

PRODUCTION SHARING CONTRACT
between
THE GOVERNMENT OF INDIA
and
OIL & NATURAL GAS CORPORATION LIMITED
and
SHELL INDIA PRODUCTION DEVELOPMENT B.V.

With respect to Rajasthan Block

RJ -ON -90/1

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This Contract made this 15th day of May 1995 between:

1. THE PRESIDENT OF INDIA, acting through the Under Secretary, Ministry of Petroleum and Natural Gas (hereinafter referred to as Government) of the FIRST PART;

AND

2. OIL & NATURAL GAS CORPORATION LIMITED, a body corporate established under the provisions of the Companies Act, 1956 (hereinafter referred to as ONGC which expression shall include its successors and such assigns as are permitted under Article 28 hereof), of the SECOND PART;

AND

SHELL INDIA PRODUCTION DEVELOPMENT B.V., a body corporate established under the laws of The Netherlands (hereinafter referred to as SIPD which expression shall include its successors and such assigns as are permitted under Article 28 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 the grant of licences and leases for exploration and development of Petroleum in India;
- (2) The Rules provide for the grant of exploration licences and mining leases in respect of land vested in a State Government by that State Government with the previous approval of the Central Government, and ONGC has been duly granted an exploration licence to carry out Exploration Operations in association with other companies in that area onshore more particularly described in Appendix A;
- (3) The Rules provide for an agreement between the Government and the Licensee with respect to additional terms and conditions in regard to the licence or 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 petroleum industry practices;
- (5) SIPD has represented that it has, 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 and will provide the guarantee referred to in Article 29;

- (6) As a result of discussions between representatives of the Government and SIPD on the proposal of SIPD, the Government and ONGC have agreed to enter into this Contract with SIPD 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 "Affiliate" means a company:
- a) which is directly or indirectly controlled by a Party to this Contract; or
 - b) which directly or indirectly controls a Party to this Contract; or
 - c) which is directly or indirectly controlled by a company which directly or indirectly controls a Party to this Contract.

When used in relation to SIPD "Affiliate" shall mean N.V. Koninklijke Nederlandsche Petroleum Maatschappij and The "Shell" Transport and Trading Company, p.l.c. and any company other than SIPD which shall for the time being be directly or indirectly controlled by them or either of them.

For the purposes of this definition:

- i) a company is directly controlled by another company or companies holding shares carrying in the aggregate the majority of votes exercisable at general meetings;
 - ii) a particular company is indirectly controlled by a company or companies (hereinafter called "the parent company or companies") if a series of companies can be specified, beginning with the parent company or companies and ending with the particular company, so related that each company of the series, except the parent company or companies, is directly or indirectly controlled by one or more of the companies earlier in the series.
- 1.3 "Appendix" means an appendix attached to this Contract and made a part thereof.
- 1.4 "Appraisal Well" means a Well drilled as part of a Work Programme carried out following a Discovery of Petroleum in the Contract Area for the purpose of 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.
- 1.5 "Arms-length Sales" means sales made on the open market, in freely convertible currencies, at prices which are consistent with published international market prices and are not affected by any relationship between buyer and seller and shall, inter alia, exclude sales (whether direct or indirect, through brokers or otherwise) between entities

comprising the Contractor, or between governments and government-owned entities, counter trades, restricted or distress sales and sales involving barter arrangements. For the avoidance of doubt, such expression may include sales between Affiliates.

- 1.6 "Article" means an article of this Contract and the term "Articles" means more than one Article.
- 1.7 "Associated Natural Gas" or "ANG" means Natural Gas occurring in association with Crude Oil either as free gas or in solution, if such Crude Oil can by itself be commercially produced.
- 1.8 "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 Centigrade) under one atmosphere of pressure (14.7 psig).
- 1.9 "Basement" means any igneous or metamorphic rock, or rock 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.
- 1.10 "Calendar Month" means any of the twelve months of the Gregorian Calendar.
- 1.11 "Commercial Discovery" means a Discovery of Petroleum which, when produced, is likely to yield a reasonable profit on the funds invested in Petroleum Operations, after deduction of Contract Costs, and which has been so declared under the provisions of Articles 9 and 21.
- 1.12 "Commercial Production" means production of Crude Oil or Natural Gas or both from a Development Area and delivery of the same at the relevant Delivery Point under a programme of regular production and sale.
- 1.13 "Company" for the purpose of this Contract means any company (excluding the Licensee or the Nominee) which is from time to time, a constituent of the Contractor and, where more than one company is a constituent of the Contractor, the term shall where the context admits, mean all such companies (excluding the Licensee or the Nominee) collectively.
- 1.14 "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 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.

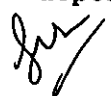
- 1.15 "Contract" means this agreement and the Appendices attached hereto and made a part hereof and any amendments made thereto pursuant to the terms hereof.
- 1.16 "Contract Area" means the area described in Appendix A and delineated on the map attached as Appendix B, or any portion of the said area remaining after relinquishment or surrender from time to time pursuant to the terms of this Contract.
- 1.17 "Contract Costs" means Exploration Costs, Development Costs and Production Costs.
- 1.18 "Contract Year" means a period of twelve consecutive Months counted from the Effective Date or from the anniversary of the Effective Date.
- 1.19 "Contractor" means:
 - a) prior to exercise by Government of its option to participate pursuant to Article 13, the Company, and
 - b) in the event that Government exercises its option to participate pursuant to Article 13 in respect of a particular Development Area, for that Development Area, the Company and the Nominee collectively.
- 1.20 "Cost Gas" means that portion of the total volume of Natural Gas produced and saved from a Development Area which is sold by the Contractor which is to be used in a particular period for the recovery of Contract Costs as provided in Article 14.
- 1.21 "Cost Oil" means that portion of Crude Oil and/or Condensate produced and saved from a Development Area which is to be used in a particular period for the recovery of Contract Costs as provided in Article 14.
- 1.22 "Crude Oil" means crude mineral oil, asphalt, ozokerite and all kinds of hydrocarbons and bitumens, 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.
- 1.23 "Delivery Point" means, except as otherwise herein provided or as may be otherwise agreed between the Government and the Contractor, the point at which Petroleum reaches the outlet flange of the delivery facility, and different Delivery Points may be established for purposes of sales to the Government and other sales.
- 1.24 "Development Area" means an area within the Contract Area containing one or more Commercial Discoveries whether or not within a

single geological structure (to include the maximum area of potential Petroleum deposits in the Contract Area in a simple geometric shape) which the Contractor intends to develop in accordance with a Development Plan which has been approved in accordance with Article 9 or 21.4.

- 1.25 "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.
- 1.26 "Development Operations" means operations conducted in accordance with an approved Development Plan and shall include the purchase, shipment or storage of equipment and materials used in developing Petroleum accumulations, the drilling, testing, completion, recompletion and working-over of Wells for the purposes of producing Petroleum, and of Wells for gas or water injection, the laying of gathering lines, the installation of separators, tankage, pumps, artificial lift and other producing and injection facilities required to produce, process and transport Petroleum into main oil storage or gas processing facilities, including the laying of pipelines, within or outside the Contract Area, to storage and Delivery Point or Points, 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 including the costs of preparation of the Development Plan, and design and engineering costs of all such facilities and also including incidental operations not specifically referred to herein as required for the most efficient and economic development and production of the said Petroleum accumulations in accordance with good petroleum industry practices.
- 1.27 "Development Plan" means a plan submitted by the Contractor containing proposals for the development of a Commercial Discovery pursuant to Articles 9 or 21.4.
- 1.28 "Discovery" means the finding 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.
- 1.29 "Discovery Area" means an area within the Contract Area in which there has been a Discovery and over which the Contractor is of the opinion that the deposit of Petroleum discovered could extend, based upon the results of Exploration Operations.
- 1.30 "Effective Date" means the date upon which this Contract is executed by the Parties.
- 1.31 "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, avifauna or any plant or animal life whether in the sea or in any other water or on, in or under land.

- 1.32 "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.
- 1.33 "Exploration Operations" means operations conducted in the Contract Area pursuant to this Contract in searching for Petroleum and in the course of a programme to appraise any Discovery 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 structure 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.
- 1.34 "Exploration Period" means the period specified in Article 2.
- 1.35 "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).
- 1.36 "Financial Year" means the period from the first day of April to the thirty-first day of March of the following Calendar Year.
- 1.37 "Foreign Company" means a Company within the meaning of Section 591 of the Companies Act, 1956.
- 1.38 "Gas" means Natural Gas.
- 1.39 "Investment" shall have the meaning assigned in paragraph 3 of Appendix D.
- 1.40 "Investment Multiple" means, in relation to any Development Area, the ratio of accumulated Net Cash Income from that Development Area to accumulated Investment in that Development Area, earned by the Company, as determined in accordance with paragraphs 3-7 of Appendix D.
- 1.41 "LIBOR" means the London Inter-Bank Offering Rate for six-month deposits of United States Dollars as published in the Financial Times





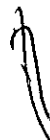
(or in the event that such rate is not published, as quoted by such Bank as the Parties may agree) for the day or days in question.

- 1.42 "Licensee" means ONGC or such other person or body corporate to whom a licence has been issued under the Petroleum and Natural Gas Rules, 1959, for the purpose of carrying out Petroleum Operations in the Contract Area in association with the Company.
- 1.43 "Management Committee" means the committee constituted pursuant to Article 5 hereof.
- 1.44 "Month" means a period commencing on a particular day in a Calendar Month, and ending on the day immediately prior to the equivalent date in the following Calendar Month.
- 1.45 "Natural Gas" means wet gas, dry gas, all other gaseous hydrocarbons, and all substances contained therein, including sulphur and helium, which are produced during Petroleum Operations, excluding those condensed or extracted liquid hydrocarbons that are liquid at normal temperature and pressure conditions.
- 1.46 "Net Cash Income" shall have the meaning assigned in paragraph 2 of Appendix D.
- 1.47 "Nominee" means a government company or a body corporate appointed for the purpose of acquiring Government's Participating Interest pursuant to Article 13.
- 1.48 "Non Associated Natural Gas" or "NANG" means Natural Gas which is produced either without association with Crude Oil or in association with Crude Oil which by itself cannot be commercially produced.
- 1.49 "Operating Agreement" means the Operating Agreement entered into by the Company and ONGC in accordance with Article 6, with respect to the conduct of Petroleum Operations.
- 1.50 "Operating Committee" means the committee established by that name in the Operating Agreement pursuant to Article 6.
- 1.51 "Operator" means SIPD or any other entity which may be entrusted with conducting Petroleum Operations under this Contract on behalf of Contractor pursuant to the Operating Agreement.
- 1.52 "Participating Interest" means a Party's percentage of participation, as it may exist at any given time, in the Contractor's rights and obligations under this Contract, in respect of each Development Area as more particularly specified in the Operating Agreement.
- 1.53 "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.

- 1.54 "Petroleum" means Crude Oil and Natural Gas existing in their natural condition.
- 1.55 "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, environmental protection, transportation, storage, sale or disposition of Petroleum to the Delivery Point, Site Restoration and all other incidental operations or activities as may be necessary.
- 1.56 "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.
- 1.57 "Production Operations" means all operations which are not Development Operations conducted for the purpose of producing Petroleum from a Development Area after the commencement of Commercial Production from the Development Area including the operation and maintenance of all necessary facilities therefor.
- 1.58 "Profit Gas" means that portion of the Natural Gas produced and saved from a Development Area which is sold by the Contractor and is not Cost Gas.
- 1.59 "Profit Oil" means that portion of the Crude Oil and/or Condensate produced and saved from a Development Area which is not Cost Oil.
- 1.60 "Quarter" means a period of three consecutive Calendar Months commencing on the first day of January, April, July or October in any Year.
- 1.61 "Reservoir" means a naturally occurring discrete accumulation of Petroleum.
- 1.62 "Section" means a section of the Accounting Procedure.
- 1.63 "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.
- 1.64 "Site Restoration" shall mean all activities required to return a site to its natural state 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, revegetation, slope stabilisation, infilling of excavations or any other appropriate actions in the circumstances.

- 1.65 "Subcontractor " means any company or person contracted by the Contractor to provide services with respect to Petroleum Operations.
- 1.66 "Statement" or "Statements" refers to the statements required to be furnished in accordance with Appendix C of this Contract.
- 1.67 "Well" means a borehole, made by drilling in the course of Petroleum Operations, but does not include a seismic shot hole.
- 1.68 "Wilful Misconduct or Gross Negligence" means in relation to the Operator's corporate officers or senior supervisory or management staff, an intentional and conscious or reckless disregard of a) any provision of this Contract or the Operating Agreement or any applicable laws, or b) any Work Programme, but shall not include any act or omission reasonably required to meet emergency conditions, including without limitation the safeguarding of life, property and the Petroleum Operations or any error of judgement or mistake made in the exercise in good faith of any function, authority, or discretion confirmed upon the Operator.
- 1.69 "Work Programme" means all the plans formulated for the performance of the Petroleum Operations.
- 1.70 "Year" means a period of twelve consecutive Calendar Months commencing with the first day of January and ending with the thirty-first day of December.



ARTICLE 2 - DURATION

- 2.1 The term of this Contract, subject to the terms hereof and the applicable laws, shall be for a period of twenty five (25) years from the Effective Date, unless the Contract is terminated earlier in accordance with its terms, but may be extended upon mutual agreement between the Parties for a further Period not exceeding five (5) years; provided that in the event of Commercial Production of Natural Gas, which is expected to continue beyond the end of the term of the Contract, the Contract shall be extended for such a period up to but not exceeding thirty five (35) years from the Effective Date, as may be mutually agreed between the Parties to be sufficient to permit the Contractor to maximise the production of Natural Gas in accordance with good petroleum industry practice. If the production of Crude Oil or of Natural Gas is expected to continue beyond the end of the relevant period referred to above, the Parties may agree to extend this Contract for a further period upon such terms as may be mutually agreed.
- 2.2 The Exploration Period shall begin on the Effective Date and shall, subject to Article 2.6, consist of three exploration phases for a total period not exceeding seven (7) consecutive Contract Years unless extended pursuant to the terms of this Contract.
- 2.3 Except as otherwise provided in this Contract, the term of the first exploration phase shall be thirty consecutive Months commencing on the Effective Date (hereinafter referred to as Phase I), unless extended pursuant to the terms of this Contract.
- 2.4 Except as otherwise provided in this Contract, the term of the second exploration phase shall be thirty consecutive Months from the end of Phase I (hereinafter referred to as Phase II), unless extended pursuant to the terms of this Contract.
- 2.5 Except as otherwise provided in this Contract, the term of the third exploration phase shall be two consecutive Contract Years from the end of Phase II (hereinafter referred to as Phase III), unless extended pursuant to the terms of this Contract.
- 2.6 The Contractor may submit a proposal for an additional Work Programme to the Government, to continue Exploration Operations beyond the end of Phase III not later than 60 days prior to the expiry of Phase III, and subject to the agreement of the Government, the Contractor shall be entitled to a further exploration phase of a period sufficient in accordance with good petroleum industry exploration practice to carry out the additional Work Programme, which shall not exceed three consecutive Contract Years from the end of Phase III unless extended pursuant to the terms of this Contract.
- 2.7 At the expiry of any exploration phase of the Exploration Period, provided that the Contractor has completed the minimum agreed Work Programme for that exploration phase, the Contractor shall have the

option, exercisable by giving written notice to the Government at least thirty (30) days prior to the expiry of the relevant phase, either:

- a) to proceed to the next exploration phase; or
- b) to relinquish the entire Contract Area except for any Discovery Area and any Development Area and to conduct Petroleum Operations in relation to any such areas in accordance with the terms of this Contract, and the Contractor shall have no further obligation in respect of the minimum Work Programme under Article 4 for any subsequent exploration phases of the Exploration Period.

If neither of the options provided for above is exercised by the Contractor, and no proposal submitted by the Contractor pursuant to Article 2.6 has been accepted by the Government, this Contract shall terminate at the end of the then current exploration phase, and the Contractor shall have no further obligation in respect of any subsequent exploration phases of the Exploration Period (but without prejudice to Contractor's obligations in respect of previous exploration phases).

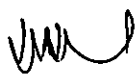
- 2.8 If, at the end of the original period of an exploration phase, drilling or testing operations are in progress on a Well not included in the minimum Work Programme of such exploration phase, it shall be extended for a period not exceeding six (6) Months provided that the minimum Work Programme for such phase has been completed or the Licensee gives its consent to the said extension; and provided further that the period of such extension shall be subtracted from the period of the next succeeding exploration phase. In the event of an extension as provided for herein, the notice referred to in Article 2.7 shall be given at least thirty (30) days prior to the expiry of the relevant extension.
- 2.9 Where sufficient time is not available prior to the expiry of the Exploration Period to complete the appraisal work on a Discovery, at the request of the Contractor, submitted with a Work Programme for the appraisal the Government shall extend the Exploration Period for such period, not exceeding thirty (30) Months, as may be required for the appraisal work to be carried out by the Contractor in accordance with good international petroleum industry practice.
- 2.10 The Contract shall terminate:
- i) if no Discovery has been made in the Contract Area by the end of the Exploration Period; or
 - ii) if the Contractor relinquishes all the Contract Area pursuant to Article 3.
- 2.11 The periods set out in this Article 2 shall be extended pursuant to Article 31.6 or in the event of any delay in the grant of any permit, consent, licence, authorisation or other approval necessary for the conduct of Petroleum Operations of which the Contractor has given notice to the Government. Provided that such extension of time in the event of a delay shall only apply for a period equal to the period from

the date of service of the said notice until the date of the grant, and provided further that no such notice shall be served until the statutory period (if any) for the granting of such permit, consent, licence authorisation or approval or thirty (30) days, whichever shall be the longer, has elapsed since the original date of application by the Contractor.



