherwise specified; all sums due under the Contract shall be paid within forty-five (45) days from the date on which the obligation to pay was incurred.

1.7.3 All sums due by one Party to the other under the Contract during any Month shall, for each day such sums are overdue during such Month, bear interest compounded daily at the applicable LIBOR plus two (2) percentage point.

1.8 Arms Length Transactions

Unless otherwise specifically provided for in the Contract, all transactions giving rise to revenues, costs or expenditures which will be credited or charged to the accounts prepared, maintained or submitted hereunder shall be conducted at arms length or on such a basis as will assure that all such revenues, costs or expenditures will not be lower or higher, as the case may be, than would result from a transaction conducted at arms length on a competitive basis with third parties.

1.9 Audit and Inspection Rights of the Government

1.9.1 Without prejudice to statutory rights, the Government, upon at least fifteen (15) days advance written notice to the Contractor, shall have the right to inspect and audit, during normal business hours, all records and documents supporting costs, expenditures, expenses, receipts and income, such as Contractor's accounts, books, records, invoices, cash vouchers, debit notes, price lists or similar documentation with respect to the Petroleum Operations conducted hereunder in each Year, within two (2) years (or such longer period as may be required in exceptional circumstances) from the end of such Year.

1.9.2 The Government may undertake the conduct of the audit either through its own representatives or through a qualified firm of recognised chartered accountants, registered in India or a reputed consulting firm, appointed for the purpose by the Government and the costs of audit in case of Government auditor(s) shall be borne by the Government, where as for outside auditor(s), this shall be borne by the Contractor as a General and Administrative Cost.

1.9.3 In conducting the audit, the Government or its auditors shall be entitled to examine and verify, at reasonable times, all charges and credits relating to Contractor's activities under the Contract and all books of account, accounting entries, material records and inventories, vouchers, payrolls,



invoices and any other documents, correspondence and records considered necessary by the Government to audit and verify the charges and credits. The auditors shall also have the right, in connection with such audit, to visit and inspect, at reasonable times, all sites, plants, facilities, warehouses and offices of the Contractor directly or indirectly serving the Petroleum Operations, and to physically examine other property, facilities and stocks used in Petroleum Operations, wherever located and to question personnel associated with those operations. Where the Government requires verification of charges made by an Affiliate, the Government shall have the right to obtain an audit certificate from an internationally recognized firm of public accountants acceptable to both the Government and the Contractor, which may be the Contractor's statutory auditor.

1.9.4 Any audit exceptions shall be made by the Government in writing and notified to the Contractor within one hundred and twenty (120) days following completion of the audit in question.

1.9.5 The Contractor shall answer any notice of exception under Section 1.9.4 within one hundred and twenty (120) days of the receipt of such notice. Where the Contractor has, after the said one hundred and twenty (120) days, failed to answer a notice of exception, the exception shall prevail.

1.9.6 All agreed adjustments resulting from an audit and all adjustments required by prevailing exceptions shall be promptly made in the Contractor's accounts and any consequential adjustments to the Government's entitlement to Petroleum shall be made as promptly as practicable.

1.9.7 If the Contractor and the Government are unable to reach final agreement on proposed audit adjustments, either Party may refer any dispute thereon to a sole expert as provided for in the Contract. So long as any issues are outstanding with respect to an audit, the Contractor shall maintain the relevant documents and permit inspection thereof until the issue is resolved.

1.10 Revision of the Accounting Procedure

By mutual agreement between the Government and the Contractor, this Accounting Procedure may be revised from time to time, in writing, signed by the Parties, stating the date upon which the amendments shall become effective.



## SECTION 2

### CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS AND EXPENDITURES

#### 2.1 Segregation of Costs

Costs shall be segregated in accordance with the purposes for which such expenditures are made. All costs and expenditures allowable under Section 3, relating to Petroleum Operations, shall be classified, defined and allocated as set out below in this Section.

#### 2.2 Exploration Costs

Exploration Costs are all direct and allocated indirect expenditures incurred in the search for Petroleum in an area which is, or was at the time when such costs were incurred, part of the Contract Area, including expenditures incurred in respect of:

2.2.1 Aerial, geophysical, geochemical, palaeontological, geological, topographical and seismic surveys, analysis and studies and their interpretation.

2.2.2 Core hole drilling and water Well drilling.

2.2.3 Labour, materials, supplies and services used in drilling Wells with the object of finding Petroleum or in drilling Appraisal Wells provided that if such Wells are completed as producing Wells or injection Well for enhancing oil recovery, the costs of completion thereof shall be classified as Development Costs.

2.2.4 Facilities used solely in support of the purposes described in Sections 2.2.1, 2.2.2 and 2.2.3 above, including access roads, all separately identified.

2.2.5 Any Service Costs and General and Administrative Costs directly incurred on exploration activities and identifiable as such and a portion of the remaining Service Costs and General and Administrative Costs allocated to Exploration Operations determined by the proportionate share of total Contract Costs (excluding General and Administrative Costs and Service Costs) represented by all other Exploration Costs.

2.2.6 Geological and geophysical information purchased or acquired in connection with Exploration Operations.

2.2.7 Any other expenditures incurred in the search for Petroleum not covered under Sections 2.3 or 2.4.

2.3 Development Costs

Development Costs are all direct and allocated indirect expenditures incurred with respect to the development of discoveries within the Contract Area including expenditures incurred on account of:

2.3.1 Drilling Development Wells, whether these Wells are dry or producing and drilling Wells for the injection of water or Gas to enhance recovery of Petroleum.

2.3.2 Completing of Exploration Wells by way of installation of casing or equipment or otherwise or for the purpose of bringing a Well into use as a producing Well or as a Well for the injection of water or Gas to enhance recovery of Petroleum.

2.3.3 Purchase, installation or construction of production, transport and storage facilities for production of Petroleum, such as pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore and onshore platforms, export terminals and piers, harbours and related facilities and access roads for production activities.

2.3.4 Engineering and design studies for facilities referred to in Section 2.3.3.

2.3.5 Any Service Costs and General and Administrative Costs directly incurred in Development Operations and identifiable as such and a portion of the remaining Service Costs and General and Administrative Costs allocated to development activities, determined by the proportionate share of total Contract Costs (excluding General and Administrative Costs and Service Costs) represented by all other Development Costs.

2.4 Production Costs

Production Costs are expenditures incurred on Production Operations after the start of production from the Field (which are other than Exploration and Development Costs). The balance of General and Administrative Costs and Service Costs not allocated to Exploration Costs or Development Costs shall be allocated to Production Costs.

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2.5

Service Costs

Service Costs are direct and indirect expenditures incurred in support of Petroleum Operations in the Contract Area, including expenditures on warehouses, piers, marine vessels, vehicles, motorized rolling equipment, aircraft, fire and security stations, workshops, water and sewerage plants, power plants, housing, community and recreational facilities and furniture and tools and equipment used in these activities. Service Costs in any Year shall include the costs incurred in such Year to purchase and/or construct the said facilities as well as the annual costs of maintaining and operating the same, each to be identified separately. All Service Costs shall be regularly allocated as specified in Sections 2.2.5, 2.3.5 and 2.4 to Exploration Costs, Development Costs and Production Costs and shall be separately shown under each of these categories. Where Service Costs are made in respect of shared facilities, the basis of allocation of costs to Petroleum Operations hereunder shall be specified.