ARTICLE 3 - RELINQUISHMENT

- 3.1 At the end of Phase I of the Exploration Period, in the event that the Contractor elects, pursuant to Article 2.7, to continue Exploration Operations in the Contract Area in Phase II, the Contractor shall retain up to eighty percent (80%) of the original Contract Area including any Development Area and Discovery Area in not more than three (3) areas of simple geometrical shapes and relinquish the balance of the Contract Area prior to the commencement of Phase II.
- 3.2 At the end of Phase II of the Exploration Period, in the event that the Contractor elects, pursuant to Article 2.7, to continue Exploration Operations in the Contract Area in Phase III, the Contractor shall retain up to sixty percent (60%) of the original Contract Area, including any Development Area and Discovery Area in not more than three (3) areas of simple geometrical shapes and relinquish the balance of the Contract Area prior to the commencement of Phase III.
- 3.3 In the event that the Exploration Period continues beyond Phase III, the Contractor shall retain any part of the Contract Area in respect of which a Work Programme has been approved pursuant to Article 2.6, together with any Development Areas and Discovery Areas.
- 3.4 At the end of the Exploration Period, the Contractor shall retain only Development Areas and Discovery Areas.
- 3.5 If the Contractor notifies the Management Committee pursuant to Article 9.3 that a Discovery Area retained after the end of the Exploration Period is not a Commercial Discovery, the Contractor shall relinquish such Discovery Area.
- 3.6 As and when the Contract is terminated under the provisions of Article 2 or in accordance with any other 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.
- 3.7 Relinquishment of all or part of the Contract Area or termination of the Contract shall not, of itself, be construed as absolving the Contractor of any liability undertaken or incurred by the Contractor in respect of the Contract Area prior to the date of such relinquishment or termination.

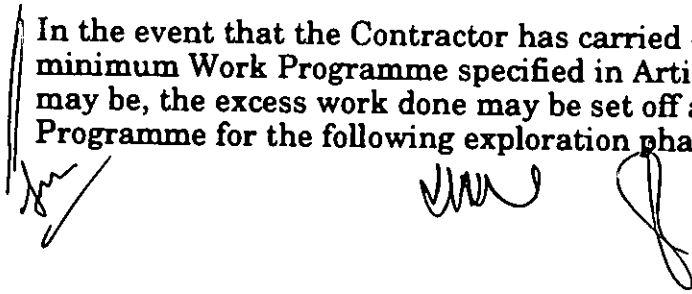


ARTICLE 4 - MINIMUM WORK PROGRAMME

- 4.1 The Contractor shall commence Petroleum Operations not later than six (6) Months from the Effective Date.
- 4.2 During the currency of Phase I, as per Article 2.3, the Contractor shall complete the following minimum Work Programme:
- a) a programme of gravity survey; *done*
 - b) a seismic programme consisting of the acquisition, processing and interpretation of 750 kilometres of seismic data in relation to the exploration objectives; *done*
- 4.3 During the currency of Phase II, as per Article 2.4, the Contractor shall complete the following minimum Work Programme:
- a) one Well drilled to at least one of the following depths: *done*
 - i) to a formation of Mesozoic or pre-Mesozoic age;
 - ii) to Basement;
 - iii) 2500 metres; *drilled down to 2573 mtrs*
provided that drilling may be stopped if the strata or seismic horizon which constitutes the principal objective of the Well has been penetrated and further drilling becomes impracticable due to geological or technical conditions.
 - b) provided the results of such Well and the Work Programme carried out during Phase I, in the opinion of the Contractor, would justify such additional work, a seismic programme consisting of the acquisition, processing and interpretation of 600 kilometres of *done* seismic data in relation to the exploration objectives.
- 4.4 During the currency of Phase III, as per Article 2.5, the Contractor shall complete the following minimum Work Programme:
- a) two Wells drilled to at least one of the following depths:
 - i) to a formation of Mesozoic or pre-Mesozoic age;
 - ii) to Basement;
 - iii) 2500 metres; *Already drilled one well down to 3739 mtrs.*
provided that drilling may be stopped if the strata or seismic horizon which constitutes the principal objective of the Well has been penetrated and further drilling becomes impracticable due to geological or technical conditions.
 - b) provided the results of such Wells and the Work Programme carried out during Phases I and II, in the opinion of the Contractor, would justify such additional work, a seismic programme consisting of the acquisition, processing and interpretation of 600 kilometres of seismic data in relation to the exploration objectives.

*Acquisition and processing
of 1000 Lkm of 2D seismic
completed*

*Phase I - 150
" " - 600
" " - 600 LKM
Total = 1950 LKM
left = 250 LKM*

- 4.5 If a further exploration phase is agreed pursuant to Article 2.6, during the period of that phase, the Contractor shall complete the approved minimum additional Work Programme.
- 4.6 The actual depth objective for each of the Wells shall be determined by the Contractor in the light of the advice of the Management Committee before the commencement of the drilling. Each Well which reaches the geological objective for which the depth objective was determined shall be deemed to have been drilled to the depth objective or to actual total depth, whichever is greater. The Contractor shall endeavour to ensure that all relevant subsurface, geological, geochemical and geophysical information, necessary for the attainment of the exploration objectives, is obtained during exploratory drilling in accordance with good oilfield practices.
- 4.7 The Contractor undertakes to complete the minimum Work Programme in accordance with Articles 4.2, 4.3, 4.4 and 4.5, as the case may be. In the event that the Contractor fails to fulfil the said minimum Work Programme by the end of the relevant exploration phase, the Company shall pay to the Licensee within sixty (60) days following the end of the relevant phase, an amount which is equal to the amount which will be required to complete such part of the minimum Work Programme as may remain uncompleted at the end of the relevant phase, in accordance with sound international petroleum industry practices.
- 4.8 If the minimum Work Programme commitment for any phase of exploration has been completed earlier than the end of the phase, the Contractor shall be entitled, subject to approval of the Management Committee, to relinquish all or part of the Contract Area prior to the dates set out in Article 3.
- 4.9 If the principal geological objective of a Well included in the minimum Work Programme has not been reached at such time as further drilling in the original hole becomes impracticable, the Contractor will drill a sidetrack to penetrate the principal geological objective.
- 4.10 In the event that the Contractor has carried out work in excess of the minimum Work Programme specified in Articles 4.2 or 4.3, as the case may be, the excess work done may be set off against the minimum Work Programme for the following exploration phase.
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ARTICLE 5 - MANAGEMENT COMMITTEE

- 5.1 For the purpose of proper performance of Petroleum Operations under the provisions of this Contract, there shall be constituted a committee to be called the Management Committee.
- 5.2 The Management Committee shall consist of four (4) members, two (2) members nominated by and representing Government and the Licensee taken together and two (2) members nominated by and representing the Company.
- 5.3 A member nominated by the Licensee shall be the Chairman of the Management Committee.
- 5.4 Government, the Licensee and the Company may nominate alternate members with full authority to act in the absence and on behalf of the members nominated by them under Articles 5.2 and 5.3 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.
- 5.5) The Management Committee shall review and have advisory functions in the following matters:
- a) the annual Work Programme and budget proposed during the Exploration Period and any revisions or modifications thereto submitted to it by the Operator through the Operating Committee;
 - b) proposals for surrender or relinquishment of any part of the Contract Area by the Contractor;
 - c) any other matter required by the terms of this Contract to be submitted to it for review or advice;
 - d) any other matter which the Contractor or the Operating Committee decides to submit for review or advice including matters concerning interparty relationships;
 - e) any other matter which the Management Committee desires to be submitted to it.

In submitting any matter for review and advice, Operator or the Operating Committee shall notify Management Committee of the period (which shall be reasonable in the particular circumstances) at the end of which Operator or the Operating Committee will proceed on the basis that Management Committee has completed its review of the proposed action.

- 5.6 The following matters shall be submitted to the Management Committee for approval:
- a) annual Work Programmes and budgets and any modifications or revisions thereto, as proposed by the Operating Committee, for Development Operations and Production Operations in accordance with Articles 9 and 21;

- b) proposals for the declaration of a Discovery as a Commercial Discovery and the approval of Development Plans as may be required under this Contract, or revisions or additions to a Development Plan in accordance with Articles 9 and 21;
- c) delineation of or additions to a Development Area in accordance with Articles 9 and 21;
- d) appointment of auditors;
- e) collaboration with licensees or contractors of other areas;
- f) settlement of claims against the Contractor involving payment of sums in excess of five hundred thousand US Dollars (\$500,000).
- g) any proposed mortgage, charge or encumbrance on Petroleum assets, Petroleum reserves or Production of Petroleum;
- 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 or the Operating Committee decides to submit to it.

5.7 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.

5.8 The Management Committee shall meet unless otherwise agreed by all the members at least once every six (6) months during the Exploration Period and thereafter at least once every three (3) months or more frequently at the request of any member. The Chairman shall convene each meeting by notifying the members at least twenty eight (28) days (or fourteen (14) days if notices have been served under Article 5.12) prior to such a meeting (or a shorter period of notice if the members unanimously so agree) of the time and place of such meeting and the purpose thereof and shall include in such notice a provisional agenda for such 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 Chairman at least ten (10) days prior to the date fixed for the meeting. The Chairman 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.

5.9 The Chairman shall preside over the meetings of the Management Committee and, in his absence, any other member nominated by the Chairman or the Licensee shall preside over the meetings.

5.10 The Chairman shall appoint one of the members nominated by the Company 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 not later than twenty eight (28) days after the date of the meeting.

- 5.11 Within twenty one (21) 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 by notice to the Chairman with copies to the other members. Any member may suggest any modification, amendment or addition to the minutes by notice 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 respond within the aforesaid twenty one (21) day period as herein provided, the minutes shall be deemed approved by such member.

- 5.12 The meetings of the Management Committee shall be held in New Delhi, India, unless otherwise mutually agreed by the members of the Management Committee. However, the Chairman, the Operator or the Operating Committee may submit any matter for consideration under Articles 5.5 or 5.6 by the Management Committee by correspondence, by notifying each member of the Management Committee of the proposal(s) to be so considered and stating the date by which a response is required (which shall not be less than thirty (30) days from the date of receipt of the notice unless all members otherwise agree). Any member of the Management Committee may, within fourteen (14) days of the receipt by him of the notice, notify the Chairman that he requires a meeting of the Management Committee to be held to consider the proposal(s) and the Chairman shall thereupon call a meeting in accordance with Article 5.8. Any member of the Management Committee shall be deemed to have approved any proposal so submitted unless he has notified the Chairman to the contrary within thirty (30) days of receipt of the notice of such proposal.

- ✓ 5.13 The Management Committee shall not unreasonably delay consideration of or withhold its consent or approval to any proposal submitted to it. All matters set out in Article 5.6 a), b) and c) requiring the approval of the Management Committee shall be approved by a unanimous vote of all the members of the Management Committee. All other matters shall be decided by majority vote in the Management Committee, provided such majority vote includes the vote of the member representing the Government. The Chairman shall not have a casting vote. If a majority of the Management Committee does not agree to reject a proposal or to defer its consideration to a subsequent meeting, the proposal may be submitted direct to Government with any modifications proposed by Operator or agreed by the Operating

Committee. The Government shall give its decision (which shall be binding on the Management Committee) within thirty (30) days.

- 5.14 A member of the Management Committee not present at a meeting may vote on any matter on the agenda in such meeting by:
- a) appointing in writing, including by telex, cable or fax, another member of the Management Committee as his proxy for that meeting; or
 - b) giving notice of such vote to the Chairman prior to the submission of such matter for vote at such meeting.
- 5.15 The Management Committee 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.
- 5.16 Any notification by or to the Chairman or any other member of the Management Committee, shall (unless otherwise agreed by the recipient), be in writing, by facsimile, by telex or delivered by registered post or by hand to the recipient's address from time to time notified for this purpose.

ARTICLE 6 - OPERATORSHIP, OPERATING AGREEMENT AND OPERATING COMMITTEE

- 6.1 Subject to the terms of the Operating Agreement, SIPD shall be the Operator for the Exploration Operations, Development Operations and Production Operations within the Contract Area during the term of the Contract.
- 6.2 In respect of any Development Area in which the Nominee is participating pursuant to Article 13 hereof, the Nominee may at any time after ten years have elapsed from the date of commencement of Commercial Production from the Development Area, serve notice on the Operator of its desire to become Operator of that Development Area. If the existing Operator agrees to such change of Operatorship, it shall serve notice, on all the Parties, of the date upon which the change of Operatorship is to take effect, which shall be one hundred and eighty (180) days after the service of such notice, unless all the Parties otherwise agree. Any such change of Operator shall take effect in accordance with the provisions of the Operating Agreement.
- 6.3 Except as provided in Article 6.2, no change in operatorship shall be effected without the consent of the Government and such consent shall not be unreasonably withheld.
- 6.4 The operating 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 international petroleum industry practice.
- 6.5 The Company and ONGC shall execute a mutually agreed 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 ONGC and the Company respectively, 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.
- 6.6 Work Programmes and budgets related to Exploration Operations shall be submitted by the Operating Committee to the Management Committee for review pursuant to Article 5.5.
- 6.7 Work Programmes and budgets related to Development Operations and Production Operations shall be submitted as provided in Article 9.

- 6.8 The Operator may propose amendments to the details of an approved Work Programme and budget in the light of then existing circumstances and shall submit the same to the Management Committee for review or approval, as the case may be, through the Operating Committee.



ARTICLE 7 - GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

- 7.1 Subject to the provisions of this Contract, the Contractor shall have the following rights:
- a) the right to carry out Petroleum Operations in the Contract Area and to recover costs and expenses as provided in this Contract;
 - b) the right to use, free of charge, such quantities of Petroleum produced from any Development Area as are reasonably required for conducting Petroleum Operations in the Contract Area in accordance with generally accepted practices in the international petroleum industry;
 - c) the right to lay, build, construct and install pipelines, roads, 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 under the applicable laws in force from time to time for the regulation and control thereof;
 - d) such other rights as are specified in this Contract.
- 7.2 The Government reserves the right to itself, or to grant to the Licensee or 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, the Licensee or 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 Licensee or others 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.
- 7.3 The Contractor shall:
- 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 and Subcontractors;
 - b) conduct all Petroleum Operations within the Contract Area diligently, expeditiously, efficiently and in a safe and workmanlike manner in accordance with good petroleum industry practice pursuant to the approved Work Programmes;
 - c) ensure provision of all information, data, samples etc. which the Licensee may be required to furnish under the applicable laws;
 - d) ensure that all equipment, materials, supplies, plant and installations used by the Contractor, the Operator, and

Subcontractors comply with generally accepted standards in the international petroleum industry 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) after the designation of a Development Area, pursuant to this Contract, forthwith proceed to take all necessary action for prompt and orderly development of the Development Area and for the production of Petroleum in accordance with the terms of this Contract;
- g) ensure that the Operator shall appoint a technically competent and sufficiently experienced representative, who shall have full authority to take such steps as may be necessary to implement this Contract;
- h) ensure that the Operator shall provide acceptable working conditions, living accommodation and access to medical attention and nursing care in the Contract Area for all personnel employed in Petroleum Operations in the Contract Area;
- i) keep the Management Committee informed of the Operator's purchasing and tendering procedures;
- j) carry out such other obligations as are specified in this Contract, in particular those specified in Article 12; and
- k) be always mindful of the rights and interests of India in the conduct of Petroleum Operations.

7.4 The Licensee shall ensure the performance of its obligations mentioned in Article 16.4, and of the actions mentioned in Article 8.2.

ARTICLE 8 - GOVERNMENT/LICENSEE ASSISTANCE

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

- a) use their best endeavours 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 of facilities required for execution of Work Programmes and the exploitation of Petroleum, and in obtaining all necessary approvals, permits, consents, authorisations, visas, work permits, licences, rights of way, easements, surface rights, land occupation rights and security protection, required pursuant to this Contract and which may be available from resources within the Government's control;
- c) use their good offices to assist in identifying and making available necessary priorities for obtaining local goods and services pursuant to Article 23;
- d) 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 licences, permits, authorisations, consents, security protection, surface rights and easements and land occupation rights as are required for the construction and operation of the said facilities by the Contractor.

8.2 Licensee shall keep the Company timely informed of:

- a) any act required under law to keep any existing licence or lease issued with respect to the carrying out of Petroleum Operations in the Contract Area valid and in good order and of any action taken by the Licensee in this regard;
- b) any request to the Licensee, or order of which the Licensee is aware, from the public authorities concerning any matter related to the said licence or lease or Petroleum Operations in the Contract Area.