2.6

General and Administrative Costs

General and Administrative Costs are expenditures incurred on general administration and management primarily and principally related to Petroleum Operations in or in connection with the Contract Area, and shall include:

2.6.1

main office, field office and general administrative expenditures in India including supervisory, accounting and employee relations services;

2.6.2

an annual overhead charge for services rendered by the parent company or an Affiliate to support and manage Petroleum Operations under the Contract, and for staff advice and assistance including financial, legal, accounting and employee relations services, but excluding any remuneration for services charged separately under this Accounting Procedure, provided that:-

- (i) For the period from the Effective Date until the date on which the first Development Plan under the Contract is approved by the Government, this annual charge shall be the Contractor's verifiable expenditure but shall in no event be greater than the following percentages of the total Contract Costs incurred during the Contract Year in or in connection with the Contract Area and qualifying for recovery pursuant to Section 3:

Contract costs in any  
Contract year (in million US \$)

Annual overhead charge



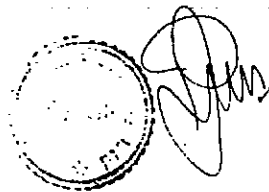
0-2	3%
Over 0-2	US\$ 60,000 plus 2% of Contract Costs in excess of US \$ 2 million.
Over 5	US\$ 120,000 plus 1% of Contract Costs in excess of US\$ 5 million

(ii) From the date on which the first Development Plan is approved, the charge shall be at an amount or rate to be agreed on between the Parties and stated in the Development Plan.

2.6.3

All General and Administrative Costs shall be regularly allocated as specified in Sections 2.2.5, 2.3.5 and 2.4 to Exploration Costs, Development Costs and Production Costs respectively, and shall be separately shown under each of these cost categories.

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### SECTION 3

#### COSTS, EXPENSES, EXPENDITURES AND INCIDENTAL INCOME OF THE CONTRACTOR

##### 3.1 Costs Recoverable and Allowable Without Further Approval of the Government

Costs incurred by the Contractor on Petroleum Operations pursuant to the Contract as classified under the headings referred to in Section 2 shall be allowable for the purposes of the Contract except to the extent provided in Section 3.2 or elsewhere in this Accounting Procedure, and subject to audit as provided for herein.

##### 3.1.1 Surface Rights

All direct costs necessary for the acquisition, renewal or relinquishment of surface rights acquired and maintained in force for the purposes of the Contract except as provided in Section 3.1.9.

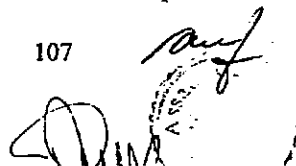
##### 3.1.2 Labour and Associated Labour Costs

###### (a) Contractor's locally recruited employees based in India

Costs of all Contractor's locally recruited employees who are directly engaged in the conduct of Petroleum Operations under the Contract in India. Such costs shall include the costs of employee benefits and Government benefits for employees and levies imposed on the Contractor as an employer, transportation and relocation costs within India of the employee and such members of the employee's family as per the personnel policy of the employer as required by law or customary practice in India. If such employees are engaged in other activities in India, in addition to Petroleum Operations, the cost of such employees shall be apportioned on a time sheet basis according to sound and acceptable accounting principles.

###### (b) Assigned Personnel

Costs of salaries and wages, including bonuses, of the Contractor's employees directly and necessarily engaged in the conduct of the Petroleum Operations under the Contract, whether temporarily or permanently assigned, irrespective of the location of such employees, it being understood that in the case of those personnel only a portion of whose time is wholly dedicated to Petroleum Operations under the Contract, only that pro rata portion of applicable salaries, wages, and other costs, as specified in Sections 3.1.2(c),



(d), (e), (f) and (g), shall be charged and the basis of such pro rata allocation shall be specified.

(c) The Contractor's costs regarding holiday, vacation, sickness and disability benefits and living and housing and other customary allowances applicable to the salaries and wages chargeable under Section 3.1.2(b) above.

(d) Expenses or contributions made pursuant to assessments or obligations imposed under the laws of India which are applicable to the Contractor's cost of salaries and wages chargeable under Section 3.1.2(b) above.

(e) The Contractor's cost of established plans for employees' group life insurance, hospitalization, pension, retirement and other benefit plans of a like nature customarily granted to the Contractor's employees provided, however, that such costs are in accordance with generally accepted standards in the international petroleum industry, applicable to salaries and wages chargeable to Petroleum Operations under Section 3.1.2(b) above.

(f) Personal income taxes where and when they are paid by the Contractor to the Government of India for the employee, in accordance with the Contractor's standard personnel policies.

(g) Reasonable transportation and travel expenses of employees of the Contractor, including those made for travel and relocation of the expatriate employees, including their dependent family and personal effects, assigned to India whose salaries and wages are chargeable to Petroleum Operations under Section 3.1.2(b) above.

Transportation cost as used in this Section shall mean the cost of freight and passenger service and any accountable incidental expenditures related to transfer travel and authorized under Contractor's standard personnel policies. Contractor shall ensure that all expenditures related to transportation costs are equitably allocated to the activities which have benefited from the personnel concerned.

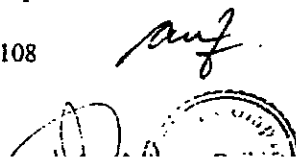
### 3.1.3 Transportation Costs

The reasonable cost of transportation of equipment, materials and supplies within India and from outside India to India necessary for the conduct of Petroleum Operations under the Contract, including directly related costs such as unloading charges, dock fees and inland and ocean freight charges.

### 3.1.4 Charges for Services

#### (i) Third Parties Contracts

The actual costs of contract services, services of professional consultants, utilities and other services necessary for the conduct of Petroleum Operations under the Contract performed by third parties other than an Affiliate of the

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Contractor, provided that the transactions resulting in such costs are undertaken pursuant to Section 1.8 of this Accounting Procedure.

(ii) Affiliates Company Contracts

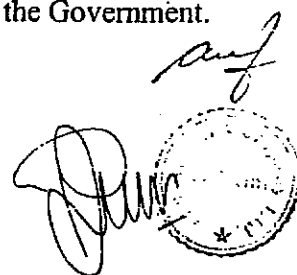
(a) Professional and Administrative Services and Expenses

Cost of professional and administrative services provided by any Affiliate for the direct benefit of Petroleum Operations, including, but not limited to, services provided by the production, exploration, legal, financial, insurance, accounting and computer services divisions other than those covered by Section 3.1.4 (ii)(b) which Contractor may use in lieu of having its own employees. Charges shall be equal to the actual cost of providing their services, shall not include any element of profit and shall not be any higher than the most favourable prices charged by the Affiliate to third parties for comparable services under similar terms and conditions elsewhere and will be fair and reasonable in the light of prevailing international petroleum industry practice and experience.

(b) Scientific or Technical Personnel

Cost of scientific or technical personnel services provided by any Affiliate of Contractor for the direct benefit of Petroleum Operations, which cost shall be charged on a cost of service basis. Charges therefor shall not exceed charges for comparable services currently provided by outside technical service organizations of comparable qualifications. Unless the work to be done by such personnel is covered by an Approved Budget and Work Programme, Contractor shall not authorize work by such personnel without approval of the Management Committee.

(c) Equipment, facilities and property owned and furnished by the Contractor's Affiliates, at rates commensurate with the cost of ownership and operation provided, however, that such rates shall not exceed those currently prevailing for the supply of like equipment, facilities and property on comparable terms in the area where the Petroleum Operations are being conducted. The equipment and facilities referred to herein shall exclude major investment items such as (but not limited to) drilling rigs, producing platforms, oil treating facilities, oil and gas loading and transportation systems, storage and terminal facilities and other major facilities, rates for which shall be subject to separate agreement with the Government.

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3.1.5 Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems including radio and microwave facilities between the Contract Area and the Contractor's nearest base facility.

3.1.6 Office, Shore Bases and Miscellaneous Facilities

Net cost to Contractor of establishing, maintaining and operating any office, sub-office, shore base facility, warehouse, housing or other facility directly serving the Petroleum Operations. If any such facility services contract areas other than the Contract Area, or any business other than Petroleum Operations, the net costs thereof shall be allocated on an equitable and consistent basis.

3.1.7 Environmental Studies and Protection

Costs incurred in conducting the environmental impact assessment studies for the Contract Area, and in taking environmental protection measures including abandonment cost or contribution to abandonment funds as may be created for abandonment and Site Restoration pursuant to the terms of the Contract.

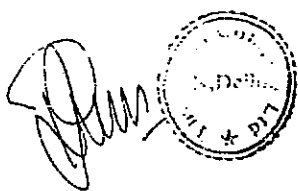
3.1.8 Materials and equipment

(i) General

So far as is practicable and consistent with efficient and economical operation, only such material shall be purchased or furnished by the Contractor for use in the Petroleum Operations as may be required for use in the reasonably foreseeable future and the accumulation of surplus stocks shall be avoided. Material and equipment held in inventory shall only be charged to the accounts when such material is removed from inventory and used in Petroleum Operations.

(ii) Warranty

In the case of defective material or equipment, any adjustment received by the Contractor from the suppliers or manufacturers or their agents in respect of any warranty on material or equipment shall be credited to the accounts under the Contract.

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A circular stamp with a double border. The outer ring contains the text "S. D. D. & P. L." at the top and "1917" at the bottom. The center of the stamp contains the text "S. D. D. & P. L." and "1917". To the left of the stamp is a handwritten signature.

(iii) Value of materials charged to the accounts under the Contract

(a) Except as otherwise provided in subparagraph (b) below, materials purchased by the Contractor for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts, if any, purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, custom duties, consular fees, other items chargeable against imported material and, where applicable, handling and transportation costs from point of importation to warehouse or operating site, and these costs shall not exceed those currently prevailing in normal arms length transactions on the open market.

(b) Material purchased from or sold to Affiliates or transferred to or from activities of the Contractor other than Petroleum Operations under the Contract:

(aa) New material (hereinafter referred to as condition A) shall be valued at the current international price which shall not exceed the price prevailing in normal arms length transactions on the open market;

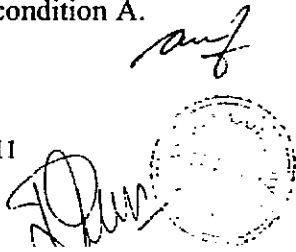
(bb) Used material which is in sound and serviceable condition and is suitable for reuse without reconditioning (hereinafter referred to as condition B) shall be priced at not more than seventy five per cent (75%) of the current price of the above mentioned new materials;

(cc) Used material which cannot be classified as condition B, but which, after reconditioning, will be further serviceable for original function as good second-hand condition B material or is serviceable for original function, but substantially not suitable for reconditioning (hereinafter referred to as condition C) shall be priced at not more than fifty per cent (50%) of the current price of the new material referred to above as condition A.

The cost of reconditioning shall be charged to the reconditioned material, provided that the condition C material value plus the cost of reconditioning does not exceed the value of condition B material.

Material which cannot be classified as condition B or condition C shall be priced at a value commensurate with its use.

Material involving erection expenditure shall be charged at the applicable condition percentage (referred to above) of the current knocked-down price of new material referred to above as condition A.

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When the use of material is temporary and its service to the Petroleum Operations does not justify the reduction in price in relation to materials referred to above as conditions B and C, such material shall be priced on a basis that will result in a net charge to the accounts under the Contract consistent with the value of the service rendered.

3.1.9 Duties, Fees and Other Charges

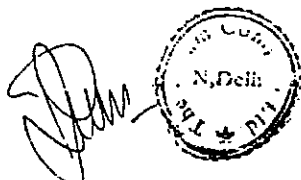
Any duties, levies, fees, charges and any other assessments levied by any governmental or taxing authority in connection with the Contractor's activities under the Contract and paid directly by the Contractor except corporate income tax payable by the constituents of the Contractor.

3.1.10 Insurance and Losses

Insurance premia and costs incurred for insurance pursuant to Article 25 of the Contract, provided that such insurance is customary, affords prudent protection against risk and is at a premium no higher than that charged on a competitive basis by insurance companies which are not Affiliates. Except as provided in Sections 3.2 (ix), Section 3.2(x) and Section 3.2(xi), actual costs and losses incurred shall be allowable to the extent not made good by insurance. Such costs may include, but are not limited to, repair and replacement of property in the Contract Area resulting from damages or losses incurred by fire, flood, storm, theft, accident or such other cause.

3.1.11 Legal Expenses

All reasonable costs and expenses, except Section 3.2 (xi) resulting from the handling, investigating, asserting, defending, or settling of any claim or legal action necessary or expedient for the procuring, perfecting, retention and protection of the Contract Area and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of Petroleum Operations under the Contract, or sums paid in respect of legal services necessary for the protection of the joint interest of Government and the Contractor, shall be allowable. Such expenditures shall include attorney's fees, court costs, costs of investigation and procurement of evidence and amounts paid in settlement or satisfaction of any such litigation and claims provided such costs are not covered elsewhere in the Accounting Procedure. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Contractor or an Affiliate, such compensation shall be included instead under Section 3.1.2 or 3.1.4 (ii) above as applicable.



3.1.12 Training Costs

All costs and expenses incurred by the Contractor in training as is required under Article 23 of the Contract.

3.1.13 General and Administrative Costs

The costs described in Section 2.6.1 and the charge described in Section 2.6.2 of this Accounting Procedure.

3.1.14 Royalty, License fee and other levies and taxes except Income Tax paid to the Government of India.

3.1.15 The costs and expenses incurred by ONGC on behalf of the Contractor and reimbursed to ONGC by the Contractor for handling, processing, sampling and transportation of the Crude Oil upto the Custody Transfer Point shall be cost recoverable subject to provisions of Section 3.2.

3.2 Costs not recoverable and not allowable under the Contract

The following costs and expenses shall not be recoverable or allowable (whether directly as such or indirectly as part of any other charges or expense) for cost recovery and profit sharing purposes under the Contract.

- (i) Costs and charges incurred before the Effective Date including costs in respect of preparation, signature or ratification of this Contract;
- (ii) Expenditures in respect of any financial transaction to negotiate, float or otherwise obtain or secure funds for Petroleum Operations including, but not limited to, interest, commission, brokerage and fees related to such transactions, as well as exchange losses on loans or other financing, whether between Affiliates or otherwise;
- (iii) Costs of marketing or transportation of Petroleum beyond the Delivery Point except for the costs allowed under Section 3.1.15;
- (iv) Expenditures incurred in obtaining, furnishing and maintaining the guarantees required under the Contract and any other amounts spent on indemnities with regard to non-fulfillment of contractual obligations;
- (v) Attorney's fees and other costs and charges in connection with arbitration proceedings and sole expert determination pursuant to the Contract;
- (vi) Fines, interest and penalties imposed by Courts of law of the Republic of India;
- (vii) Donations and contributions;
- (viii) Expenditures on creation of any partnership or joint venture arrangement;

- (ix) Amounts paid with respect to non-fulfillment of contractual obligations;
- (x) Costs incurred as a result of failure to insure where insurance is required pursuant to the Contract, or of failure to follow procedures laid down by an insurance policy or where Contractor has elected to self insure, or has under-insured;
- (xi) Costs and expenditures incurred as a result of misconduct or negligence of the Contractor;
- (xii) Signature and production bonuses paid to ONGC pursuant to Article 18.

3.3

Other costs recoverable and allowable only with Management Committee approval


Any other costs and expenditures not included in Section 3.1 or 3.2 of this Accounting Procedure but which have been incurred by the Contractor for the necessary and proper conduct of Petroleum Operations shall be allowed to be recovered only with the express prior approval in writing of the Management Committee.