ARTICLE 9 - DISCOVERY, DEVELOPMENT AND PRODUCTION

- 9.1 If and when a Discovery is made within the Contract Area, the Contractor shall:
- a) forthwith inform the Licensee 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 Licensee particulars, in writing, of the Discovery, including whether in the Contractor's opinion, tests should be run to determine whether the Discovery is of potential commercial interest; and
 - c) within a period of sixty (60) days after completion of any 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 to the Licensee of whether, in the Contractor's opinion, such Discovery is of potential commercial interest and merits appraisal.
- 9.2 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 Licensee of the time of such test at least twenty four (24) hours prior to the proposed test, and the Licensee shall have the right to have a representative present during such test.
- 9.3 If, pursuant to Article 9.1 c), the Contractor notifies the Licensee that the Discovery is of potential commercial interest, the Contractor shall with due diligence, carry out an adequate and effective appraisal of such Discovery designed to determine without delay whether such Discovery is a Commercial Discovery.
- 9.4 The Contractor shall, unless otherwise agreed, in respect of a Discovery of Crude Oil of which the Contractor has given notice under 9.1 c), advise the Management Committee by notice in writing within a period of ninety (90) days from the date on which the last Appraisal Well was completed, whether such Discovery is a Commercial Discovery or not. Such notice shall be accompanied by a report on the Discovery setting forth all relevant technical and economic data as well as all evaluations, interpretations and analyses of such data and feasibility studies relating to the Discovery prepared by or for the Contractor, as well as a proposal for a Development Area with respect to the Discovery. If the Contractor is of the opinion that Petroleum has been discovered in commercial quantities, it shall propose that the Management Committee declare the Discovery as a Commercial Discovery, and approve the designation of the Development Area to encompass the Commercial Discovery, based on the report submitted.
- 9.5 The Management Committee shall, without any undue delay and in any event within forty five (45) days of the date of the notice referred to in Article 9.4, consider the proposal of the Contractor and request any other additional information it may reasonably require so as to reach a decision on whether or not to declare the Discovery as a Commercial

Discovery and/or approve the proposed Development Area. Such decision shall be made within the later of a) ninety (90) days from the date of notice referred to in Article 9.4 or b) forty-five (45) days of receipt of such other information as may be required under this Article 9.5. If no decision has been made by the Management Committee within that period, the Management Committee shall be deemed to have declared the Discovery to be a Commercial Discovery and to have approved the designation of the Development Area in accordance with the proposal of the Contractor. If the Management Committee does not declare the Discovery as a Commercial Discovery, the Company may declare the Discovery as a Commercial Discovery.

- 9.6 Within 200 days of the declaration of a Discovery of Crude Oil as a Commercial Discovery, the Contractor shall submit to the Management Committee a comprehensive plan for the development of the Commercial Discovery. Such plan shall contain detailed proposals by the Contractor for the construction, establishment, use and operation of all facilities and services for and incidental to the recovery, storage and transportation of the Petroleum from the Discovery to the Delivery Point together with all relevant data and supporting information including but not limited to:
- a) Description of the nature and characteristics 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;
 - b) Outlines of the development project and/or alternative development projects, if any, including the number of wells to be drilled, and describing the production facilities to be installed and any alterations which may be required to any existing or planned facilities within any existing Development Area to permit the tying-in of the Discovery;
 - c) Estimate of the rate of production to be established and projection of the possible sustained rate of production in accordance with generally accepted international petroleum industry practice 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;
 - d) Estimates of Development Costs and Production Costs under such development project and/or alternative development projects, if any;
 - e) Contractor's recommendations as to the particular project that it would prefer;
 - f) 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 operations;
 - g) The information required in Articles 21.3.1 and 21.3.2.

- 9.7 Any proposed Development Plan submitted by the Contractor pursuant to Article 9.6 or Article 21.3.3 shall be subject to consideration and decision by the Management Committee, within the same time periods as set forth in Article 9.5. The Management Committee shall be deemed to have approved the Development Plan submitted by the Contractor, if it has not met and considered such Development Plan within the said period. The Management Committee shall in considering any plan seek to ensure the exploitation of any Discovery consistent with sound petroleum industry practices for optimum recovery and to minimise unit production cost from the Contract Area. If the Management Committee does not approve the proposed Development Plan, within the said period, the Contractor shall have the right to submit such plan directly to the Government for approval, which approval shall not be unreasonably withheld. The said submission will be answered within sixty (60) days of receipt.
- 9.8 Notwithstanding Articles 9.6 and 21.4.6 any Development Plan which relates to a Sole Risk Operation as defined under Article 13 of the Operating Agreement, shall not be submitted to the Management Committee, but may be submitted direct to the Government for approval. Government shall consider and decide upon such Development Plan within the time limits set forth in Articles 9.5 and 21.4.6 respectively for the decision of the Management Committee.
- 9.9 A Development Plan approved by the Management Committee or the Government, as the case may be, from time to time shall commit the Contractor to the obligations stipulated in Articles 9.11 to 9.13.
- 9.10 The Management Committee shall obtain such approvals from the Government as may be required, other than the Government approvals referred to in Articles 9.7 and 21.4.6.
- 9.11 Work Programmes and budgets for Development Operations and Production Operations shall be submitted to the Management Committee as soon as possible after the designation of a Development Area and thereafter not later than 30th September each Year in respect of the Year immediately following.
- 9.12 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 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 Year to Year estimates of potential production are required, these shall be based on concrete evidence necessitating such changes.
- 9.13 Not later than sixty (60) days before the commencement of each Year, the Contractor shall determine the "Programme Quantity" for such Year, with the approval of the Management Committee. The Programme Quantity for any Year shall be Contractor's estimates, as approved by the Management Committee, of the maximum quantity of

Petroleum which can be produced from each Development Area consistent with sound 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.

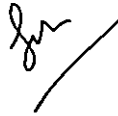
- 9.14 Proposed revisions to the details of a Development Plan or an annual Work Programme or budget in respect of Development and Production Operations shall, for good cause and if the circumstances so justify, be submitted to the Management Committee for approval, through the Operating Committee.
- 9.15 In the event of a Discovery of Non-Associated Natural Gas, the provisions of Article 21.4 will apply.



ARTICLE 10 - UNIT DEVELOPMENT

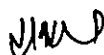
- 10.1 If a Reservoir is situated partly within the Contract Area and partly in an area in India over which, at the time of the making of the Discovery by the Contractor, no production sharing contract similar to this Contract, has been granted or is under negotiation and/or no licence to conduct petroleum operations has been granted, the Government will favourably consider the extension of the Contract Area to include the entire area of the Reservoir if so requested by the Contractor.
- 10.2 If a Reservoir is situated partly within the Contract Area and partly in an area in India over which, at the time of the making of the Discovery, other parties have entered into a production sharing contract with the Government or a licence to conduct petroleum operations has been granted, 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 collaborate and agree with such other parties on the joint development and operation of the Reservoir and to submit:
- a) such agreement between the Contractor and such other parties to the Government for approval; and
 - b) if such agreement is approved, a plan for such joint development and operation of the said Reservoir, within one hundred and eighty (180) days of the approval of the agreement referred to in a) above.
- 10.3 If no plan is submitted within the period specified in Article 10.2 b) or such longer period as the Contractor and the Government may agree, or, if such plan as submitted is not acceptable to the Government and the Contractor cannot agree on amendments to the plan as submitted, the Government may cause to be prepared, at the expense of the Contractor and the other parties referred to in Article 10.2, a plan for such joint development and operation consistent with generally accepted practices in the international petroleum industry which shall take into consideration any plans and presentations made by the Contractor and the aforementioned other parties.
- 10.4 If the Contractor does not agree with the plan prepared in accordance with Article 10.3, then any Party may refer the matter to a sole expert for final determination pursuant to Article 33, provided that the Contractor may at any time up to sixty (60) days after the determination by a sole expert, notify the Licensee and the Government that it elects to surrender its rights in the Discovery Area in lieu of participation in a joint development, which shall be deemed to be a relinquishment pursuant to Article 3.
- 10.5 If a joint development plan is agreed and adopted by the Parties, or adopted following determination by the sole expert, 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.

- 10.6 The provisions of this Article 10 shall also 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.



ARTICLE 11 - MEASUREMENT OF PETROLEUM

- 11.1 The volume and quality of Petroleum produced and saved from a Development Area shall be measured by methods and appliances generally accepted and customarily used in good international petroleum industry practice.
- 11.2 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.
- 11.3 Before commencement of Production in a Development Area, the Parties shall mutually agree on:
- a) methods to be employed to measure the volumes and quality 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.
- 11.4 The Contractor shall undertake to measure the volume and quality of the Petroleum produced and saved at the agreed measurement point or points consistent with generally accepted practices in the international petroleum industry, with the frequency and according to procedures agreed pursuant to Article 11.3. The Contractor shall not make any alteration in the agreed method or procedures for measurement without the written consent of the Management Committee and shall give timely notice to the Management Committee of any alteration or replacement of any of the approved measurement appliances .
- 11.5 Government shall have the right to be present at and monitor, either directly or through authorised representatives, any measuring operations.



ARTICLE 12 - PROTECTION OF THE ENVIRONMENT

- 12.1 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. Towards this end, and in the furtherance of any laws promulgated or as the Government may otherwise require from time to time, the Contractor shall:
- a) employ advanced techniques, practices and methods of operation for the prevention of Environmental Damage in conducting its Petroleum Operations;
 - b) take necessary and adequate steps:
 - i) in conducting its Petroleum Operations, to minimise the risk of Environmental Damage and, where some adverse impact on the environment nonetheless occurs, to minimise such Environmental Damage and the consequential effects thereof on property and people;
 - ii) to ensure adequate compensation for injury to persons or damage to property caused by the effect of Petroleum Operations.
- 12.2 If the Contractor fails to comply with the provisions of paragraphs a) and b) i) of Article 12.1 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.
- 12.3 If the Government has, on reasonable grounds, 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 wildlife 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.
- 12.4 The measures and methods to be used by the Contractor for the purpose of complying with the terms of paragraph b) i) of Article 12.1 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 12.5 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.

- 12.5 The Contractor shall cause a person or persons with special knowledge on environmental matters, approved by the Government, to carry out 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, and the wildlife 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, and the wildlife 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 12.4 for minimising Environmental Damage and carrying out Site Restoration activities.

✓ 12.5.1 In respect of Exploration Operations, the environmental impact study 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, together with all information and documents required under the Environmental Impact Assessment Notification, 1994 (as amended from time to time), shall be submitted to Government for approval at least 120 days before the commencement of such drilling operations, and shall be deemed to have been approved unless the Government has given reasons why the study is not approved, within 120 days of receipt thereof.

12.5.2 A second environmental impact study shall be completed before commencement of Development Operations and shall be submitted by the Contractor as part of the Development Plan, for approval of Government, in accordance with Articles 9 and 21.4.

12.5.3 The studies mentioned in Article 12.5 above shall contain proposed environmental guidelines to be followed in order to minimise Environmental Damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study:

- 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 stabilisation;
- k) protection of freshwater horizons;
- l) blowout prevention plan;
- m) flaring during completion and testing of Wells;
- n) abandonment of Wells;
- o) rig dismantling and site completion;
- p) reclamation for abandonment;
- q) noise control; and
- r) debris disposal.

12.6 The Contractor shall ensure that:

- a) Petroleum Operations are conducted in an environmentally acceptable and safe manner consistent with good international petroleum industry practice and that such Petroleum Operations are properly monitored;
- b) the pertinent completed environmental impact studies are made available to its employees and to 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 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.

✓ 12.7 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.

12.7.1 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 activities as may be necessary as provided in paragraph b) of Article 12.9.

- 12.7.2 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.
- 12.8 In the event that the Contractor fails to comply with its obligations under Article 12.7 within a reasonable 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 1.6.4 of Appendix C of this Contract.
- 12.9 On expiry or termination of this Contract or relinquishment of part of the Contract Area the Contractor shall: a) subject to Article 27, 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 activities 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.
- 12.10 Approvals under this Article may be required from the relevant State government under the laws of India, and the Government shall use its best endeavours to ensure that any such approvals are promptly obtained.



ARTICLE 13 - GOVERNMENT PARTICIPATION

- 13.1 The Government, through its designated Nominee, shall have an option to acquire a Participating Interest of thirty percent (30%) in any Development Area containing a Commercial Discovery by serving notice to that effect on the Company within ninety (90) days of the end of the period for the decision of the Management Committee as to whether the Discovery is a Commercial Discovery under Articles 9.5 or 21.4.6.
- 13.2 In the event that the Government exercises its option to participate pursuant to Article 13.1, the Nominee shall contribute its Participating Interest share of all Contract Costs incurred with respect to the Development Area containing such Commercial Discovery from the date of service of the notice under Article 13.1 in respect of such Development Area and shall assume a share of all rights and obligations, corresponding to its Participating Interest share, from the said date, with respect to such Development Area but shall not be liable for any Contract Costs incurred prior to the said date.
- 13.3 Where the Contractor gives notice under Article 9 or Article 21 to include a further Discovery within an existing Development Area, whether by extension of the Development Area or not:
- a) if the Government has served notice under Article 13.1 to acquire a Participating Interest in the original Development Area, then the Government shall be deemed to have served notice to acquire such Participating Interest also in the further Discovery upon the date on which the Contractor gave notice under Article 9 or Article 21 as the case may be, unless the Contractor and the Government otherwise agree;
 - b) if the Government has not served notice under Article 13.1 then the Government shall have the right pursuant to Article 13.1 to serve such notice with regard to the whole of the Development Area, which notice shall for the purposes of Article 13.2 be deemed to have been served in respect of the earlier Discovery or Discoveries upon the last date upon which a notice in respect of the relevant Discovery could have been served under Article 13.1. Upon service of such notice by the Government under Article 13.1, the Nominee shall be obliged to make payment to the Company within fifteen (15) days of the Nominee's Participating Interest share of Contract Costs incurred in respect of that Development Area between the date of deemed service and the date of actual service of such notice.
- 13.4 Except as provided in this Article or elsewhere in this Contract, the rights and obligations to be assumed by the Nominee in respect of a Development Area in which it elects to participate, shall include but not be limited to:
- a) the right to take Cost Oil or Cost Gas in accordance with the provisions of Article 14;





- b) the right to take its total Participating Interest share of the Contractor's Share of Profit Oil or Profit Gas in accordance with the provisions of Article 15;
- c) the right to receive its Participating Interest share of any incidental income and receipts arising from Petroleum Operations and apportioned to such Development Area;
- d) the obligation to contribute its Participating Interest share of costs and expenses as provided in Article 13.2;
- e) all rights, interests and obligations as a holder of a Participating Interest under the Operating Agreement in respect of that Development Area. If ONGC is not the Nominee, ONGC and the Nominee will take all actions necessary to enable the Nominee to become a Party under this Contract and ~~enter~~ the Operating Agreement in place of ONGC, on terms to be agreed between the Government, ONGC and the Nominee.

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- 13.5 All payments by the Nominee in any Year, in respect of its Participating Interest share of Contract Costs, shall be made in United States Dollars, or any other convertible currency agreed between the Parties, to the extent required, provided that the Nominee may contribute its Participating Interest share of such costs in the relevant Year in Indian Rupees to the extent that Rupees are required by the Operator to meet the Contractor's obligations in India.

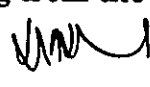
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ARTICLE 14 - RECOVERY OF COSTS FOR OIL AND GAS

- 14.1 The Contractor shall be entitled to recover Contract Costs out of Crude Oil, Condensate or Natural Gas produced and saved in the Year, in accordance with the provisions of this Article.
- 14.2 Exploration Costs incurred by the Contractor in the Contract Area up to the date of commencement of Commercial Production from the Contract Area shall be aggregated, and the Contractor shall be entitled to recover the aggregate of such Exploration Costs out of the value of the Crude Oil Condensate or Natural Gas produced and saved at the rate of one hundred percent (100%) per annum of such Exploration Costs beginning from the date of such Commercial Production, as provided in Article 14.4.
- 14.3 The Contractor shall be entitled to recover out of the value of the Crude Oil, Condensate or Natural Gas produced and saved from the Contract Area the Exploration Costs which it has incurred in the Contract Area in any Year after the date of commencement 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 as provided in Article 14.4.
- 14.4 The Contractor shall be entitled to recover Exploration Costs as provided in Articles 14.2 and 14.3 in any Year either from the first Development Area or from other Development Areas in proportion to the values of the quantities of Crude Oil, Condensate and/or Natural Gas produced and saved from each Development Area as reduced by the Production Costs in that Development Area, in the relevant Year, provided that such Exploration Costs once recovered shall not be allowable for recovery against any other Development Area.
- 14.5 Development Costs incurred by the Contractor in any Development Area up to the date of commencement of Commercial Production from such Development Area shall be aggregated, and the Contractor shall be entitled to recover out of the value of the Crude Oil, Condensate and/or Natural Gas produced and saved from that Development Area the aggregate of such Development Costs at the rate of one hundred percent (100%) per annum of such Development Costs beginning from the date of such Commercial Production from the said Development Area.
- 14.6 The Contractor shall be entitled to recover the Development Costs which it has incurred in a Development Area after the date of commencement of Commercial Production from that Development Area out of the value of the Crude Oil, Condensate and/or Natural Gas produced and saved from that Development Area at the rate of one hundred percent (100%) per annum of such Development Costs beginning from the date such Development Costs are incurred.

- 14.7 The Contractor shall be entitled to recover in full during any Year the Production Costs incurred in a Development Area in that Year out of the value of the Crude Oil, Condensate and/or Natural Gas produced and saved from that Development Area.
- 14.8 If during any Year the Crude Oil, Condensate and Natural Gas produced and saved from any Development Area is not sufficient to enable the Contractor to recover in full the Contract Costs due for recovery from that Development Area in that Year in accordance with the provisions of Articles 14.1 to 14.7 then, subject to the provisions of Article 14.12:
- a) recovery shall first be made of the Production Costs; and
 - b) recovery shall next be made of the Exploration Costs; and
 - c) 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 Costs have been fully recovered.