3.4

Incidental Income and Credits

All incidental income and proceeds received from Petroleum Operations under the Contract, including but not limited to the items listed below, shall be credited to the accounts under the Contract and shall be taken into account for cost recovery, and Profit Petroleum sharing purposes in the manner described in Articles 15 and 16 of the Contract :-

- (i) The proceeds of any insurance or claim or judicial awards in connection with Petroleum Operations under the Contract or any assets charged to the accounts under the Contract where such operations or assets have been insured and the premia charged to the accounts under the Contract;
- (ii) Revenue received from third parties for the use of property or assets, the cost of which has been charged to the accounts under the Contract;
- (iii) Any adjustment received by the Contractor from the suppliers/manufacturers or their agents in connection with defective material, the cost of which was previously charged by the Contractor to the accounts under the Contract;
- (iv) Rentals, refunds or other credits received by the Contractor which apply to any charge which has been made to the accounts under the Contract;

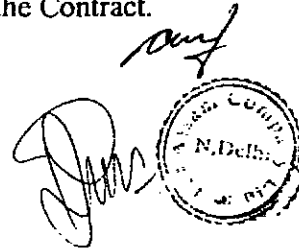


- (v) Prices originally charged to the accounts under the Contract for materials subsequently exported from the Republic of India without being used in Petroleum Operations under the Contract;
- (vi) Proceeds from the sale or exchange by the Contractor of assets, plant or facilities, the acquisition costs of which have been charged to the accounts under the Contract;
- (vii) Legal costs charged to the accounts under Section 3.1.11 of this Accounting Procedure and subsequently recovered by the Contractor.

3.5

Non-Duplication of Charges and Credits

Notwithstanding any provision to the contrary in this Accounting Procedure, it is the objective of the Parties that there shall be no duplication of charges or credits to the accounts under the Contract.



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## SECTION 4

### RECORDS AND INVENTORIES OF ASSETS

#### 4.1 Records

- 4.1.1 The Contractor shall keep and maintain detailed records of property and assets in use for or in connection with Petroleum Operations under the Contract in accordance with normal practices in exploration and production activities of the international petroleum industry. Such records shall include information on quantities, location and condition of such property and assets, and whether such property or assets are leased or owned.

#### 4.2 Inventories

- 4.2.1 The Contractor shall:

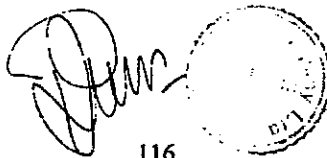
- (a) Not less than once every twelve (12) Months with respect to movable assets; and
- (b) Not less than once every three (3) Years with respect to immovable assets, take an inventory of the assets used for or in connection with Petroleum Operations in terms of the Contract and address and deliver such inventory to the Government together with a written statement of the principles upon which valuation of the assets mentioned in such inventory has been based.

- 4.2.2 The Contractor shall give the Government at least thirty (30) days notice in writing in the manner provided for in the Contract of its intention to take the inventory referred to in Section 4.2.1 and the Government shall have the right to be represented when such inventory is taken.

- 4.2.3 When an assignment of rights under the Contract takes place, a special inventory shall be taken by the Contractor at the request of the assignee provided that the cost of such inventory is borne by the assignee and paid to the Contractor.

- 4.2.4 In order to give effect to Article 28 of the Contract, the Contractor shall provide the Government with a comprehensive list of all relevant assets when requested by the Government to do so.

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SECTION 5

STATEMENT ON ROYALTY AND CESS PAYABLE ON  
OIL AND NATURAL GAS

- 5.1 The Contractor shall prepare and submit before 10<sup>th</sup> of the following month with respect to each month, a Royalty and Cess Statement containing the following information.
- 5.2 Gross production of
- i) Crude oil
  - ii) Condensate
  - iii) ANG
  - iv) NANG
- 5.3 Quantity of Gas flared and quantity of Crude Oil and Gas used for Petroleum Operations.
- 5.4 Net production of Oil and Natural Gas.
- 5.5 Price used for calculation of Royalty on Natural Gas.
- 5.6 Royalty and Cess payable for Crude and Gas.
- 5.7 Total Royalty and Cess payable.
- 5.8 Details of Transportation, processing and any other expenses/costs taken and basis thereof to arrive at wellhead price for Gas.
- 5.9 Exchange rates used for arriving at Royalty on Natural Gas in equivalent Rupees.

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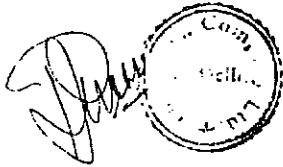


quantities shown in this Statement shall be expressed in both volumetric (barrels of Oil and cubic metres of Gas) and in weight (metric

for the purpose of reporting Field production quantities pursuant to this Statement, the Contractor shall agree with the Management Committee on the area to be designated as Development Area.

The Government may direct in writing that the Contractor include other material particulars relating to the production of Petroleum in its monthly Production Statement, and the Contractor shall comply with such direction.

The Production Statement for each Month shall be submitted to the Government no later than fifteen (15) days after the end of such Month.



**SECTION 7**

**VALUE OF PRODUCTION AND PRICING STATEMENT**

Contractor shall, for the purposes of Article 20 of the Contract, prepare a statement providing calculations of the value of Crude Oil and Condensate produced and saved during each Month. This Statement shall contain the following information :

Quantities, prices and receipts realised therefor by the Contractor as a result of sales of Crude Oil and Condensate to third parties made during the Month in question.

Quantities, prices and receipts realised therefor by the Contractor as a result of sales of Crude Oil and Condensate made during the Month in question, other than to third parties, if any.

Quantities of Crude Oil and Condensate appropriated by the Contractor for refining or other processing without otherwise being disposed of in the form of Crude Oil or Condensate.

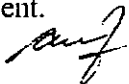
Value of stocks of Crude Oil and Condensate on the first day of the Month in question.

Value of stocks of Crude Oil and Condensate on the last day of the Month in question.

Percentage volume of total sales of Crude Oil and Condensate made by the Contractor during the Month that are Arms Length Sales to third parties.

Information available to the Contractor, insofar as required for the purposes of Article 20 of the Contract, concerning the prices of competitive crude oil produced by the main petroleum producing and exporting countries including contract prices, discounts and premia, and prices obtained on the open markets.


Contractor shall, for the purpose of Article 22 of the Contract, prepare a statement providing calculations of the value of Associated Natural Gas and Associated Natural Gas produced, flared internally used, saved and sold during each Month. This Statement shall contain all information of the type specified in Section 7.1 for Crude Oil as is applicable to Gas and such relevant information as may be required by Government.



statements required pursuant to Sections 7.1 and 7.2 shall include a breakdown of the calculation of the prices of Crude Oil, gas, Associated Natural Gas and Non Associated Natural Gas in accordance with the provisions of Articles 20 and 22.

The Value of Production and Pricing Statement for each Month shall be submitted to Government not later than thirty (30) days after the end of such

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SECTION 8

STATEMENT OF COSTS, EXPENDITURES AND RECEIPTS

Contractor shall prepare with respect to each Quarter a Statement of Expenditures and Receipts under the Contract. The Statement shall distinguish between Exploration Costs, Development Costs and Production Costs and shall separately identify all significant items of costs and receipts as itemised in Section 3 of this Accounting Procedure within appropriate categories. The Statement of receipts shall distinguish between receipts from the sale of Petroleum and incidental income of the sort specified in Section 3.4 of this Accounting Procedure. If the Government is satisfied with the degree of disaggregation within the categories, it shall not be obliged to request a more detailed breakdown. The Statement shall show the following:

- 1. Total costs, expenditures and receipts for the Quarter in question.
- 2. Cumulative costs, expenditures and receipts for the Year in question.
- 3. Latest forecast of cumulative costs, expenditures and receipts at the Year in question.
- 4. Reasons for differences between budget forecast and latest forecast and explanations of such differences.
- 5. A comparison of the Statement of Costs, Expenditures and Receipts of each Quarter shall be submitted to Government no later than thirty (30) days after the end of such Quarter.

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SECTION 9

COST RECOVERY STATEMENT

Contractor shall prepare with respect to each Calendar Quarter a Cost Recovery Statement containing the following information:

Unrecovered Contract Costs carried forward from the previous Quarter, if any.

Contract Costs for the Quarter in question.

Contract Costs for the Quarter in question (Section 9.1.1 plus Section 9.1.2).

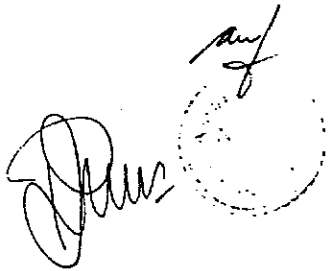
Quantity and value of Cost Petroleum taken and disposed of by the Contractor for the Quarter in question.

Contract Costs recovered during the Quarter in question as per Article 15.

Unrecovered amount of Contract Costs recovered up to the end of the Quarter in question.

Amount of Contract Costs to be carried forward into the next Quarter.

The Cost Recovery Statement for each Quarter shall be submitted to the Client not later than thirty (30) days after the end of such Quarter.

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SECTION 10

PROFIT SHARING STATEMENT

Contractor shall prepare with respect to each Quarter a Profit Sharing Statement containing the following information:

Calculation of the applicable net cash flows as defined in Appendix-D for the Quarter in question.

Investment Multiple applicable in the Quarter in question.

On Section 10.1.2 and Article 16, the appropriate percentages of Profit Petroleum for the Government and Contractor in the Quarter in question.

Total amount of Profit Petroleum to be shared between the Government and Contractor in the Quarter in question.

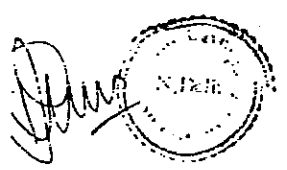
On Sections 10.1.3 and 10.1.4, the amount of Profit Petroleum due to the Government and Contractor as well as to each constituent of the Contractor in the Quarter in question.

Equal amounts of Petroleum taken or payment received by Government and Contractor as well as by each constituent of the Contractor during the Quarter in question to satisfy their entitlements pursuant to Section 10.1.5.

Payments to be made, if any, in future Quarters in the respective amounts of Profit Petroleum due to the Government and Contractor as well as to each constituent of the Contractor on account of any differences between the amounts specified in Sections 10.1.5 and 10.1.6, as well as any other adjustments outstanding from previous Quarters.

Profit Sharing Statement shall be submitted to Government not later than thirty (30) days after the end of such Quarter. Any amount due or payment required in profit sharing among the Parties shall be made within thirty (30) days from the submission of the Statement to the Government.

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SECTION 11

LOCAL PROCUREMENT STATEMENT

...erance of the obligation in Article 24 of the Contract for the  
... or to give preference to the procurement of Indian goods and  
...s, the Contractor shall prepare in respect of each Calendar Year a  
...curement statement, containing the following information:

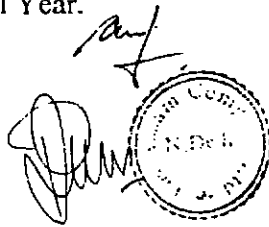
The amount of expenditure incurred by the Contractor directly, or  
indirectly through its Subcontractors, on goods supplied, produced  
or manufactured in India;

The amount of expenditure incurred by the Contractor directly, or  
indirectly through its Subcontractors, on services provided by Indian  
entities;

The respective percentages that the expenditures recorded under  
items (a) and (b) above represent of the Contractor's total  
expenditures;

A detailed description of the procedures adopted during the Year to  
identify and purchase goods and services from Indian suppliers; and  
... detailed exposition of how the local purchases for the Year as  
recorded under items (a) and (b) above compared with the projected  
purchases included in the budget statement for that Year (pursuant to  
Section 13.1.3), with explanations for any significant variations;

... procurement statement shall be submitted to the Government  
... days after the end of each Financial Year.



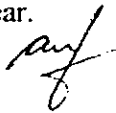
The image shows a handwritten signature in black ink above a circular official stamp. The stamp contains the text "GOVERNMENT OF INDIA" around the perimeter and "NEW DELHI" in the center. There is also a date "1971" at the bottom of the stamp.

SECTION 12

END OF YEAR STATEMENT

Contractor shall prepare a definitive End of Year Statement. The Statement shall contain aggregated information in the same format as set forth in the Production Statement, Value of Production and Pricing Statement, Statement of Costs, Expenditures and Receipts, Cost Recovery Statement and Profit Sharing Statement, but shall be based on actual activities of Petroleum produced, income received and costs and expenditures incurred. Based upon this Statement, any adjustments that are necessary shall be made to the transactions concerned under the Contract.

End of Year Statement for each Year shall be submitted to Government within sixty (60) days of the end of such Year.





SECTION 13

BUDGET STATEMENT

- 13.1 The Contractor shall prepare a Budget Statement for each Year. This Statement shall distinguish between budgeted Exploration Costs, Development Costs and Production Costs and shall show the following :
- 13.1.1 Forecast costs, expenditures and receipts for the Year in question.
- 13.1.2 A schedule showing the most important individual items of total costs, expenditures and receipts for the said Year.
- 13.1.3 Estimated amounts to be spent in the Year on procuring goods and services in India.
- 13.2 The Budget Statement shall be submitted to Government with respect to each Year not less than ninety (90) days before the start of the said Year provided that in the case of the Year in which the Effective Date falls, the Budget Statement shall be submitted within ninety (90) days of the Effective Date.

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APPENDIX E1

FORM OF PARENT FINANCIAL AND PERFORMANCE GUARANTEE  
(to be furnished pursuant to Article 30 of the Contract)

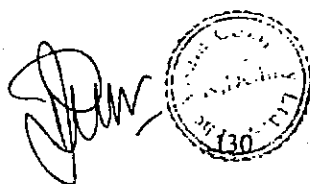
WHEREAS \_\_\_\_\_ a company duly organised and existing under the laws of \_\_\_\_\_ having its registered office at \_\_\_\_\_ (hereinafter referred to as 'the Guarantor' which expression shall include its successors and assigns) is [the indirect owner of 100% of the capital stock of XYZ Company and direct owner of its parent company;] and

WHEREAS XYZ Company is signatory to a Production Sharing Contract in respect of an (offshore) (onshore) area identified as Field \_\_\_\_\_ (hereinafter referred to as 'the Contract') made between the Government of India (hereinafter referred to as 'the Government'), and XYZ Company (hereinafter referred to as XYZ which expression shall include its successors and permitted assigns); and

WHEREAS the Guarantor wishes to guarantee the performance of XYZ Company or its Affiliate Assignee under the Contract as required by the terms of the Contract;

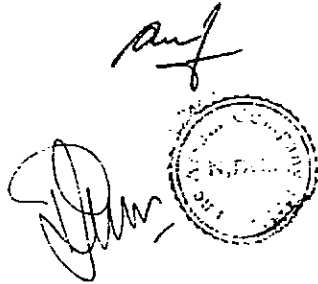
NOW, THEREFORE this Deed hereby provides as follows:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Government that it will make available, or cause to be made available, to XYZ Company or any other directly or indirectly owned Affiliate of XYZ Company to which any part or all of XYZ Company's rights or interest under the Contract may subsequently be assigned ('Affiliate Assignee'), financial, technical and other resources required to ensure that XYZ Company or any Affiliate Assignee can carry out its obligations as set forth in the Contract.
2. The Guarantor further unconditionally and irrevocably guarantees to the Government the due and punctual compliance by XYZ Company or any Affiliate Assignee, of any obligations of XYZ Company or any Affiliate Assignee under the Contract.

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A circular stamp with the text "The Guarantor" at the top, "XYZ Company" in the middle, and "130" at the bottom. To the left of the stamp is a handwritten signature.

3. The Guarantor hereby undertakes to the Government that if XYZ Company, or any Affiliate Assignee, shall, in any respect, fail to perform its obligations under the Contract or commit any breach of such obligations, then the Guarantor shall fulfil or cause to be fulfilled the said obligations in place of XYZ Company or any Affiliate Assignee, and will indemnify the Government against all losses, damages, costs, expenses or otherwise which may result directly from such failure to perform or breach on the part of XYZ Company.
4. This guarantee shall take effect from the Effective Date and shall remain in full force and effect for the duration of the said Contract and thereafter until no sum remains payable by XYZ Company, or its Affiliate Assignee, under the Contract or as a result of any decision or award made by any expert or arbitral tribunal thereunder.
5. This guarantee shall not be affected by any change in the articles of association and bye-laws of XYZ Company or the Guarantor or in any instrument establishing the Company or Guarantor.
6. The liabilities of the Guarantor shall not be discharged or affected by (a) any time indulgence, waiver or consent given to XYZ Company; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which XYZ Company has agreed; (c) the enforcement or waiver of any terms of the Contract or of any security, other guarantee or indemnity; or (d) the dissolution, amalgamation, reconstruction or reorganisation of XYZ Company.
7. This guarantee shall be governed by and construed in accordance with the laws of India.