- 14.9 The Contract Costs to be recovered pursuant to Articles 14.1-14.7 from a particular Development Area shall so far as possible in any Year be recovered from the value of Crude Oil and Condensate calculated in accordance with Article 19 and from the proceeds of sale of Natural Gas produced and saved in proportion to the respective totals in that Year. The quantities of Crude Oil and Condensates and of Natural Gas required for recovery of Contract Costs are herein referred to as Cost Oil and Cost Gas respectively.
- 14.10 For the purposes of this Article, and Article 15, costs, receipts and income shall be converted into production unit equivalents, and vice versa, using the relevant prices established pursuant to Article 19 for Crude Oil and Condensate and Article 21 for Natural Gas.
- 14.11 Pending completion of the calculations required to establish definitively the Contractor's entitlement to Cost Oil and Cost Gas from any Development Area in any Year, the Contractor shall take delivery, provisionally, of volumes of Crude Oil and Condensate or Natural Gas representing its estimated Cost Oil or Cost Gas entitlement calculated with reference to estimated production quantities, costs and prices for the Development Area as established by the Contractor and approved by the Management Committee. Such provisional determination of Cost Oil or Cost Gas 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 Oil or Cost Gas, based on actual production quantities, costs and prices for the entire Year, shall be undertaken and any necessary adjustments to the Cost Oil or Cost Gas entitlement shall be agreed upon between the Government and the Contractor and made as soon as practicable thereafter.

- 14.12 Where more than one Party constitutes the Contractor, the percentage of the total production of Petroleum from any Development Area 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 proportions of each such Party's cumulative unrecovered Contract Costs recoverable from that Development Area as at the end of the previous Year, or where there are no such unrecovered Contract Costs on the basis of the Participating Interest of each such Party in the Development Area.



ARTICLE 15 - PRODUCTION SHARING OF OIL AND GAS

- 15.1 The Parties to this Contract shall share in the Profit Oil and Profit Gas separately from each Development Area in each Year in accordance with the provisions of this Article. A Party's share of Profit Oil or Profit Gas, in any Year, shall be calculated separately for each Development Area on the basis of the Investment Multiple actually achieved by the Company at the end of the preceding Year for that Development Area, as provided in Appendix D.
- 15.2.1 When the Investment Multiple of the Company at the end of any Year is less than one and one half (1.5) in respect of any Development Area the Government shall be entitled to take and receive twenty per cent (20%) and the Contractor shall be entitled to take and receive eighty per cent (80%) of the total Profit Oil and Profit Gas from that Development Area with effect from the start of the succeeding Year.
- 15.2.2 When the Investment Multiple of the Company at the end of any Year in respect of any Development Area is equal to or more than one and one half (1.5) but is less than two (2.0) 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 Oil and Profit Gas from that Development Area with effect from the start of the succeeding Year.
- 15.2.3 When the Investment Multiple of the Company at the end of any Year in respect of any Development Area is equal to or more than two (2.0) but is less than two and one half (2.5), the Government shall be entitled to take and receive forty percent (40%) and the Contractor shall be entitled to take and receive sixty percent (60%) of the total Profit Oil and Profit Gas from that Development Area with effect from the start of the succeeding Year.
- 15.2.4 When the Investment Multiple of the Company at the end of any Year in respect of any Development Area is equal to or more than two and one half (2.5), the Government shall be entitled to take and receive fifty percent (50%) and the Contractor shall be entitled to take and receive fifty percent (50%) of the total Profit Oil and Profit Gas from that Development Area with effect from the start of the succeeding Year.
- 15.3 The value of the Company's Investment Multiple at the end of any Year in respect of each Development Area 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 volume of Profit Oil and/or Profit Gas to be shared between the Government and the Contractor shall be determined for each Quarter on an accumulative basis. Pending finalisation of accounts, delivery of Profit Oil and/or Profit Gas shall be taken by 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. All such provisional estimates shall be prepared for

each Quarter by Operator and shall be submitted to the Government no later than thirty (30) days before the commencement of such Quarter. Any adjustment to such estimates required by the Government will be reflected in the estimated figures for the subsequent Quarter.

Within sixty (60) days of the end of each Year, a final calculation of Profit Oil and Profit Gas based on actual costs, quantities, prices and income for the entire Year shall be undertaken and any necessary adjustments to the sharing of Petroleum shall be agreed upon between the Government and the Contractor and made as soon as is practicable thereafter.

- 15.4 The Profit Oil and/or Profit Gas due to the Contractor in any Year from any Development Area shall be divided between the Parties constituting the Contractor in proportion to their respective Participating Interests, subject to Article 13.3 b).



ARTICLE 16 - TAXES, ROYALTIES, RENTALS, ETC.

- 16.1 The Company, its 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 Company 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.
- 16.2 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 each Party constituting the 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.
- 16.2.1 Subject to the provisions herein below, deductions at the rate of one hundred percent (100%) per annum shall be allowed for all expenditures incurred in respect of Exploration Operations and drilling operations. The expenditure incurred in respect of Development Operations, and Production Operations, other than drilling 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 .
- 16.2.2 Each Party constituting the Company shall be entitled, for income tax purposes only, to deduct all its costs incurred in conducting Exploration Operations in contract areas covered by other contracts whether entered into prior to or after the date of this Contract, in which no Commercial Discovery has been made up to the end of the relevant Financial Year ("Unsuccessful Exploration Costs") from the aggregate value of Petroleum allocable to such Party from any Development Area(s) in the Contract Area in the manner as follows:
- a) Unsuccessful Exploration Costs incurred in contract areas other than the Contract Area up to the date of commencement of Commercial Production from the Contract Area 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, 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.

Provided that if a Commercial Discovery is subsequently made in a contract area covered by another contract in respect of which Unsuccessful Exploration Costs have been deducted for income tax purposes against profits and gains from Petroleum Operations in the Contract Area, although such Unsuccessful Exploration Costs may be recovered from the value of Petroleum produced and saved in that other contract area, they shall not be allowable for income tax purposes against profits and gains from Petroleum Operations in that other contract area, notwithstanding any provision to the contrary in that other contract.

- 16.2.3 All allowable expenditure incurred prior to the Financial Year in which Commercial Production commences shall be aggregated and the assessed loss for that Financial Year as well as the assessed loss, if any, incurred in the assessment year relevant to the Financial 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.
- 16.2.4 The profits and gains of the business consisting of Petroleum Operations shall be calculated from the books of account kept under this Contract in United States Dollars, converted at the end of the relevant Financial Year at the exchange rate referred to in Rule 115 of the Income Tax Rules, for the purpose of levy of income tax under the Income-Tax Act, 1961. Such profits and gains shall be computed on the basis of the value, determined in accordance with Article 19, of the Participating Interest share of Crude Oil produced and saved and sold, or otherwise disposed of, and from any revenue realised on the sale of Natural Gas referred to in Article 21 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.
- 16.3 For the purposes of Article 16.2 and section 42 of the Income-Tax Act, 1961:
- 16.3.1 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 I as follows:
- a) "agreement" means this Contract as defined in Article I;
 - b) "commercial production" shall have the meaning assigned in Article 1.
- 16.3.2 The terms "assessing officer", "assessed loss", and "assessment year" shall have the meaning as defined in the Income-Tax Act, 1961.





- 16.3.3 The other terms used herein and defined in Article I shall have the meaning therein ascribed.
- 16.4 The Company shall not be liable to the Government or a State government for payment of:
- a) royalty, annual area rental charges or licence fees under the Rules, as amended, the cost of which shall be borne by the Licensee;
 - b) any other taxes calculated by reference to income from Petroleum including any taxes on remittance of profits, except income taxes payable to Government as specified above.
- 16.5 The Company shall not be liable to the Government or a State government for payment of any customs duties, export duties or other statutory charges on the import or re-export of the items specified in Article 17.1, to be used solely and exclusively for Petroleum Operations, whether under this Contract or under a contract eligible for a similar exemption.
- 16.6 Subject to the provisions hereinabove provided, Contractor shall be liable for payment of:
- a) charges payable by specified industries or in connection with Petroleum Operations under applicable legislation;
 - b) payments for purchase, lease or rental of land or land rights in connection with Petroleum Operations;
 - c) taxes, fees or charges for specific services rendered on request or to the public generally;
 - d) customs duties, except for those items subject to exemption as provided in Article 17, applicable at the rates specified from time to time;
 - e) stamp duties, registration fees, licence 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.
- 16.7 If any change in or to any Indian law, rule or regulation imposed by any central, state or local authority dealing with income tax or other corporate tax, export/import tax, customs duty or form of tax, levy, duty or impost on Petroleum or dependent upon the value of Petroleum results in a material change to the economic benefits accruing to any of the Parties under the Contract after the Effective Date, the Parties shall consult promptly and make the necessary revisions and adjustments to the Contract in order to maintain such expected economic benefits to each of the Parties.



ARTICLE 17 - CUSTOMS DUTIES

- 17.1 Machinery, plant, equipment, materials and supplies shall be exempted from all customs duties, import taxes or levies, if imported by a Foreign Company or its Subcontractors solely and exclusively for use in Petroleum Operations, whether under this Contract or under a contract eligible for a similar exemption, subject to compliance with procedures and conditions as may be determined pursuant to applicable customs duty legislation, Article 23 and the terms herein specified.
- 17.2 Contractor shall submit to the Government a list of Subcontractors who are engaged by it for the purpose of obtaining the various categories of items specified herein pursuant to the conduct of Petroleum Operations and who may claim exemptions hereunder.
- 17.3 In order to qualify for the exemption from customs duties as provided for in Article 17.1, all imported items for which duty exemption is being claimed shall be certified by a responsible representative of the Contractor to be imported in terms of this Contract for use in carrying out Petroleum Operations and shall be approved by a representative of the Government to be eligible for such exemption pursuant to the terms of the Contract.
- 17.4 The Government shall have the right to inspect the records and documents of the physical item or items for which an exemption is or has been provided under Article 17.1 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 being used for any other purpose shall immediately become liable to payment of the applicable customs duties.
- 17.5 Subject to Article 27, the 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 governing customs duties and sale or disposal of such items.



ARTICLE 18 - DOMESTIC SUPPLY, SALE, DISPOSAL AND EXPORT OF CRUDE OIL AND CONDENSATE

- 18.1 Until such time as India attains Self-sufficiency, the Contractor shall be required to sell to the Government or its nominee all of the Contractor's entitlement to Crude Oil and Condensate in order to assist in satisfying the national demand.
- 18.2 Pursuant to Article 18.1 and subject to Article 18.4, the Contractor shall sell to the Government (or its nominee) its total Participating Interest share of Crude Oil and Condensate to which it is entitled under Articles 14 and 15 at the price determined in accordance with Article 19 for sales to Government and the Government shall purchase the whole thereof at the said price.
- 18.3 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 Contractor by written notice. In such event, as from the end of the following Year, or such earlier date as the Parties may mutually agree, Government's obligation to purchase shall be suspended and the Contractor shall have the right to lift and export its Participating Interest share of Crude Oil and Condensate, subject to the Government's option to purchase by giving notice to the Contractor as provided in Article 18.4.
- 18.4 Following the service of notice under Article 18.3 that India has attained self-sufficiency, the Government shall have the option but not the obligation to purchase all the production in a particular Year of Crude Oil and Condensate from a Development Area representing the Contractor's Participating Interest share of Cost Oil and Profit Oil. The Government shall indicate whether or not it intends to exercise its said option to purchase, in writing, not later than ninety days (90) prior to the commencement of the Year in respect of which the sale is to be made. Failure by the Government to give such notice within the period specified shall be conclusively deemed an election to continue the election made in respect of the current Year, or if no election has been made, to take all of the Crude Oil and Condensate produced in the ensuing Year. The Government shall be obliged to take and pay for the Crude Oil and Condensate in respect of which it has or is deemed to have elected to exercise its option to purchase.
- 18.5 All payments in respect of sales to the Government pursuant to provisions of this Article 18 shall be made by the Government within thirty (30) days of the date of submission of an invoice. Each Party constituting the Contractor shall submit invoices on or after the first and fifteenth days of each Calendar Month (or at such other intervals as may be agreed with the Government) for deliveries made to the Government of Crude Oil or Condensate. In the case of sales by a Foreign Company, payments shall be made in United States Dollars or at the request of the Foreign Company in 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. All amounts unpaid by the Government by the due date shall, from the due date, bear interest calculated on a day to day basis at LIBOR plus two (2) percentage points from the date due until paid.

- 18.6 If full payment is not received by a Party constituting the Contractor when due as provided in Article 18.5, such Party may, at any time thereafter, notify the Government of the default and, unless such default is remedied within fifteen (15) days from the date of the said notice, the Contractor shall have the right, upon giving written notice to the Government:
- a) to suspend the Government's right to lift Crude Oil and Condensate;
 - b) to freely lift, sell and export all its Participating Interest share of Crude Oil and Condensate subject to the destination restrictions specified in Article 18.7, until the Government has paid the due amount, together with any costs of transport of such Crude Oil and Condensate from the normal Delivery Point for sales to Government to the customer or the export facility, plus interest as provided herein; and
 - c) if the payment plus interest is not received by each Party constituting the Contractor within one hundred and eighty (180) days from the date the said payment was due, to receive and sell (including sale for export) the Government's share of Profit Oil until such time as either the value of the Government's share of Profit Oil so sold by the Contractor determined by applying the price calculated in accordance with Article 19.3 is equal to all amounts due in accordance with Article 18.5 plus the transport costs as referred to in Article 18.6 b) of any Crude Oil and Condensate (whether forming part of the Government's or the Contractor's share) together with interest in accordance with Article 18.5, or the Government has paid all such amounts, whichever first occurs; provided, however, that if the Government makes a payment after the Contractor has commenced the sale of Government's share of Profit Oil and such payment together with the value of Government's share of Profit Oil sold, determined as aforesaid, exceeds all such amounts including interest, the necessary adjustment shall be carried out to refund to the Government forthwith the excess amount received by the Contractor.
- 18.7 The Contractor shall be entitled to freely lift, sell and export any Crude Oil and Condensate which the Government has elected not to purchase pursuant to this Article 18, subject to Government's generally applicable destination restrictions in respect of countries with which the Government, for policy reasons, has severed or restricted trade.
- 18.8 No later than sixty (60) days prior to the commencement of production from a Development Area, and thereafter no 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 quantities and grades of Crude Oil and Condensate that it estimates will be produced from each Reservoir within that Development Area during the succeeding Year, based on a maximum efficient rate of recovery in accordance with good petroleum industry practice. No later than thirty (30) days prior to the commencement of each Quarter, the Contractor shall advise its revised estimate of production for the succeeding Quarter.

- 18.9 Each Party constituting 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 Oil and Profit Oil and shall have the obligation to lift the said Cost Oil and Profit Oil on a current basis and in such quantities so as not to cause a restriction of production or inconvenience to the other Parties, and shall compensate the other Parties for any loss of production or additional flaring or any other losses caused by failure to do so, subject to Article 31.
- 18.10 The Government shall, throughout the term of this Contract, take in kind its share of Profit Oil and of such portion of the Company's share of Crude Oil and Condensate as is required to be purchased by the Government pursuant to Article 18, (notwithstanding any notice served pursuant to Article 18.6) and shall have the obligation to lift all of the same on a current basis and in such quantities so as not to cause a restriction of production or inconvenience to the other Parties and shall compensate the other Parties for any permanent loss of production or additional expenses caused by failure to do so, subject to Article 31.
- 18.11 For the purpose of implementing the provisions of Articles 18.9 and 18.10, a Crude Oil lifting procedure shall be agreed upon by the Parties no later than six (6) months prior to the commencement of Commercial Production in a Development Area. Such lifting procedure shall include, but not necessarily be limited to:
- a) a procedure for notification by the Operator to the Government, and to each Party constituting the Contractor, of projected production of Crude Oil and Condensate;
 - b) a procedure for notification by the Government, and by each Party constituting the Contractor, to the Operator, of its expected off take and the consequences of inability or failure to off take.





ARTICLE 19 - VALUATION OF PETROLEUM

- 19.1 For the purpose of this Contract, the value of Crude Oil, Condensate and Natural Gas shall be based on the price determined as provided herein.
- 19.2 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 Delivery Point for Crude Oil produced and sold or otherwise disposed of from each Development Area, for each Delivery Period, in accordance with the appropriate basis for that type of sale or disposal specified below.
- 19.3 In the event that some or all of the total sales of Crude Oil during a Delivery Period by a Party constituting the Contractor are Arms-length Sales, all sales so made shall be valued at the weighted average of the prices actually received by that Party for Arms-length Sales, calculated by dividing the total receipts from all Arms-length Sales FOB the Delivery Point by the total number of Barrels of the Crude Oil sold in Arms-length Sales. The Delivery Point for such sales shall be the outlet flange of the export terminal or the customers facilities in India, as the case may be.
- 19.3.1 In the event that a portion of such Arms-length Sales are export sales made on a basis other than an FOB basis as herein specified, the said portion shall be valued at prices equivalent to the prices FOB the Delivery Point for such sales determined by deducting all costs (such as transportation, demurrage, loss of Crude Oil in transit and similar costs) incurred downstream of the Delivery Point, and the prices so determined shall be deemed to be the actual prices received for the purpose of calculation of the weighted average of the prices for all Arms-length Sales for the Delivery Period.
- 19.3.2 Each Party constituting the Contractor shall separately submit to the designated government company, within fifteen (15) days of the end of each Delivery Period, a report containing the actual prices obtained in their respective Arms-length Sales of any Crude Oil. Such reports shall distinguish between term sales and spot sales and itemise volumes, customers, prices received and credit terms, and such Party shall allow the designated government company to examine the relevant sales contracts.
- 19.4 In the event that some or all of any such Party's sales of Crude Oil from a Development Area during a Delivery Period are made to the Government or a government company, the Delivery Point for such sales shall be the outlet flange of the field storage facilities. The price of all sales so made shall, unless otherwise agreed between the Parties, be determined on the basis of the average FOB selling price per Barrel of a basket of Crude Oils to be agreed between the Parties, which are quoted in 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 prices of the basket of Crude Oils ("the basket price") for each day adjusted for differences in quality, delivery time, quantity, payment terms, and other contract terms to the extent known. No adjustment will be made for transportation costs. In the event that Platt's ceases to be published or is not published for a period of thirty (30) consecutive days, the Parties shall agree on an alternative daily publication.

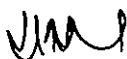
- 19.4.1 At least six (6) months prior to commencement of Commercial Production from the first Development Area and from each Development Area thereafter in the Contract Area, the Parties shall meet in order to establish an appropriate basket of Crude Oils from which to calculate the price of the Crude Oil from that Development Area pursuant to Article 19.4. In agreeing an appropriate basket, the Parties shall attempt, so far as reasonably practicable, to choose a mixture and weighting of Crude Oils which would produce a quality similar to the quality of Crude Oil expected to be produced from that Development Area, and to agree what quality adjustment (if any) to the Basket Price is appropriate. In determining the quality of 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.
- 19.4.2 The Parties shall meet annually, or sooner upon notice served by any Party on the others, to review the adjustment established pursuant to article 19.4.1 in light of any new facts since the date of establishment of such adjustment, to determine if any change should be made to the said adjustment, by mutual agreement of the Parties. In the event of changing market conditions, the Parties may review and mutually agree on changes to the basis upon which the price of such sales is to be calculated.
- 19.4.3 In the event that any Crude Oil in the basket is no longer being so actively traded in the international markets that its prices can be ascertained from an international publication or its official FOB selling price and its international spot market price vary widely, the Parties shall meet in good faith to determine an appropriate substitute Crude Oil and/or adjustment to the weighting of the basket to arrive at a similar quality to the Crude Oil produced from that Delivery Area and the appropriate adjustments in accordance with Article 19.4.1.
- 19.5 In the event that in any Delivery Period, some but not all of the sales of Crude Oil from a Development Area by a Party constituting the Contractor are made to the Government or a government company and some but not all are Arms-length Sales and the price as established in accordance with Article 19.4 differs by more than three percent (3%) from the price as determined in accordance with Article 19.3 for the same Delivery Period, the Parties shall meet, upon notice from any Party, to determine if the prices established in accordance with Article 19.4 for the relevant Delivery Period should be adjusted taking

into account Arms-length Sales made by such Party of the same or similar Crude Oil from the relevant Development Area or other Development Areas and published information in respect of third party Arms-length Sales of the same or similar Crude Oil for that Delivery Period. Until the matter of an adjustment for the relevant Delivery Period is finally determined, the respective prices as established in accordance with Articles 19.3 and 19.4 will apply for that Delivery Period. Any adjustment under this Article 19.5, if necessary, will be made within thirty (30) days from the date the adjustment for that Delivery Period is finally determined.

- 19.6 The 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 the government company and shall be subject to agreement by the Government or the government company before it is finally determined. In default of agreement between the Parties, the price shall be finally determined under Article 19.7. Pending final determination, the price determined by the Contractor for the Crude Oil shall be used, unless the Government or government company has raised an objection to such price, in which case the last established price, if any, shall be used.
- 19.7 In the event that the Parties fail to reach agreement on any matter concerning 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 between 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 33.
- 19.7.1 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.
- 19.7.2 Within fifteen (15) days from the date of his appointment, the expert shall report to the Parties on the issue(s) 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.
- 19.7.3 Except for the adjustment referred to in Article 19.5 and the final determination of price under Article 19.6, no price or pricing mechanism agreed by the Parties pursuant to the provisions of this Article shall be changed retroactively by the expert.
- 19.8 Any sale or disposal of Crude Oil produced from a Development Area other than to the Government or government companies or 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 Party constituting the Contractor, it shall submit to the Government, within fifteen (15) days of the end of each Delivery Period, all relevant information concerning such sales or disposals.

- 19.9 In the event that in any Delivery Period there is more than one type of sale referred to in Articles 19.3, 19.4 and 19.8, then, for the purpose of calculating Cost Oil and Profit Oil entitlement pursuant to Articles 14 and 15, 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.
- 19.10 In this Article the term government company shall include any nominee or agency of Government to whom Crude Oil is to be sold.
- 19.11 The provisions specified above for the determination of the price of sales of Crude Oil shall apply mutatis mutandis to Condensate.
- 19.12 The price of Natural Gas shall be determined as provided in Article 21.



ARTICLE 20 - CURRENCY AND EXCHANGE CONTROL PROVISIONS

- 20.1 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) convert into foreign exchange, if necessary, and repatriate abroad, in United States Dollars or any other freely convertible currency, the net proceeds of sales of Petroleum in India;
 - b) receive, retain and use abroad the proceeds of any sales of Petroleum exported under the Contract;
 - c) open, maintain, operate and close bank accounts with reputable banks, both inside and outside India,;
 - 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;
 - 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; and
 - g) convert into foreign exchange and repatriate sums received from the sale of assets acquired under, or of Participating Interests in, the Contract or any other sums which may become due under the Contract or the Operating Agreement.
- 20.2 The rates of exchange for the purchase and sale of currency by the Company shall be as provided in Section 1.6 of Appendix C.
- 20.3 Each Foreign Company shall have full rights of control over movement of funds out of bank accounts established for the purpose of Petroleum Operations but shall provide to the Reserve Bank of India or any financial body designated by the Government, such particulars of foreign exchange transactions as may from time to time be required under laws of general application in India.



ARTICLE 21 - NATURAL GAS

- 21.1 Subject to Article 21.2, the Indian domestic market shall have the first call on the utilisation of Natural Gas discovered pursuant to Petroleum Operations and produced from the Contract Area. Accordingly, any proposal by the Contractor relating to Discovery and production of Natural Gas 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.
- 21.2 Notwithstanding Article 21.1, Contractor shall have the right to use Natural Gas produced from a Development Area for the purpose of Petroleum Operations including reinjection for pressure maintenance in any Crude Oil Reservoir, gas lifting and power generation.
- 21.3 **Associated Natural Gas (ANG)**
- 21.3.1 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 9, 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 21.2 (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 along with the commercial production of the Crude Oil and whether the Contractor intends to so exploit the Excess ANG. If the Contractor does so intend it shall inform the Government for the purposes of Article 21.5.
- 21.3.2 Based on the principle of full utilisation and minimum flaring of ANG, a proposed Development Plan for a Crude Oil Discovery shall, to the extent practicable, include a plan for utilisation of the ANG including estimated quantities to be flared, reinjected, and to be used for Petroleum Operations; and, if the Contractor proposes to commercially exploit the Excess ANG, the provisional plans for such exploitation.
- 21.3.3 If the Contractor notifies the Government under Article 21.3.1 that it intends to exploit the Excess ANG the 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 Management Committee within twelve (12) months of the date of notification referred to above. The said proposal shall be made as an amendment to the Development Plan submitted pursuant to Article 21.3.2, and shall be subject to consideration and decision in accordance with Article 9.7.
- 21.3.4 Where the Contractor has notified the Government under Article 21.3.1 that it is of the view that the Excess ANG cannot be commercially exploited or that it chooses not to exploit the said ANG, the Government shall be entitled to take and utilise such Excess ANG.

21.3.5 If the Government elects to take the Excess ANG as provided in Article 21.3.4:

- a) the Contractor shall deliver such Excess ANG to the Government (or its nominee) free of charge, at the downstream flange of the gas/oil separation facilities;
- b) the Contractor shall, based on sound international petroleum industry engineering practices, install such facilities as would facilitate, insofar as practicable consistent with priority for the optimisation of production of Crude Oil from the Development Area, uninterrupted delivery of such Excess ANG to the Government or its nominee;
- c) the cost of design, construction, maintenance and operation of all facilities installed up to and including the downstream flange of the gas/oil separation facilities pursuant to paragraph b) above shall be charged to the Development Area from which the Excess ANG is being produced as Production Costs;
- d) the Government or its nominee shall bear all costs of design, construction, maintenance and operation of facilities installed beyond the downstream flange of the gas/oil separation facilities pursuant to paragraph b) above, including gathering, treating, processing and transporting costs beyond the downstream flange of the gas/oil separation facilities;
- 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.

21.3.6 Excess ANG which is not commercially exploited by the Contractor, or taken by the Government or its nominee pursuant to this Article 21, shall be returned to the subsurface structure or flared where such flaring is approved in the Development Plan for the relevant Development Area or where reinjection is inadvisable in accordance with good reservoir engineering practices.

21.4 Non Associated Natural Gas (NANG)

21.4.1 The provisions of Articles 9.1 to 9.3 and 9.8 to 9.14 apply to a Discovery of NANG. The remaining provisions of Article 9 would apply to the discovery and development of NANG only insofar as they are not inconsistent with the provisions of Articles 21.4.1 to 21.4.7. The Contractor shall be entitled to retain the Discovery Area subject to the provisions of this Article 21.

21.4.2 If on the basis of the results of the appraisal of a Discovery of NANG, 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 five (5) years from the date of notification of the aforementioned Discovery under Article 9.1, a proposal for the declaration of the Discovery as a Commercial Discovery

and the designation of the Development Area to encompass the Discovery. Such proposal shall also contain a proposal for the commercial exploitation of the NANG and details of the infrastructure which the Contractor believes will be required to deliver the NANG to the market, supported by, inter alia, technical and economic data, evaluations, interpretations and analyses of such data, feasibility studies relating to the Discovery prepared by or on behalf of the Contractor and other relevant information. Contractor shall at the same time submit a copy of the proposal to Government for the purpose of Article 21.5.

- 21.4.3 If no proposal for the declaration of a Discovery of NANG as a Commercial Discovery is submitted to the Management Committee by the Contractor within five (5) years from the said Discovery, the Contractor shall relinquish its rights to develop such Discovery and such Discovery shall be excluded from the Contract Area, unless the Parties otherwise agree.
- 21.4.4 If the Discovery of NANG also contains Crude Oil or Condensate in quantities which could not be commercially exploited alone, but the Contractor intends to exploit such Crude Oil or Condensate commercially in conjunction with the commercial production of the NANG the Contractor will include its proposals for such exploitation in its proposal for the declaration of the NANG Discovery as a Commercial Discovery.
- 21.4.5 Where the Contractor has submitted a proposal for the declaration of a Discovery of NANG as a Commercial Discovery, the Management Committee shall consider the proposal of the Contractor with reference to commercial utilisation of the NANG in the domestic market or elsewhere and in the context of Government's policy on gas utilisation and the chain of activities required to bring the NANG from the Delivery Point to potential end consumers in the domestic market or elsewhere. The Management Committee may, within ninety (90) days, request the Contractor to submit any additional information on the Discovery and the appraisal of the Discovery by the Contractor that it may reasonably require to facilitate a decision on whether or not to declare the Discovery as a Commercial Discovery and for the designation of the Development Area to encompass the Commercial Discovery. The Management Committee shall consider and make a decision upon the proposal within one hundred and eighty (180) days of the date of receipt of the said proposal. If the Management Committee does not declare the Discovery as a Commercial Discovery, the Company may do so.
- 21.4.6 If the Discovery is declared to be a Commercial Discovery, such declaration shall be accompanied by an indication of the probable date(s) by when the market(s) would be ready to receive the Gas and an estimate of the quantities of Gas that could be so utilised. The Contractor, in such an event, shall, within twelve (12) Months 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 its approval. Such plan shall be supported by all relevant information including, inter alia, the information required in Article 9.6. The Management Committee shall request any additional information it may reasonably require to facilitate its decision, within forty five (45) days of submission of the Development Plan and shall consider the Development Plan without any undue delay. The Management Committee shall be deemed to have approved the Development Plan submitted by the Contractor if it has not met and considered such Development Plan within one hundred and twenty (120) days of its submission, or the provision of any additional information required. If the Management Committee does not approve the Development Plan within the said period, the Contractor shall have the right to submit such Development Plan directly to the Government for approval. The Government shall respond to the said submission within sixty (60) days of receipt thereof. If the Government disapproves the Contractor's proposed Development Plan, the Government shall state in writing the reasons for such disapproval and the Contractor shall have the right to resubmit, within sixty (60) days of communication of such disapproval, a Development Plan duly amended to meet the Government's objections thereto. The Government shall not unreasonably refuse to approve a Development Plan submitted by the Contractor. If no Development Plan is submitted to the Government within the above specified periods, the Contractor shall relinquish its rights to develop such Discovery and such Discovery shall be excluded from the Contract Area, unless the Parties otherwise agree.

21.4.7 In the event the Management Committee, or the Government, as the case may be, approves the Contractor's proposal for declaration of the Discovery as a Commercial Discovery and also the Development Plan for the utilisation of NANG produced in the domestic market, with such modifications and amendments as the Management Committee or the Government, as the case may be, may decide, the said Discovery shall be promptly developed by the Contractor in accordance with the approved Development Plan. If the Contractor does not commence development of such Discovery within ten (10) years from the date of completion of the first discovery well, the Contractor shall relinquish its rights to develop such Discovery and the area relating to such Discovery shall be excluded from the Contract Area, unless the Parties otherwise agree.

21.5 The Government shall within ninety (90) days of receiving notification under Article 21.3.1 or a copy of the proposal under 21.4.2, inform Contractor whether or not it wishes to take its share of Profit Gas in kind. If the Government indicates it wishes to do so, the Contractor may require the Government to purchase all other Gas produced from the Development Area, at a price which is equivalent to the price which Contractor would have been able to obtain at arms-length in the domestic market under long term contracts for the sale of all Natural Gas produced and saved from the Development Area. The price to be paid for Natural Gas purchased by the Government or a government

company or nominee for use in India shall, unless the Contractor and the Government mutually agree otherwise, be payable in the currency and manner specified in Article 18.5 hereof. The Government recognises the potentially adverse effects upon the viability of a project for exploitation of Gas of uncertainty as to the amount available, and accordingly will not change its election whether or not to take Profit Gas in kind unless otherwise agreed with the Contractor. Where the Government elects not to take Profit Gas in kind, it will be deemed to have authorised Contractor to sell its share of Profit Gas on its behalf and to account to it for the proceeds thereof. If the Government elects to take its share of Profit Gas in kind, it shall ensure that any transportation infrastructure downstream of the Delivery Point, which is necessary to enable it to do so, is promptly constructed or made available. In such event, the provisions of this Contract relating to Government participation and cost recovery shall apply as provided in Articles 13 and 14 respectively and the Profit Gas shall be shared as provided in Article 15.

- 21.6 The Contractor shall be free to sell Gas on the Indian domestic market. However, notwithstanding Article 21.1, if the Gas has a greater commercial value if it is exported than if it is sold on the Indian domestic market, the Contractor shall be free to export the Gas, subject to the Government's generally applicable destination restrictions in respect of countries with which the Government has, for policy reasons, severed or restricted trade. If the Contractor wishes to develop any Discovery for the purpose of an export project, it may do so in accordance with a Development Plan submitted to the Management Committee for approval, which shall not be unreasonably withheld. If the Contractor submits a Development Plan for an export project, the price payable by the Government pursuant to Article 21.5 shall be the price which would have been obtainable for the Gas through such export project, if it had been implemented.
- 21.7 The value to be ascribed to Natural Gas for the purposes of calculating Cost Gas and Profit Gas and for the calculation of Income Tax shall be:
- a) zero, in the case of Natural Gas which is used for the purposes set out in Article 21.2, taken by the Government pursuant to Article 21.3.4, or flared;
 - b) calculated from the price paid by the Government in accordance with Articles 21.5 and 21.6, in the case of Natural Gas sold to the Government or a government company or nominee; and
 - c) calculated from the prices actually obtained, in the case of other sales of Natural Gas.

Provided that if any sales of Natural Gas, other than to the Government or a government company or nominee, take place at a price which is not consistent with prices obtainable at arms length for similar terms of sale in the market where those sales took place, the appropriate market price shall be used to calculate the value of such sales for the purpose of calculating Cost Gas and Profit Gas.

ARTICLE 22 - EMPLOYMENT, TRAINING AND TRANSFER OF TECHNOLOGY

- 22.1 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.
- 22.2 Not later than six (6) months after approval of a Development Plan, the Contractor shall, in consultation with the Licensee, 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.
- 22.3 Pursuant to Article 22.2, the Operator shall associate and involve mutually agreed numbers of the Licensee's personnel in the technological aspects of the then ongoing Petroleum Operations without charge of a fee for such association or involvement. Such aspects may include:
- a) seismic data acquisition, processing and interpretation;
 - b) computerised formation evaluation using well logs;
 - c) computerised analysis of geological data for basin analysis;
 - d) laboratory core analysis;
 - e) reservoir simulation and modelling;
 - f) geochemistry, including source rock studies, hydrocarbon generation, modelling;
 - g) measurement-while-drilling techniques;
 - h) stimulation of wells;
 - i) production engineering including optimisation methods for surface and subsurface facilities (e.g. NODAL analysis and implementation);
 - j) reservoir engineering and management including gas and water injection;
 - k) enhanced oil recovery techniques;
 - l) gas production technology;
 - m) pipeline technology;
 - n) well design and drilling technology.
- 22.4 A Party shall not be obliged to disclose by virtue of this Article 22 any data, process or information, whether owned by itself, any of its Affiliates or a third party, of a proprietary nature.