IN WITNESS WHEREOF the Guarantor, through its duly authorised representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the \_\_\_\_\_ day of \_\_\_\_\_ 2001.



The image shows a handwritten signature in black ink, which appears to be 'Raf'. Below the signature is a circular stamp. The stamp contains the text 'THE GUARANTOR' at the top and 'INDIA' at the bottom, with some illegible text in the center.

APPENDIX E2

FORM OF FINANCIAL AND PERFORMANCE GUARANTEE

(to be furnished pursuant to Article 30 of the Contract)

WHEREAS XYZ Company  
\_\_\_\_\_ duly organised and  
existing under the laws of \_\_\_\_\_ having its registered  
office at \_\_\_\_\_ (hereinafter referred to as 'the  
Guarantor' which expression shall include its successors and assigns) is  
signatory to a Production Sharing Contract in respect of an (offshore)  
(onshore) area identified as Field  
\_\_\_\_\_ (hereinafter referred to as 'the  
Contract') made between the Government of India (hereinafter referred to as  
'the Government'), and XYZ Company (hereinafter referred to as XYZ  
which expression shall include its successors and permitted assigns); and

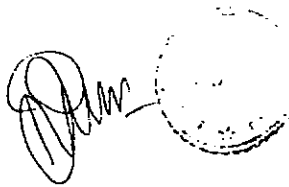
WHEREAS the Guarantor wishes to guarantee its performance under the  
Contract as required by the terms of the Contract;

NOW, THEREFORE this Deed hereby provides as follows:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Government that it will make available, or cause to be made available, financial, technical and other resources required to ensure that XYZ Company can carry out its obligations as set forth in the Contract.
2. The Guarantor further unconditionally and irrevocably guarantees to the Government the due and punctual compliance by it of any obligations under the Contract.
3. The Guarantor hereby undertakes to the Government that it shall fulfill or cause to be fulfilled all its obligations under the Contract, and if it fails to perform its obligations under the Contract or commits any breach of such obligations, then it shall indemnify the Government against all losses, damages, costs, expenses or otherwise which may result directly from such failure to perform or breach on its part.
4. This guarantee shall take effect from the Effective Date and shall remain in full force and effect for the duration of the said Contract and thereafter until no sum remains payable by XYZ Company, under the Contract or as a result of any decision or award made by any expert or arbitral tribunal thereunder.

5. This guarantee shall not be affected by any change in the articles of association and bye-laws of XYZ Company or in any instrument establishing the Company.
6. The liabilities of the Guarantor shall not be discharged or affected by (a) any time indulgence, waiver or consent given to XYZ Company; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which XYZ Company has agreed; (c) the enforcement or waiver of any terms of the Contract or of any security, other guarantee or indemnity.
7. This guarantee shall be governed by and construed in accordance with the laws of India.

IN WITNESS WHEREOF the Guarantor, through its duly authorised representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the \_\_\_\_\_ day of \_\_\_\_\_ 2001.

A handwritten signature in cursive script is written above a circular stamp. The stamp is partially obscured by the signature and appears to contain some illegible text or a logo.

acts valued at less than US\$ 5,000

ator will be at liberty to determine the preferred method of goods and services valued at less than US\$ 5,000 provided that at (3) quotations from selected suppliers (including at least one (1) plier) will be obtained.

publication of tenders under procedure C, the bids shall be in one local vernacular daily in addition to one national English

A:

all:

vide the constituents of Contractor with a list of all the entities approved by the Operating Committee as per Appendix F (V) for the applicable category of the contract along with other entities if any whom the Operator proposes to invite tender;  
to such list the entities whom other Party requests for adding in five (5) business days on receipt of such lists;  
d when any Party so requests, Operator shall evaluate any entity listed in (1) and (2) above to assure that entity is qualified as based on the qualification criteria agreed in accordance with Appendix F (V) to perform under the contract;  
complete the tendering process within a reasonable period of time;  
provide to all constituents of Contractor a comparative bid analysis including Operator's choice of the entity for award of contract. Provide reasons for such choice in case entity chosen is not the lowest priced;  
provide to all the constituents of Contractor of the entities to whom the contract has been awarded; and  
on the request of a Party, provide such Party with a copy of the awarded version of the contract awarded.

b:

ll:

provide the Parties with a list of all the entities approved by the Operating Committee as per Appendix F (V) for the applicable category of the contract, along with other entities, if any, from whom the Operator proposes to invite tender;

I.  
II  
III

l to such list the entities whom a Party requests for adding within  
(5) business days on receipt of such list;  
r when any Party so requests, Operator shall evaluate any entity  
d in (1) and (2) above to assure that entity is qualified as based  
the qualification criteria agreed in accordance with Appendix  
/ to perform under the contract;  
mplete the tendering procedure within a reasonable period of  
s  
t ate to all constituents of Contractor a comparative bid analysis  
ng Operator's choice of the entity for award of contract. Provide  
reasons for such choice in case the entity chosen is not the  
s bidder. If the bid selected is not the lowest bid, obtain prior  
oval of the Operating Committee for award of contract;  
r<sup>d</sup> the contract accordingly and inform all the members of  
a ement Committee of the entities to whom the contract has  
awarded; and  
i the request of a Party, provide such Party with a copy of the  
v rsion of the contract awarded.

II:

s invitations for parties to pre-qualify for the proposed  
act in at least three (3) daily national Indian newspaper.  
c<sup>r</sup> to Non-Operating Companies, a list of responding parties  
a analysis of their qualifications for the contract being  
mpleted to be awarded. Include those who qualify, as per the  
r ification criteria approved as per Appendix F (IV) in the list  
i es from whom Operator proposes to invite tender for the said  
ct;  
d the members of Management Committee with a total list of  
: ntities selected as (1) above and all the entities approved by  
perating Committee as per Appendix F(V) for the applicable  
n of the contract, along with other entities, if any, from whom  
o ator proposes to invite tender;  
o such entities whom a Party requests for adding within five (5)  
: : days on receipt of such list;  
hen any Party so requests, Operator shall evaluate any entity  
in (2) and (3) above to assure that entity is qualified as based  
: qualification criteria agreed in accordance with Appendix  
: perform under the contract;  
e and dispatch the tender documents to the entities as finally  
a l to Parties;

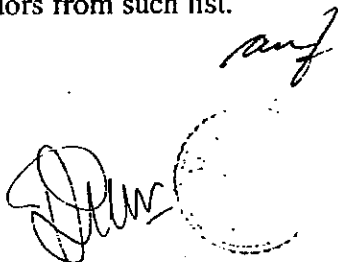
at the expiration of the period allowed for tendering, consider and analyze the details of all bids received; prepare and circulate to the constituents of Contractor a comparative analysis stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefor, and the financial, commercial and contractual terms to be agreed upon; obtain the approval of the Operating Committee to the recommended bid. However, failing Operating Committee approval the Company may refer the issue to the Management Committee for consideration; and award the contract accordingly and upon the request of a Party, provide such Party with a copy of the final version of the contract;

Vendor qualifications criteria for each major category shall be proposed by the Operator and approved by the Operating Committee within thirty (30) days of its submission. In the event the Operating Committee fails to approve vendor qualification criteria within (30) days of the date the same is first submitted by the Operator, the matter shall be referred to the Management Committee for consideration. The Operating Committee may revise the qualification criteria.

It is noted that, in order to expedite joint operations, contracts will be awarded to qualified vendors/contractors who are identified as approved for the specified activities. A list of such approved vendors shall be maintained as follows:

1:

Provide the constituents of Contractor with a list of the entities from which the Operator proposes to invite tender for contracts; and provide such list entities whom a Company requests for adding within ten (14) days on receipt of such list; and obtain the approval of the Operating Committee. Such list shall be maintained by the Operator. The Operating Committee may add to or delete vendors from such list.