ARTICLE 23 - LOCAL GOODS AND SERVICE

- 23.1 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 Contractor is satisfied 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) cooperate with domestic companies in India to enable them to develop skills and technology to service the petroleum industry;
 - d) ensure that provisions in terms of paragraphs a) to c) above are contained in contracts between the Operator and its Subcontractors.
- 23.2 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. The tender procedures shall include, inter alia, the financial amounts or value of contracts which will be awarded on the basis of selective bidding or open competitive bidding, the procedures for such bidding, and the exception to bidding in cases of emergency, and shall submit such procedures to the Management Committee, under Article 5.5 c).
- 23.3 Within one hundred and twenty (120) 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.
- 23.4 In this Article "goods" means equipment, materials and supplies.



ARTICLE 24 - INSURANCE AND INDEMNITY

- 24.1 The Contractor shall, during the term of this Contract, 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 petroleum industry practices, and shall furnish to the Government certificates evidencing that such coverage is in effect. Such insurance policies shall include the Government and the Licensee as additional insured in respect of claims against them arising out of Petroleum Operations carried out by the Contractor and shall waive subrogation against the Government and the Licensee. 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 Company may be liable;
 - d) Any claim for which the Government or the Licensee 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 carried out by the Contractor under this Contract;
 - e) The Contractor's and/or the Operator's liability to its employees engaged in Petroleum Operations.
- 24.2 The Contractor shall require its Subcontractors to obtain and maintain insurance against the risks referred to in Article 24.1 relating mutatis mutandis to such Subcontractors.
- 24.3 The Contractor shall indemnify, defend and hold the Government and the Licensee harmless against all claims for loss or damage to property or injury or death to persons caused by or resulting from the Wilful Misconduct or Gross Negligence of the Operator, but so that this indemnity shall not extend to loss of Petroleum, underproduction of Petroleum or to loss of tax or other income from the production of Petroleum.



ARTICLE 25 - RECORDS, REPORTS, ACCOUNTS AND AUDIT

- 25.1 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. The Contractor shall also keep representative samples of cores and cuttings.
- 25.2 Based on generally accepted and recognised accounting principles and modern petroleum industry practices, records, books, accounts and accounting procedures in respect of Petroleum Operations shall be maintained by the Operator, at its business office in India, in accordance with the Accounting Procedure.
- 25.3 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.
- 25.4 Accounts, together with the auditor's report thereon, shall be submitted to the Parties not later than the thirtieth (30th) September following the Financial Year.
- 25.5 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.
- 25.6 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.
- 25.7 For the purpose of any audit referred to in Article 25.5, the Operator and 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 26 - INFORMATION, DATA, CONFIDENTIALITY,
INSPECTION AND SECURITY**

- 26.1 The Contractor shall, promptly after they become available, provide the Licensee 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 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 Licensee, provided, however, that the Company 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.
- 26.2 Contractor may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, with the approval of the Licensee, original material, except that where such material is capable of reproduction and copies have been supplied to the Licensee, Contractor may, subject to the right of inspection by the Licensee, export 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 Licensee.
- 26.3 Contractor shall keep the Licensee currently advised of all developments taking place during the course of Petroleum Operations and shall furnish the Licensee with full and accurate information and progress reports relating to Petroleum Operations (on a daily, monthly, yearly or other periodic basis) as the Licensee or the Government may reasonably require, provided that this obligation shall not extend to proprietary technology. Without prejudice to the generality of the foregoing, the Contractor shall submit regular statements and reports relating to Petroleum Operations as provided in Appendix C. Contractor shall meet with the Licensee and the Government at a mutually convenient location 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.
- 26.4 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.
- 26.5 The obligation specified in Article 26.4 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 an interest hereunder of a Party comprising the Contractor or in connection with a sale of stock 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.

- 26.6 Any Data, information or reports disclosed by the Parties comprising the Contractor to any other person pursuant to Article 26.5 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 Company pursuant to Article 26.5 shall be given to the Licensee.
- 26.7 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 programme to be conducted by a third party in another area, may be disclosed by the Government for such purposes on conditions to be agreed upon between the Government and the Contractor.
- 26.8 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 five years after the area ceases to be part of the Contract Area, and shall deliver to the Licensee 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 once such area ceases to be part of the Contract Area. In addition, the Government may specify Data and information which shall not be released even after the expiry of the said period of five years, without prior notice to the Government.
- 26.9 The Government and the Licensee shall, at all reasonable times and with reasonable notice, 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 under the Contract, 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 in particular 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.

- 26.10 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, 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 from which the survey aircraft will commence its voyage.
- 26.11 The Government, or the authority designated by the Government for such purpose, shall have the right to inspect any aircraft 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 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.



ARTICLE 27 - TITLE TO PETROLEUM, DATA AND ASSETS

- 27.1 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 or Gas the title whereof has passed to the Contractor or any other person in accordance with the provisions of this Contract.
- 27.2 Title to Crude Oil and/or Gas to which Contractor is entitled under this Contract, and title to Crude Oil and/or Gas sold to Government or its nominee by the Contractor shall pass to the relevant Party or, as the case may be, to Government or its nominee at the Delivery Point. The Contractor shall be responsible for all costs and risks prior to the Delivery Point and each Party shall be responsible for all costs and risks associated with such Party's share after the Delivery Point and where the Government or its nominee purchases all or some of the Contractor's share of Crude Oil or Condensate in accordance with Article 18, Government or its nominee shall be responsible for all costs and risks in respect of the amount purchased, after the Delivery Point.
- 27.3 Title to all Data specified in Article 26 shall be vested in the Licensee and the Contractor shall have the right to use thereof as therein provided.
- 27.4 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 Licensee 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 Licensee's option either on recovery of the costs of the assets or upon expiry or earlier termination of the Contract.
- 27.5 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.
- 27.6 So long as this Contract remains in force, 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 the Licensee subject, however, to Article 27.5.
- 27.7 Equipment and assets no longer required for Petroleum Operations under this Contract shall first be offered to the Licensee at their book value and, if not required by the Licensee, may be transferred for use in any other contract area in India by any entity forming part of the Contractor on payment of the book value, or if not so required shall be sold or exchanged by the Contractor provided that the proceeds of



transfer or sale shall be credited to Petroleum Operations as provided
in Appendix C.

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ARTICLE 28 - ASSIGNMENT OF INTEREST

- 28.1 Subject to the terms of this Article and other terms of this Contract, any Party constituting the Company 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 has sufficient financial standing and technical competence to meet its obligations hereunder, and is willing to provide an unconditional undertaking 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.

In the case of an assignment or transfer to an Affiliate of SIPD, the Government will give its consent provided that a) and b) above are complied with.

- 28.2 An application by a Party constituting the Company 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 that Party, the terms of the proposed assignment or transfer and the unconditional undertaking referred to in a) above. 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.

- 28.3 No assignment or transfer shall be effective until the approval of the Government is received, which approval may be given by the Government (on such terms as it may deem fit). 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.

- 28.4 Upon prior notice to each Party constituting the Company, a government company may assign or transfer all or any part of its rights and interest under this Contract to any other government company,

authorised by the Government to explore for and exploit petroleum in the Contract Area.

- 28.5 An assignment or transfer shall not be made so as to reduce the Participating Interest of a Party constituting the Contractor, at any time, to less than ten percent (10%) of the total Participating Interest of all the constituents of the Contractor, except where such reduction would occur by virtue of a transfer of a proportion of that Party's interest to a Nominee of the Government pursuant to Article 13, or where the Government, on the recommendation of the Management Committee may, in special circumstances, so permit.



ARTICLE 29 - GUARANTEES

- 29.1 The Company shall procure and deliver to the Government on the Effective Date of this Contract:
- a) a financial and performance guarantee, in favour of the Government and the Licensee, in the form and substance set out in Appendix E;
 - b) a legal opinion, from its legal advisors, in a form satisfactory to the Government, to the effect that the aforesaid guarantee has been duly signed and delivered on behalf of the guarantors with due authority and is legally valid and enforceable and binding upon them.
- 29.2 If the documents referred to in Article 29.1 are not delivered, the Government may give ninety (90) days written notice to the Company, and unless the documents are delivered before expiry of such notice, this Contract shall be cancelled.
- 29.3 Notwithstanding any change in the composition or shareholding of the companies furnishing the guarantee herein, they shall, under no circumstances, be absolved of their respective obligations contained in the guarantee provided pursuant to this Article.



ARTICLE 30 - TERMINATION OF CONTRACT

30.1 Without prejudice to the provisions of Article 30.4 or any other provisions of this Contract, the Company 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.

30.2 This Contract may, subject to the provisions herein below and Article 31, be terminated by the Government upon giving ninety (90) days written notice of its intention to do so in the following circumstances, namely, that the Company:

- 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 any mineral not authorised 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 international petroleum industry practice which, when so extracted, were immediately notified to the Government and to the Licensee; or
- c) is adjudged bankrupt by a competent court or enters into any agreement or scheme of composition with its creditors; or
- 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 28; or
- f) fails to make any monetary payment required by law or under this Contract within the specified period after the due date; or
- g) fails to comply with or contravenes the provisions of this Contract in a material particular; or
- h) fails to comply with any final determination or award made by a sole expert or arbitrators subject to Article 33.
- i) fails to deliver the guarantee required under Article 29.1 before the expiry of the notice of cancellation under Article 29.2.

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where the Company comprises two or more Parties, the Government shall not exercise its rights of termination pursuant to Article 30.2, on the occurrence, in relation to one or more, but not all, of such Parties, of an event entitling the Government to terminate the Contract, if any other Party constituting the Company satisfies the Government that it, or they, is/are willing and would be able to carry out the obligations of the Company.

- 30.3 If the circumstance or circumstances that would otherwise result in termination are the subject matter of proceedings under Article 33, 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.
- 30.4 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 incurred and not discharged by the Contractor prior to the date of termination.
- 30.5 In the event of termination pursuant to Articles 30.1 or 30.2, 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.
- 30.6 Within ninety (90) days after the termination of this Contract, pursuant to Article 30.1 or 30.2, or such longer period as the Government may agree, the Contractor shall comply with Article 12.9 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 31 - FORCE MAJEURE

- 31.1 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 licence or lease granted to such Party, or in meeting any requirement of the Act, Rules or any licence or lease issued thereunder, 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 is caused by Force Majeure as defined in this Article.
- 31.2 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 reasonably 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.
- 31.3 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.
- 31.4 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 provided, however, that the settlement of strikes or differences with employees shall be within the discretion of the Party having the difficulty. 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.
- 31.5 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.
- 31.6 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 any phase of the Exploration Period or this Contract shall be extended by a period, equal to the period for which performance under the Contract was affected by Force Majeure.

- 31.7 Notwithstanding anything contained hereinabove, 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 32 - APPLICABLE LAW AND LANGUAGE OF THE CONTRACT

- 32.1 This Contract shall be governed and interpreted in accordance with the laws of India, together with applicable principles of international law, insofar as they are not inconsistent with the laws of India.
- 32.2 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.



ARTICLE 33 - SOLE EXPERT, CONCILIATION AND ARBITRATION

- 33.1 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.
- 33.2 Any dispute or difference on 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, shall be referred to a sole expert to be appointed by the Parties to the dispute or difference jointly. Such sole expert shall be an independent and impartial person of international standing with relevant qualifications and experience, appointed by agreement between the Parties. 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 shall be final and binding on the Parties and not subject to arbitration.
- 33.3 Subject to the provisions herein, the Parties hereby agree that any dispute, difference or claim which cannot be settled amicably within a reasonable time may, except for those referred to in Article 33.2, be submitted by any Party (subject to Article 33.11) to an arbitral tribunal for final decision as hereinafter provided.
- 33.4 The arbitral tribunal shall consist of three arbitrators. The Party or Parties instituting the arbitration shall appoint one arbitrator and the Party or Parties responding shall appoint another arbitrator and both Parties shall so advise the other Parties. The two arbitrators appointed by the Parties shall appoint the third arbitrator.
- 33.5 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 forty five (45) days of receipt of the written request to do so, such arbitrator may, at the request of the first Party, be appointed by the Secretary General of the Permanent Court of Arbitration at the Hague, within forty five 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.
- 33.6 If the two arbitrators appointed by 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, the Secretary General of the Permanent Court of Arbitration at the Hague may, at the request of either Party and in consultation with both, appoint the third arbitrator who shall not be a national of the country of any Party.
- 33.7 If any of the arbitrators fails or is unable to act, his successor shall be appointed in the manner set out in this Article as if he was the first appointment.



- 33.8 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.
- 33.9 Arbitration proceedings shall be conducted in accordance with the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) of 1983 except that in the event of any conflict between these rules and the provisions of this Article 33, the provisions of this Article 33 shall govern.
- 33.10 The right to arbitrate disputes and claims under this Contract shall survive the termination of this Contract.
- 33.11 Prior to submitting a dispute to arbitration, a Party may submit the matter for conciliation under the UNCITRAL conciliation rules by a sole conciliator to be appointed by mutual agreement of the Parties. If the Parties fail to agree on a conciliator [or conciliators] in accordance with the said rules, the matter may be submitted for arbitration. No arbitration proceedings shall be instituted while conciliation proceedings are pending.
- 33.12 The venue of conciliation or arbitration proceedings pursuant to this Article, unless the Parties otherwise agree, shall be London, England, 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 and any pending claim or dispute.
- 33.13 The fees and expenses of a sole expert or conciliator appointed by the Parties shall be borne equally by the Contractor and the Government. Assessment of the costs of arbitration including incidental expenses and liability for the payment thereof shall be at the discretion of the arbitrators.
- 33.14 Notwithstanding the provisions of Article 32.1, any arbitral award made in accordance with this Article 33 shall be a foreign arbitral award for the purposes of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards concluded in New York on July 10th 1958, and signed by the Government of India on October 11th 1960.



ARTICLE 34 - ENTIRE AGREEMENT, AMENDMENTS, WAIVER AND MISCELLANEOUS

- 34.1 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 Effective Date of this Contract.
- 34.2 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.
- 34.3 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.
- 34.4 The provisions of this Contract shall enure to the benefit of and be binding upon the Parties and their permitted assigns and successors in interest.
- 34.5 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.
- 34.6 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.



ARTICLE 35 - CERTIFICATES

- 35.1 The 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 the execution of 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.
- 35.2 The Government shall furnish, prior to execution of this Contract, a legal opinion from the Ministry of Law, Government of India that this Contract is valid and enforceable in accordance with its terms under the applicable laws of India.



ARTICLE 36 - NOTICES

36.1 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) To the President of India through the
Secretary to the Government of India
Ministry of Petroleum and Natural Gas
Shastri Bhavan
Dr. Rajendra Prasad Marg,
New Delhi-110001, INDIA
Telex No: 0316 6235
Facsimile No.: 91-11-384 787
- b) The Company Secretary
Oil & Natural Gas Corporation Limited
Jeevan Bharati Tower II
Connaught Circus
New Delhi 110 001, INDIA
Grams: COMONG
Telex No: 0316 5184/0316 6262
Facsimile No.: 91-11-3316 413
- c) Shell India Production Development B.V.
S-3 International Trade Tower
Nehru Place
New Delhi
110019 INDIA
Facsimile No.: 91-11-642 9228

with a copy to

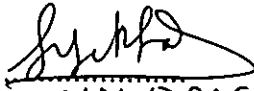
Shell Internationale Petroleum Maatschappij B.V.
Attention EPX/12
P.O. Box 162,
Oostduinlaan 75
2501 AN The Hague
The Netherlands
Facsimile No.: +31-70-377-4848
Telex No.: 00 44 36000

36.2 Notices when given in terms of Article 36.1 shall be effective when delivered if offered at the address of the other Parties as under Article 36.1 during business hours on working days and, if received outside business hours, on the next following working day.

36.3 Any Party may, by reasonable notice as provided hereunder to the other Parties, change its address and other particulars for notice purposes.

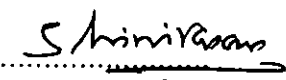
IN WITNESS WHEREOF, the representatives of the Parties to this Contract being duly authorised have hereunto set their hands and have executed these presents on the date first above written.

Signed for and on
behalf of the
President of India

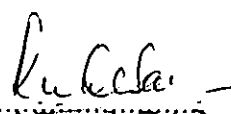
By: 
(S. CHANDRASEKHAR)
in the presence of:


(V. RAMANI)

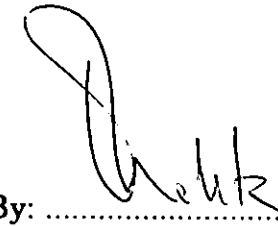
Signed for and on behalf
of Oil and Natural
Gas Corporation Limited

By: 
(CDR. S. SRINIVASAN)

in the presence of:

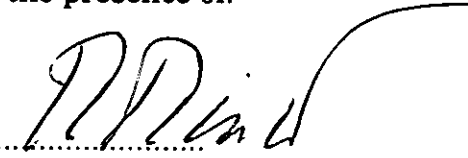

(R. N. DESAI)

Signed for and on behalf
of Shell India Production Development B.V.

By: 
V. MEHTA

in the presence of:

Amf.


B. REINHARDT

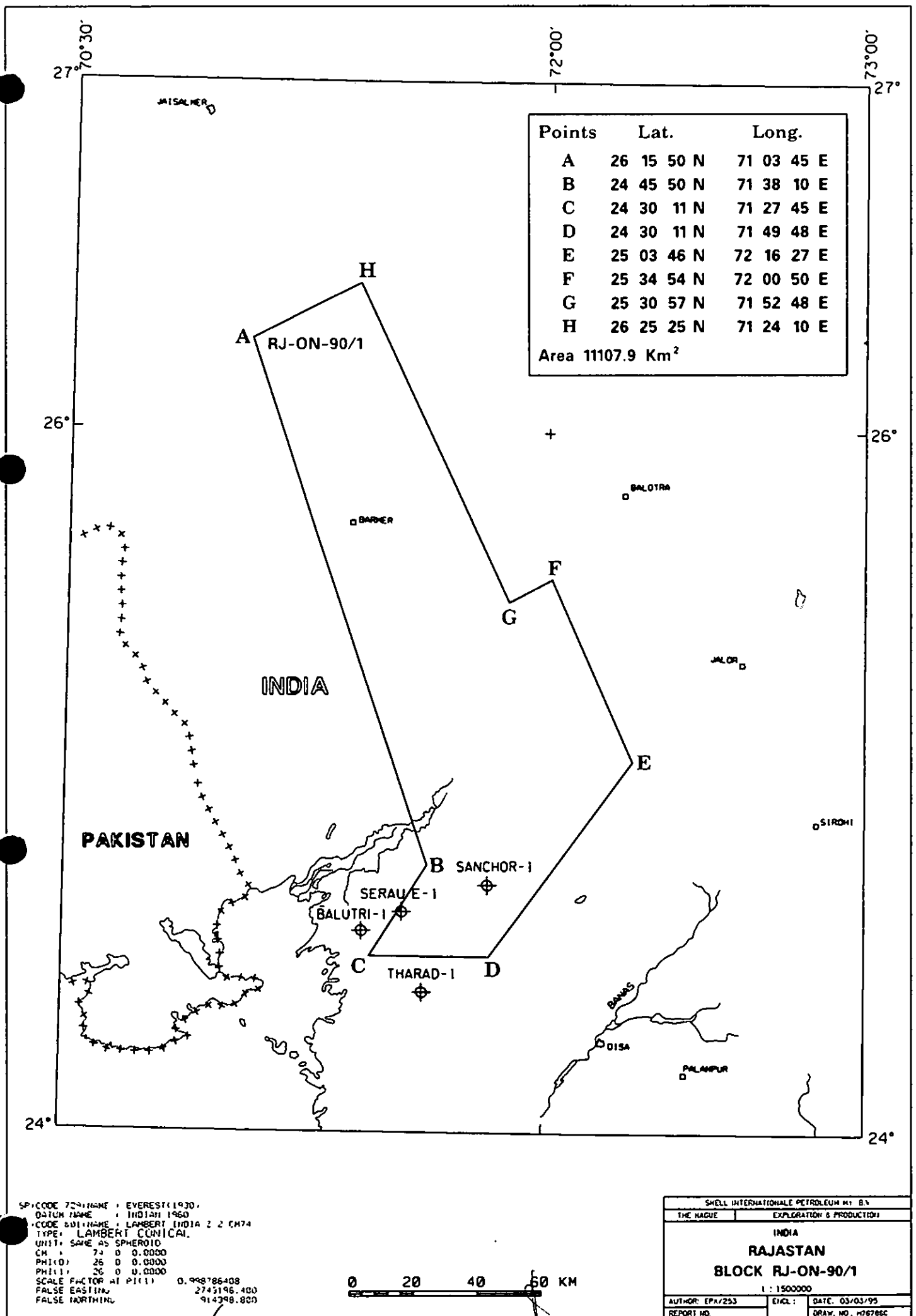
APPENDIX A**DESCRIPTION OF CONTRACT AREA**

The area comprising approximately 11,108 Sq. kms. Onshore India described herein and shown under map attached as Appendix B. Longitude and Latitude measurements commencing at point A are respectively:

Point	Latitude	Longitude
A	26° 15' 50.000" N	71° 03' 45.000" E
B	24° 45' 50.000" N	71° 38' 10.000" E
C	24° 30' 11.000" N	71° 27' 45.000" E
D	24° 30' 11.000" N	71° 49' 48.000" E
E	25° 03' 46.000" N	72° 16' 27.000" E
F	25° 34' 54.000" N	72° 00' 50.000" E
G	25° 30' 57.000" N	71° 52' 48.000" E
H	26° 25' 25.000" N	71° 24' 10.000" E



MAP OF CONTRACT AREA



APPENDIX C

**ACCOUNTING PROCEDURE TO
PRODUCTION SHARING CONTRACT**

between

THE GOVERNMENT OF INDIA

and

OIL & NATURAL GAS CORPORATION LIMITED

and

SHELL INDIA PRODUCTION DEVELOPMENT B.V.



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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 Oil/Profit Gas as well as, when appropriate, the Nominee's entitlement to Cost Oil/Cost Gas and Profit Oil/Profit Gas 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, production sharing and participation purposes;
- specify the manner in which the Contractor's accounts shall be prepared and approved; and
- address numerous other related accounting matters.

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

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 sixty (60) 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 recognised accounting systems and consistent with normal petroleum industry practice. The outline shall also describe the basis of the accounting system and procedures to be developed and used under this Contract.



Within ninety (90) days of receiving the above submission, the Government shall either approve the proposal or request, by writing, revisions to the proposal. The Contractor shall make any agreed changes to the proposal and 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.

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

- i) Production Statement (see Section 5 of this Accounting Procedure).
- ii) Value of Production and Pricing Statement (see Section 6 of this Accounting Procedure).
- iii) Statement of Costs, Expenditures and Receipts (see Section 7 of this Accounting Procedure).
- iv) Cost Recovery Statement (see Section 8 of this Accounting Procedure).
- v) Production Sharing Statement (see Section 9 of this Accounting Procedure).
- vi) End of Year Statement (see Section 10 of this Accounting Procedure).
- vii) Budget Statement (see Section 11 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 to the contrary in either of these, generally accepted practices in the international petroleum industry.

1.4.4 Each of the Parties 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, 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, production sharing and participation purposes, and for the computation of tax liability. Metric units and Barrels shall be employed for measurements required under



the Contract unless otherwise agreed between the Contractor and the Government. Where necessary for clarification, the Contractor may also maintain accounts and records in other languages, currencies and units.

1.6 Currency Exchange Rates and Payments

- 1.6.1 Any revenues, costs, expenditures, receipts or income in Indian Rupees shall be converted to United States Dollars using the average of the closing buying and selling rates of exchange, as quoted by such financial body as may be mutually agreed by the Parties, for the last working day prior to the Month in which they are recorded in the accounts. However, in the case of any single transaction in Indian Rupees in excess of the equivalent of fifty thousand (50,000) US Dollars, the conversion shall be performed using the average of such rates for the day on which the transaction occurred.
- 1.6.2 Any revenues, costs, expenditures, receipts or income in currencies other than United States Dollars or Indian Rupees shall be converted to United States Dollars using the average of the buying and selling rates of exchange for the day on which the transaction occurred as quoted in the Financial Times (London Edition) or such other quoted rates as may be mutually agreed.
- 1.6.3 Any realised or unrealised 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.
- 1.6.4 Subject to Article 13.5 of the Contract all payments between the Parties shall, unless otherwise agreed, be in United States Dollars and shall be made through a bank designated by each receiving Party. All sums due from one Party to another under the Contract shall, unless otherwise provided herein or in the Operating Agreement, bear interest for each day such sums are overdue, compounded daily at the applicable LIBOR plus two (2) percentage points, unless otherwise agreed between the Parties making and receiving such payments.

1.7 Audit and Inspection Rights of the Government

- 1.7.1 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.

- 1.7.2 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, appointed for the purpose by the Government and the costs of such audit shall be borne by the Government.
- 1.7.3 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 may require Contractor to obtain an audit certificate from the Affiliate's statutory auditor (provided it is an internationally recognised firm of public accountants), the costs of which shall be borne by Contractor as General and Administrative Costs.
- 1.7.4 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.
- 1.7.5 The Contractor shall answer any notice of exception under Section 1.7.4 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.
- 1.7.6 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 or the Nominee's entitlement to Petroleum shall be made as promptly as practicable.
- 1.7.7 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.

1.8 **Revision of the Accounting Procedure**

- 1.8.1 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.
- 1.8.2 In the event, and at the time, that the Government elects pursuant to Article 13 of the Contract to participate, the Parties shall review and, if necessary, modify this Accounting Procedure by mutual agreement.
- 1.8.3 Following any Discovery of Petroleum in the Contract Area, the Parties shall meet in order to establish specific principles and procedures for identifying all costs, expenditures, receipts and income, which apply to a specific Development Area, it being understood that costs, expenditures, receipts and income which do not uniquely arise in respect of any one Development Area shall be apportioned between Development Areas in a reasonable, equitable and consistent manner.



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. Expenditure records shall be maintained in such a way as to enable proper allocation to each Development Area.

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, analyses 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, logging, testing, and otherwise evaluating, suspending and abandoning Exploration Wells or Appraisal Wells provided that if, after declaration of a Commercial Discovery, such Wells are completed or re-completed as producing Wells, the costs 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 Reservoirs within a Development Area including expenditures incurred on account of:

- 2.3.1 Drilling, deepening, completing or testing Wells, in a Development Area after the date of approval of a Development Plan whether these Wells are dry or producing or for the injection of water or Gas to enhance recovery of Petroleum.
- 2.3.2 Completing or recompleting of Exploration and Appraisal Wells 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, gathering lines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, separators, tankage, pumps, artificial lift and other producing and injection facilities, oil storage facilities gas processing and storage facilities, delivery and measurement facilities, export terminals and piers, harbours and related facilities and access roads for production activities, and all other facilities required for the production, transport, storage and delivery of Petroleum from the Development Area.
- 2.3.4 Engineering and design studies for facilities referred to in Section 2.3.3.
- 2.3.5 Operations conducted for the purpose of preparing for the production of Petroleum from a Development Area between the date of approval of the Development Plan and the commencement of Commercial Production.
- 2.3.6 Any Service Costs and General and Administrative Costs directly incurred in Development Operations and identifiable as such and the portion of the remaining Service Costs and General and Administrative Costs to be 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 in respect of a Development Area after the start of Commercial Production from the Development Area (other than 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.



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, motorised 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

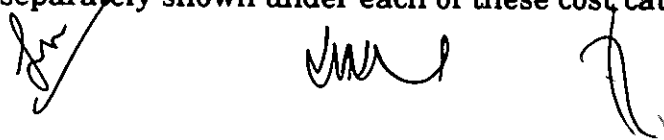
General and Administrative Costs are expenditures incurred on general administration and management related to Petroleum Operations in or in connection with the Contract Area, and shall include:

- 2.6.1 main office, sub-office, base facility, warehouse, housing and general administrative expenditures in India including supervisory, accounting and employee relations services; and
- 2.6.2 an annual overhead charge for services rendered by Operator's Affiliates outside India 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.

Such charge shall be calculated for each Year as a percentage of each tranche of Contract Costs (other than the overhead charge under this Section 2.6.2) recoverable and allowable in respect of that Year as follows:

Contract Costs in a Year (US\$m)	Overhead Charge as percentage of Contract Costs
up to 15	3%
above 15 and up to 25	2%
above 25	1%

- 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.



- 2.6.4 If the Operator conducts other activities in India related to the exploration for or production of Petroleum outside the Contract Area, the general and administrative expenses will be apportioned between Petroleum Operations and such other activities on a fair and equitable basis consistently applied by the Operator.



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 adjustment following audit as provided for herein. In particular, without prejudice to the generality of the foregoing, the costs set out in Sections 3.1.1 to 3.1.13 shall be allowable.

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 Costs

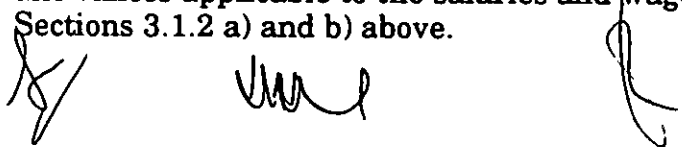
a) Contractor's locally recruited employees based in India

Costs of all Contractor's locally recruited employees who are 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 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 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 Sections 3.1.2 a) and 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 Sections 3.1.2 a) and b) above.
- e) The Contractor's cost of plans for employees' group life insurance, hospitalisation, pension, retirement and other benefit plans of a like nature customarily granted to the Contractor's employees provided, however, that such costs are, in the case of locally recruited employees consistent with the plans offered to other employees of the Contractor or its Affiliates in India, and in the case of assigned personnel, consistent with plans applicable to the employment of such personnel outside India, in respect of the proportion of salaries and wages chargeable to Petroleum Operations under Sections 3.1.2 a) and b) above.
- f) Personal income taxes and customs duties on personal effects 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 dependents 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 authorised under Contractor's standard personnel policies. Contractor shall ensure that all expenditures related to transportation costs are equitably allocated to the activities in which the personnel concerned are involved.

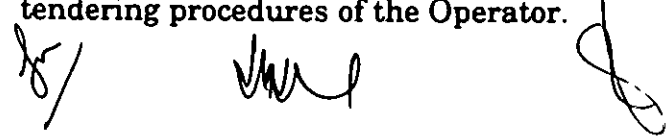
3.1.3 **Transportation Costs**

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 Party 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 Contractor, provided that the transactions resulting in such costs are conducted on an arms length basis in accordance with the established purchasing and tendering procedures of the Operator.



ii) Affiliates of Operator

a) Charges for services

Costs of specific professional, technical or other services, provided by any Affiliate at the request of the Operator for the direct benefit of Petroleum Operations. If such work is not covered by an approved budget and Work Programme, Contractor shall submit a revised budget and Work Programme to the Management Committee as soon as possible. Such charges shall not include any element of profit and shall be calculated in accordance with the Affiliate's customary accounting practice for recovering the actual cost of providing such services. At the request of any Party, Operator shall procure that a certificate from the statutory auditors of the Affiliate is obtained to the effect that any sum charged:

- i) represents a fair allocation of actual costs and does not include any element of profit;
 - ii) does not exceed the amount which would normally be charged by the Affiliate to other Affiliates for the provision of the advice and service provided, in accordance with its cost charging system; and
 - iii) does not duplicate any other amount charged to the Operator.
- b) 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.

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 facilities.

3.1.6 **Office, Bases and Miscellaneous Facilities**

Net cost to Contractor of establishing, maintaining and operating any office, sub-office, 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 studies for the Contract Area, and in taking environmental protection measures 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.

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.

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), plus purchase and procurement fees, 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 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 condition A 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 condition A material.

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 A, 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.

3.1.9 Duties, Fees and Other Charges

Any duties, levies, fees, charges and any other assessments levied by the Government, any State Government, any governmental agency 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 24 of the Contract, provided that such insurance is at a premium no higher than that charged on a competitive basis by internationally reputable insurance companies which are not Affiliates. Except as provided in Sections 3.2 viii) and 3.2 ix) 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 damage or losses incurred by fire, flood, storm, theft, accident or such other cause.

3.1.11 Legal Expenses

All reasonable costs and expenses 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 rights of the Contractor under the Contract 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. 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 22 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.

3.2 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 production 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) expenditures incurred in obtaining, furnishing and maintaining the guarantees required under the Contract;
- iv) attorney's fees and other costs and charges in connection with arbitration proceedings and sole expert determination pursuant to the Contract;
- v) fines and penalties imposed by Courts of law of the Republic of India;
- vi) donations and contributions;
- vii) creation of any partnership or joint venture arrangement;
- viii) costs incurred where insurance is required pursuant to the Contract, as a result of failure to insure or where Contractor has elected to self insure, or has under-insured;
- ix) costs and expenditures incurred as a result of Wilful Misconduct or Gross Negligence of the Contractor.

3.3 Other costs recoverable and allowable only with 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 if they were included in a budget duly approved pursuant to the Contract, or with the express approval in writing of the Government, which shall not be unreasonably withheld.

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, production sharing and participation purposes in the manner described in Articles 13, 14, and 15 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 any plant, equipment or materials, the acquisition costs of which have been charged to the accounts under the Contract for a particular Development Area, including the fair valuation of any such assets transferred for use in another Development Area, which is also debited to the accounts in respect of that other Development Area;
- 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 intention that there shall be no duplication of charges or credits to the accounts under the Contract.



SECTION 4 - RECORDS AND INVENTORIES OF ASSETS

4.1 Records

The Contractor shall keep and maintain detailed records of all assets acquired for 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 assets, and whether such assets are leased or owned.

4.2 Inventories

4.2.1 At reasonable intervals, as agreed upon by the Parties, the Contractor shall take inventories of the assets acquired to be used for or in connection with Petroleum Operations in terms of the Contract and address and deliver such inventory to the Government.

4.2.2 The Contractor shall give the Government and the Licensee 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 and the Licensee shall have the right to be represented when such inventory is taken. Failure by the Government or the Licensee to be represented shall bind them respectively to accept the inventory taken by the Contractor.