Handwritten signatures and initials, including a large signature and the initials 'anf'.




**APPENDIX G**

**BANK GUARANTEE TO BE PROVIDED  
PURSUANT TO ARTICLE 30**

Government of India (hereinafter referred to as "Government") having entered into a production sharing contract for the period of \_\_\_\_\_ (hereinafter called "Contract", which includes all the amendments agreed to between the Government and the Contractor, thereto), with M/s \_\_\_\_\_ having its registered office at \_\_\_\_\_ (hereinafter referred to as "Contractor", which includes all its successors, administrators, executors and assigns), which is a constituent of the Government have agreed that the \_\_\_\_\_ Company shall provide to the Government a bank guarantee (hereinafter referred to as "Bank Guarantee") towards its obligations as provided in the Contract for US\$ (for Indian companies)/US\$ equivalent in Indian Rupees (for Indian companies) in full discharge of its obligations under the Contract.

The Contractor (name of the Bank) registered under the Law of \_\_\_\_\_ shall provide a bank guarantee registered office at \_\_\_\_\_ (hereinafter referred to as "Bank", which includes all its successors, administrators, executors and assigns) do hereby accept and undertake to pay immediately on the first demand in full the sum of \_\_\_\_\_ (in Indian Rupees/US\$ \_\_\_\_\_ in words) without any demur, delay or protest and/or without any reference to the company. This guarantee shall be made by Government on the Bank by serving a written order on the Bank as conclusive and binding, without any proof, on the Bank as the amount due and payable, notwithstanding any dispute(s) pending before any court, Tribunal, Arbitrator, Sole Expert, Conciliator or any other authority in any other matter or thing whatsoever, as liability under these terms shall be absolute and unequivocal. We agree that the guarantee herein shall be irrevocable and shall continue to be enforceable until it is terminated by the Government in writing. This guarantee shall not be determined, modified or affected by the liquidation, winding up, dissolution or insolvency of the Contractor and shall remain valid, binding and operative.

We agree that Government at its option shall be entitled to enforce the Bank Guarantee against the Bank as a principal debtor, in the first instance, and against the \_\_\_\_\_ Company and notwithstanding any other guarantee that Government may have in relation to the Contractor.

*[Handwritten signature]*  
*[Handwritten signature]*  


IV  
V.

ther agree that Government shall have fullest liberty without our  
without affecting in any manner our obligations hereunder to  
the terms and conditions of the said Company or to extend time of  
by the said \_\_\_\_\_ Company from time to time or to  
any time or from time to time exercise of any of the powers  
overnment against the said \_\_\_\_\_ Company and to  
enforce any of the terms and conditions relating to the said  
id we shall not be relieved from our liability by reason of any  
1, or extension being granted to the said \_\_\_\_\_ Company  
rbearance, act or omission on the part of Government or any  
/ Government to the said \_\_\_\_\_ Company or any such  
g whatsoever which under the law relating to sureties would, but  
ion, have effect of so relieving us.

ther agree that the Guarantee herein contained shall remain in  
ing the period that is taken for the performance of the Contract  
of Government under or by virtue of this Contract have been  
its claim satisfied or discharged or till Government discharges  
in writing, whichever is earlier.

e shall not be discharged by any change in our constitution, in  
n of \_\_\_\_\_ Company or that of the Contractor.

firm that this Guarantee has been issued with observance of  
ws of the country of issue.


agree that this Guarantee shall be governed and construed in  
ith Indian Laws and subject to the exclusive jurisdiction of  
t \_\_\_\_\_, India.

g any thing contained herein above, our liabilities under this  
mitted to Indian Rupees/US\$ \_\_\_\_\_ (in figures) Indian  
\_\_\_\_\_ (in words) and our Guarantee shall remain in  
including sixty (60) days after the expiry date/extended date.  
er this Guarantee must be received before the expiry of sixty  
efore the expiry of sixty (60) days from the extended date if  
. claim has been received by us within sixty (60) days after the  
nded date the Government's right under this will cease.  
ch a claim has been received by us within and upto sixty (60)  
said date/extended date, all the Government's rights under this  
l be valid and shall not cease until we have satisfied that claim.

1

2.

3.

*anf*  


...reof, the Bank through its authorised officers has set its hand  
this \_\_\_\_\_ day of \_\_\_\_\_ 2001 at \_\_\_\_\_.

of \_\_\_\_\_ was hereto duly affixed  
\_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2001 in  
with its bye-laws and this guarantee was duly signed  
\_\_\_\_\_ and \_\_\_\_\_ as required by the said bye-

\_\_\_\_\_  
ary

\_\_\_\_\_  
President & Director

*anf*  
A handwritten signature in cursive script is written over a circular embossed stamp. The stamp contains the text "The Bank of India" around the perimeter and "N. D. D." in the center.

5

6.

7.

8.

9.

## APPENDIX-H

### AMGURI

#### **WORK PROGRAMME:**

##### **A. DELINEATION AND APPRAISAL PROGRAMME:**

- (i) Comprehensive well log analysis of the existing wells, Electro-facies.
- (ii) Synthetic seismograms for selected intervals.
- (iii) Reprocessing and/or special processing of 15 to 20 Km of seismic data.
- (iv) Additional 2D and 3D seismic surveys, if need be.
- (v) Techno-economic analysis based on above information to draw up future delineation plan.

The Assam Company Ltd., (ACL) will then commit to delineation programme. The delineation programme will be undertaken mainly to determine whether the reserve base is sufficient to justify cost effective development.

##### **B. INVESTIGATIONS OF EXISTING WELLS**

The nature of investigations planned in the wells of Amguri are for enhancement of production, increase in recoverable oil, further lead for delineation of producing sands and/or new reservoirs. They are listed broadly.

###### **Amguri – 1**

- Activation and conditioning of well.
- Multi-bean tests with 3 to 4 beans.
- Pressure measurements – static and flowing and pressure transient tests.
- Production logging.
- Remedial measures – soundness of primary cement, gas and water shut-off.

###### **Amguri – 5**

- Electric log interpretation and evaluation.
- Multi-bean test.
- Production logging.



- Additional and/or Reperforation.
- Pressure transient tests.
- Artificial lift mechanism to increase oil production.

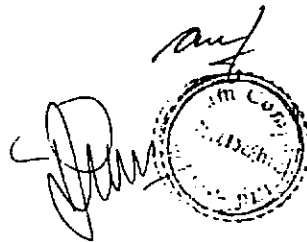
#### **Anguri – 6**

- Reperforation.
- Activation and/or stimulation.
- Multi-bean studies.
- Pressure transient test, if feasible.
- Test production through higher bean, 4 to 6 mm.

#### **OIL GAS PRODUCTION PROFILES:**

Poolwise position of oil production profiles is enclosed herein in Table 1, 2 & 3.

Regarding the free gas production, it is planned to drill additional two wells, which will give additional production. The revised profile is placed at Table-4.



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Table-1

AMGURI FIELD

## OIL PRODUCTION FROM AMGURI-1

Period	Prodn. as such			Potential with addl. Efforts		
Years	Oil T/A	D. Gas MM m <sup>3</sup> /A	Saleable Gas M m <sup>3</sup> /A	Oil T/A	D. Gas M m <sup>3</sup> /A	Saleable Gas M m <sup>3</sup> /A
1	1320	7260	5445	2640	6600	4950
2	1227	6748	5060	2454	6135	4600
3	1141	5275	4705	2282	5705	4278
4	1061	5835	4376	2122	5305	3978
5	987	5428	4071	1974	4935	3701
6	918	5049	3786	1836	4590	3442
7	854	4697	3381	1708	4262	3196
8	794	4367	3275	1588	3970	2977
9	738	4059	3044	1476	3690	2767
10	686	3773	2829	1372	3430	2572
11	638	3509	2631	1276	3190	2392
12	593	3261	2446	1186	2965	2223
13	551	3030	2272	1102	2755	2066
14	413	2821	2116	1026	2565	1923
15	477	2623	1967	954	2385	1787
<b>Total (15 years)</b>	<b>12498 T</b>					

**Note:** T = Tonnes, A = Annum or Year, M = 1000, D. Gas = Dissolved or Solution Gas,  
Prodn. = Production

- 1 Assumed that there is no water blockade and well will come-up after unloading of water in the well.
- 2 Cumulative oil production before ceasure of well in July 91 when water cut was about 85 percent - 28358 tonnes. This is about 5 percent of IOP of 0.56 MMT in a reservoir in Barail Coal Shale unit. Giving allowance for inherent confidence factor of 67 percent, recovery comes to 7.5 percent.
- 3 Oil production, prior to loading or ceasure of well-4T/d.



- 4 Oil production for 330 days.  
5 Decline of 7 percent per annum.  
6 Average Gas - Oil ratio - 5500 cubic meters per tonne.  
7 Saleable gas -75 percent of produced gas.  
8 Solution gas is not considered for commitment and revenue purposes.  
9 With the contemplated well investigations and remedial measures, attempts will  
be made to achieve twice the last rate of oil production of 4 T/d.  
10 Average GOR after remedial measures has been assumed as 2500 m3/T.  
11 Cum oil production in as such state - 40856 tonnes which comes to 7.3 percent  
of IOIP of 0.56 MMT.

*anf*




Table-2



AMGURI FIELD

OIL PRODUCTION FROM AMGURI-5

Year	Oil well	Production As such			Potential with additional efforts		
		Oil			D. gas m	Oil 15 T/D	
		T/d	T/a	Cum.T	M3/d	T/A	Cum. T
1	1	12	4320	4320	5520	4950	4950
2	1	10	3600	7920	4700	4207	9157
3	1	9	3240	11160	5400	3576	12733
4	1	7.5	2700	13860	6300	3040	15773
5	1	6	2160	16020	6450	2524	18357
6	1	5.3	1908	17928	6890	2196	20553
7	1	4.5	1620	19548	6952	1866	22419
8	1	4	1440	20988	7120	1587	23946
9	1	3.2	1152	22140	6400	1349	25295
10	1	2.8	1008	23148	6300	1146	26441
11	1	2.4	864	24012	5964	974	27415
12	1	2.0	720	24732	5440	828	28243
13	1	2.0	720	25452	5900	705	28948
14	1	1.5	540	25992	4612	600	20548
15	1	1.2	432	26424	3840	510	30058

Note: T= Tonnes, D= Day, D.Gas= Dissolved or solution gas; Prodn.= Production

1. Profile based on the sustained prodn. data of A-5 for about 22 months.
2. Oil production for 330 days for potential and 360 days for as such condition.
3. Decline of 15 percent per annum.
4. Solution gas based on long term GOR behaviour of other wells completed in the same reservoir.
5. Solution gas not considered for revenue purposes.
6. Anticipated oil prodn. by the end of March, 96 would be 14000 tonnes.
7. Based on the well performance upto the end of second year, production profile will be revised. By this time, additional information can also be obtained from new well to be drilled for free gas in Tipam.

*anf*  
  




8. With additional efforts, anticipate to reach a level of 15T/d to 20T/d.
9. Recoverable oil, giving allowance for half of the IOIP of 1.97MMT in A-5 and with confidence factor of 67 percent for C1 category, reserves would be 6 to 8 percent.
10. To recover the cost of drilling of well for prodn. from reservoirs in Barail Coal Shale, sequence needs a production of 15720 tonnes (@ Rs. 2545 per tonne). The pay back period would be 4 years. This limits recoverable oil from small, isolated oil pool cost-effectively.

*anf*



*[Handwritten signature]*

Table-3

AMGURI FIELD

OIL PRODUCTION FROM AMGURI-6

Year	Prodn. as such			Potential with addl. Efforts		
	Oil T/A	D. Gas M m <sup>3</sup> /A	Saleable Gas M m <sup>3</sup> /A	Oil T/A	D. Gas M m <sup>3</sup> /A	Saleable Gas M m <sup>3</sup> /A
1	360	1080	810	720	1440	1080
2	360	1080	810	720	1440	1080
3	360	1080	810	720	1440	1080
4				720	1440	1080
5				720	1440	1080

Note:

1. Based on production data of 6 months in 1988.
2. It is a stripper well wherein oil production is less than 10 Barrels per day (BOPD) i.e. around 1.5 T/d.
3. Part of the 4" flow-line from well to Group Gathering Station (GGs) will have to be laid down.

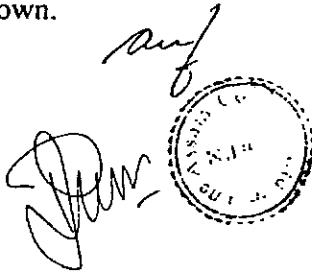
*anf*  


Table-4

**AMGURI FIELD****PRODUCTION POTENTIAL FREE GAS**

Period (Years)	Gas wells	F. Gas Production		
		M m <sup>3</sup> /d	MM m <sup>3</sup> /A	Cum. MM
1	1	40.0	14.4	14.4
2	1	60.0	21.6	36.0
3	2	82.5	29.7	65.7
4	2	82.5	29.7	95.4
5	2	82.5	29.7	125.1
6	2	82.5	29.7	154.8
7	2	82.5	29.7	184.5
8	2	82.5	29.7	214.2
9	3	82.5	29.7	243.9
10	3	82.5	29.7	273.6
11	3	80.0	28.8	302.4
12	3	80.0	28.8	331.2
13	3	80.0	28.8	360.0
14	3	75.0	27.0	387.0
15	3	75.0	27.0	414.0
16	3	70.0	25.2	439.2
17	3	70.0	25.2	464.2
18	3	65.0	23.4	487.8
19	3	60.0	21.6	509.4
20	3	50.0	18.0	527.4

**Note:**

1. Free gas from well Amguri – 8A, completed in Tipam Reservoir.
2. The reservoir has been assumed as volumetric i.e. without any active aquifer.
3. Gas production for 360 days.
4. Initial gas in-place-1130 MM m<sup>3</sup>.
5. Additional 2 wells would be required to maintain and /or augment gas production.
6. Production profile may be revised after gas production of 10 to 15 percent of the initial gas in-place with adequate pressure measurements.
7. Recoverable gas at the end of the 20 years – 50%.
8. The gas profile can be further rationalised to have longer plateau depending on consumer's requirement.

## ADDITIONAL POINTS

### QUALITY OF CRUDE:

Since the treating facilities exist it is confirmed that the crude oil delivered into the pipeline from Anguri to T-Point of Geleki-Jorhat pipeline shall be within the specification i.e. BS & W is less than 1% v/v and salinity less than 8 PTB.

### EFFLUENT DISPOSAL:

It is confirmed that effluent will be disposed as per laws of Assam State Pollution Control Board.

Attempts will also be made to identify shallower layers below the water-table to inject back the produced water provided it is techno-economically viable.

*anf*

*[Signature]*



**AMGURI FIELD**

**EXPENSE CHART**  
(Rs. in crore)

<b>Period (Years)</b>	<b>Capex</b>	<b>Operating cost</b>	<b>Total Expend.</b>
1.	1.0	0.50	1.5
2.	3.0	0.96	3.96
3.	0.4	1.06	1.46
4.	0.4	1.16	1.56
5.		1.28	1.28
6.		1.41	1.41
7.		1.55	1.55
8.	3.5	1.70	5.20
9.	0.2	1.87	2.07
10.		2.06	2.06
11.		2.26	2.26
12.		2.48	2.48
13.		2.72	2.72
14.		2.99	2.99
15.		3.01	3.01
<b>Total</b>	<b>8.5</b>	<b>27.01</b>	<b>35.51</b>

*anf*

*[Signature]*  