4.3 In order to give effect to Article 27 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.

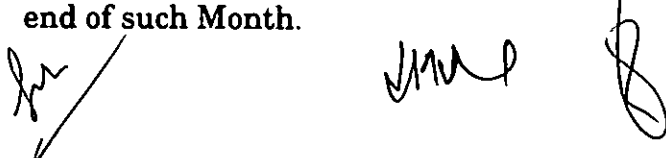


SECTION 5 - PRODUCTION STATEMENT

- 5.1 From the date of commencement of Commercial Production of Petroleum from the Contract Area the Contractor shall submit a monthly Production Statement to Government showing the following information separately for each Development Area and in aggregate for the Contract Area:
- 5.1.1 The quantity of Crude Oil and Condensate produced and saved.
 - 5.1.2 The quality and characteristics of such Crude Oil and Condensate produced and saved.
 - 5.1.3 The quantity of Natural Gas produced and saved.
 - 5.1.4 The quality, characteristics and composition of such Natural Gas produced and saved.
 - 5.1.5 The quantities of Crude Oil, Condensate and Natural Gas used for the purposes of carrying on drilling and production operations and pumping to field storage, as well as quantities reinjected.
 - 5.1.6 The quantities of Crude Oil, Condensate and Natural Gas unavoidably lost.
 - 5.1.7 The quantities of Natural Gas flared and vented.
 - 5.1.8 The size of Petroleum stocks held on the first day of the Month in question.
 - 5.1.9 The size of Petroleum stocks held on the last day of the Month in question.
 - 5.1.10 The quantities of Natural Gas reinjected into each Reservoir.
 - 5.1.11 The number of days in the Month during which Petroleum was produced from each Reservoir.
 - 5.1.12 The Gas/Oil ratio for each producing Well for the relevant Month.
- 5.2 All quantities shown in this Statement shall be expressed in both volumetric terms (barrels of oil and cubic metres of gas) and in weight (metric tonnes).
- 5.3 The Government may direct in writing that the Contractor include other particulars relating to the production of Petroleum in its monthly Production Statement and the Contractor shall comply with such direction.
- 5.4 The Production Statement for each Month shall be submitted to Government no later than ten (10) days after the end of such Month.

SECTION 6 - VALUE OF PRODUCTION AND PRICING STATEMENT

- 6.1 The Contractor shall, for the purposes of Article 19 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:
- 6.1.1 The quantities, prices and receipts realised therefor by the Contractor as a result of sales of Crude Oil and Condensate (with any sales to Government being separately identified) made during the Month in question.
- 6.1.2 The quantities of Crude Oil and Condensate appropriated by the Contractor to refining or other processing without otherwise being disposed of in the form of Crude Oil or natural Condensate.
- 6.1.3 The value of stocks of Crude Oil and Condensate on the first day of the Month in question.
- 6.1.4 The value of stocks of Crude Oil and Condensate on the last day of the Month in question.
- 6.1.5 The percentage volume of total sales of Crude Oil and Condensate made by the Contractor during the Month that are Export sales.
- 6.2 The Contractor shall, for the purpose of Article 21 of the Contract, prepare a Statement providing calculations of the value of Natural Gas produced and sold during each Month. This Statement shall contain all information of the type specified in Section 6.1 for Crude Oil as is applicable to Gas and such other relevant information as may be required by Government.
- 6.3 The Statements required pursuant to Sections 6.1 and 6.2 shall include a detailed breakdown of the calculation of the prices of Crude Oil, Condensate, and Natural Gas pursuant to the provisions of Articles 19 and 21.
- 6.4 The Value of Production and Pricing Statement for each Month shall be submitted to Government not later than twenty one (21) days after the end of such Month.



SECTION 7 - STATEMENT OF COSTS, EXPENDITURES AND RECEIPTS

- 7.1 The Contractor shall prepare with respect to each Quarter a Statement of Costs, 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 expenditure. The Statement of receipts shall distinguish between income from the sale of Petroleum and incidental income of the sort itemised in Section 3.4 of this Accounting Procedure. If the Government is not satisfied with the degree of disaggregation within the categories, it shall be entitled to request a more detailed breakdown. The Statement shall show the following:
- 7.1.1 Actual costs, expenditures and receipts for the Quarter in question.
 - 7.1.2 Cumulative costs, expenditures and receipts for the Year in question.
 - 7.1.3 Latest forecast of cumulative costs, expenditures and receipts at the Year end.
 - 7.1.4 Variations between budget forecast and latest forecast and explanations thereof.
- 7.2 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.



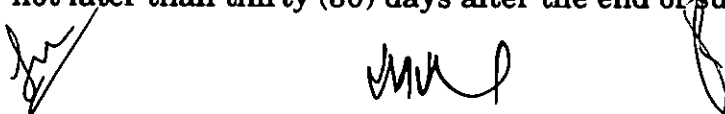
SECTION 8 - COST RECOVERY STATEMENT

- 8.1 The Contractor shall prepare with respect to each Quarter a Cost Recovery Statement containing the following information:
- 8.1.1 Unrecovered Contract Costs carried forward from the previous Quarter, if any.
 - 8.1.2 Contract Costs for the Quarter in question.
 - 8.1.3 Total Contract Costs for the Quarter in question (Section 8.1.1 plus Section 8.1.2).
 - 8.1.4 Quantity and value of Cost Oil and Cost Gas taken and disposed of by the Contractor for the Quarter in question.
 - 8.1.5 Contract Costs recovered during the Quarter in question.
 - 8.1.6 Total cumulative amount of Contract Costs recovered up to the end of the Quarter in question.
 - 8.1.7 Amount of Contract Costs to be carried forward into the next Quarter.
- 8.2 Where necessary, the information to be provided under Section 8.1 shall be identified separately Development Area by Development Area.
- 8.3 The cost recovery information required pursuant to sub-section 8.1 above shall be presented in sufficient detail so as to enable Government to identify how the cost of assets are being recovered for the purposes of Article 27 of the Contract.
- 8.4 The Cost Recovery Statement for each Quarter shall be submitted to Government not later than thirty (30) days after the end of such Quarter.



SECTION 9 - PRODUCTION SHARING STATEMENT

- 9.1 The Contractor shall prepare with respect to each Quarter a Production Sharing Statement containing the following information:
- 9.1.1 The calculation of the applicable cash flows as defined in paragraph 7 of Appendix D to the Contract for each Development Area for the Quarter in question.
- 9.1.2 The calculation of the Investment Multiple for each Development Area applicable for the Quarter in question.
- 9.1.3 Based on Articles 14 and 15 of the Contract, the appropriate percentages of Profit Oil or Profit Gas for the Government and Contractor in the Quarter in question.
- 9.1.4 The total amount of Profit Oil or Profit Gas to be shared between the Government and Contractor in the Quarter in question.
- 9.1.5 The amount of Cost Oil or Cost Gas due to the Contractor and the amount of Profit Oil or Profit Gas due to the Government and Contractor as well as to each constituent of the Contractor in the Quarter in question.
- 9.1.6 The actual amounts of Petroleum taken by the Government and Contractor as well as by each constituent of the Contractor during the Quarter in question to satisfy their entitlements under the Contract.
- 9.1.7 Adjustments to be made, if any, in future Quarters in the respective amounts of Profit Oil or Profit Gas 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 9.1.5 and 9.1.6, as well as any cumulative adjustments outstanding from previous Quarters.
- 9.2 Where necessary, the information to be provided under Section 9.1 shall be identified separately for each Development Area.
- 9.3 The Production Sharing Statement shall be submitted to Government not later than thirty (30) days after the end of such Quarter.



SECTION 10 - END OF YEAR STATEMENT

- 10.1 The Contractor shall prepare a definitive End of Year Statement. The Statement shall contain aggregated information in the same format as required in the Production Statement, Value of Production and Pricing Statement, Statement of Costs, Expenditures and Receipts, Cost Recovery Statement and Production Sharing Statement, but shall be based on actual quantities 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.
- 10.2 The End of Year Statement shall also include a calculation of the Investment Multiple at the end of the Year for each Development Area.
- 10.3. The End of Year Statement for each Year shall be submitted to Government within sixty (60) days of the end of such Year.



SECTION 11 . BUDGET STATEMENT

- 11.1 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:
- 11.1.1 Forecast costs, expenditures and receipts for the Year in question.
- 11.1.2 A schedule showing the most important individual items of total costs, expenditures and receipts for the said Year.
- 11.2 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.



APPENDIX D

CALCULATION OF THE INVESTMENT MULTIPLE FOR PRODUCTION SHARING PURPOSES

1. In accordance with the provisions of Article 15, the share of the Government and the Contractor respectively of Profit Oil and/or Profit Gas from any Development Area in any Year shall be determined by the Investment Multiple earned by the Company from the Development Area at the end of the preceding Year. These measures of profitability shall be calculated on the basis of the appropriate net cash flows as specified in this Appendix D.
2. The "Net Cash Income" of the Company from a Development Area in any particular Year is the aggregate value for the Year of the following:
 - i) Cost Oil (or Cost Gas) entitlement of the Company as provided in Article 14;
plus
 - ii) Profit Oil (or Profit Gas) entitlement of the Company as provided in Article 15;
plus
 - iii) the Company's share of all incidental income (of the type specified in section 3.4 of the Accounting Procedure) arising from Petroleum Operations and apportioned to the Development Area;
less
 - iv) the Company's share of all Production Costs incurred on or in the Development Area;
less
 - v) the notional income-tax, determined in accordance with paragraph 8 of this Appendix, payable by the Company on profits and gains from the Development Area.
3. The "Investment" made by the Company in a Development Area in any particular Year is the aggregate value for the Year of:
 - i) the Company's share of Exploration Costs incurred in the Contract Area and apportioned to the Development Area in the same proportion that such Costs were recovered pursuant to Article 14.4;
plus
 - ii) The Company's share of Development Costs incurred on or in the Development Area.
4. For the purposes of the calculation of the Investment Multiple, costs or expenditures which are not allowable as provided in the Accounting Procedure shall be excluded from Contract Costs and be disregarded.



5. The Investment Multiple ratio earned by the Company as at the end of any Year from any Development Area shall be calculated by dividing the aggregate value of the addition of each of the annual Net Cash Incomes (accumulated, without interest, up to and including that Year starting from the Year in which Commercial Production commenced in the Development Area) by the aggregate value of the addition of each of the annual Investments (accumulated, without interest, up to and including that Year starting from the Year in which Exploration Costs or Development Costs were first incurred).
6. Profit Oil or Profit Gas from the Development Area in any Year shall be shared between the Government and the Contractor in accordance with the value of the Investment Multiple earned by the Company as at the end of the previous Year pursuant to Articles 15.2-15.7.
7. The applicable cash flows set out in paragraphs 2 and 3 of this Appendix and thus the Investment Multiples, shall be separately identified and calculated in respect of each Development Area.
8. In determining the amount of notional income tax to be deducted in the applicable cash flows specified in paragraph 2 of this Appendix, a notional income tax liability shall be determined for each entity comprising Company for each Development Area separately, as if the conduct of Petroleum Operations by such entity in that Development Area constituted the sole business of such entity and as if the provisions of the Income Tax Act, 1961, with respect to the computation of income tax on the basis of the income and deductions provided for in Article 16 of this Contract were accordingly applicable separately to that Development Area, disregarding any income, allowances, deductions, losses or set-off of losses from any other Development Area or business of such entity.



APPENDIX E

FORM OF PARENT FINANCIAL AND PERFORMANCE GUARANTEE

(to be furnished pursuant to Article 29 of the Contract)

WHEREAS Shell Petroleum N.V. ("SPNV") a company duly organised and existing under the laws of the Netherlands having its registered office at Carel van Bylandtlaan 30, The Hague, is the owner of 100% of the capital stock of Shell India Production Development B.V. ("SIPD"); and Shell Internationale Petroleum Maatschappij B.V., a company organised and existing under the Laws of the Netherlands ("SIPM"), is one of the principal service companies of the Royal Dutch/Shell Group of companies, inter alia providing technological and other technical support to SIPD and other companies in the Group;

WHEREAS SIPD has concluded a Production Sharing Contract of even date of this guarantee in respect of an onshore area in Rajasthan Province (hereinafter referred to as 'the Contract') with the Government of India (hereinafter referred to as 'the Government'), and Oil & Natural Gas Commission (hereinafter referred to as 'Licensee' which expression shall include its successors and assigns); and

WHEREAS the Government and the Licensee have desired that SPNV ensure that SIPD has sufficient financial resources and SIPM ensure that SIPD can avail itself of the necessary services and appropriate technology and specialist personnel to enable SIPD to fulfil its obligations under the Contract;

NOW, THEREFORE this Deed hereby provides as follows:

1. SPNV hereby unconditionally and irrevocably guarantees to the Government and the Licensee that it will make available, or cause to be made available, to SIPD financial resources equivalent to SIPD's share of the approved annual budget for carrying out Petroleum Operations under the Contract until such time as SIPD is entitled to Profit Oil or Profit Gas under the Contract.
2. SIPM unconditionally and irrevocably guarantees to the Government and the Licensee to make available to SIPD sufficient specialist personnel and advanced and appropriate technology and other technical services to enable SIPD to fulfil SIPD's commitments under the Contract; such services to be made available on the terms and conditions of the service contract generally offered by SIPM to its affiliates, and in accordance with sound petroleum industry practices.
3. If SIPD shall in any respect fail to meet its financial obligations arising out of the commitments under the contract, SPNV will indemnify the Government and/or the Licensee against all such financial obligations of SIPD, until such time as SIPD is entitled to Profit Oil or Profit Gas under the Contract provided that the indemnification by SPNV in

respect of any claim or series of claims against SIPD arising out of Petroleum Operations under the Contract shall be limited to twenty-one million US dollars or SIPD's share of the approved annual budget for Petroleum Operations for the year in which the cause of claim occurs, whichever shall be the higher.

4. This guarantee will remain in full force and effect for the duration of the Contract.
5. This guarantee shall not be affected by any change in the Articles of Association and bye-laws of SPNV, SIPM or SIPD or in any instrument establishing the Licensee
6. The liabilities of SPNV and SIPM hereunder shall not be discharged or affected by (a) any time indulgence, waiver or consent given to SIPD; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which SIPD 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 SIPD.
7. This guarantee shall be governed and interpreted in accordance with the laws of England.
8. The provisions of Article 33 of the Contract with regard to settlement of disputes and arbitration shall be deemed incorporated herein as if expressly set out except that SIPD, SPNV and SIPM together shall be entitled to appoint one arbitrator.

IN WITNESS WHEREOF



OPERATING AGREEMENT

between

OIL & NATURAL GAS CORPORATION LIMITED

and

SHELL INDIA PRODUCTION DEVELOPMENT B.V.

with respect to Rajasthan Block

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OPERATING AGREEMENT

THIS AGREEMENT made the 15th day of May 1995 between OIL AND NATURAL GAS CORPORATION LIMITED, a body corporate established in India under the provisions of The Companies Act, 1956 and having its Office at Jeevan Bharati Tower II, Connaught Circus New Delhi 110001, India (hereinafter referred to as "ONGC", which unless the context otherwise requires shall include successors and assignees) of the first part

AND

SHELL INDIA PRODUCTION DEVELOPMENT B.V. a corporation duly organised under the laws of the Netherlands (hereinafter referred to as "SIPD", which unless the context otherwise requires shall include successors and assignees) of the second part.

WITNESSETH

WHEREAS SIPD on 15th day of May 1995 entered into a Production Sharing Contract (hereinafter referred to as "Contract") with the President of India, acting through the Secretary, Ministry of Petroleum and Natural Gas (hereinafter referred to as "Government") and ONGC for exploring and exploiting Petroleum in the Contract Area.

WHEREAS ONGC and SIPD wish to define their respective rights, interest and obligations with regard to the Petroleum Operations pursuant to the Contract.

NOW THEREFORE, in consideration of the premises and mutual agreement hereinafter contained, the Parties agree as follows.

1 DEFINITIONS AND INTERPRETATIONS

Definitions

Unless otherwise specified herein, for the purposes of this Agreement, the definitions contained in the Contract shall also be applicable herein. Furthermore, each term listed below shall have the meaning stated therefor, whenever used in this Agreement.

1.1 "Agreement" means this Operating Agreement, including Exhibit A hereto.

1.2 "Cash Call" means any request for payment made by the Operator to the Parties in connection with the Petroleum Operations, pursuant to this

1.4 "Joint Account" means the set of accounts maintained by the Operator in accordance with the provisions of this Agreement to record all revenues, expenditure or other transactions in respect of the Petroleum Operations.

1.5 "Joint Accounting Procedure" means Exhibit A hereto.

1.6 "Non-Operator" means any Party or Parties other than the Operator.

1.7 "Party" or "Parties" means any party to this Agreement, from time to time, including the successors or assigns of ONGC and SIPD.

Interpretation

1.8 Unless the context otherwise requires, reference to the singular shall include a reference to the plural and vice-versa.

1.9 In the event of any inconsistency or conflict between the main body of this Agreement and Exhibit A hereto, the provisions of the main body of this Agreement shall prevail.

1.10 The headings of the Clauses in this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction of this Agreement.

1.11 In case of any conflict of any term of this Agreement with the provisions of the Contract, the provisions of the Contract shall prevail.

2 EFFECTIVE DATE AND DURATION

2.1 This Agreement shall be effective from the Effective Date of the Contract, and unless terminated earlier pursuant to the provisions of this Agreement or the Contract shall continue in effect for the duration of the Contract and thereafter until a final settlement of all accounts among the Parties has been made, or until all the interests of the Parties are acquired by one Party, whichever is the sooner. Provided, however, that termination of this Agreement shall not prejudice any rights or remedies of the Parties accrued at the time of termination, nor excuse the satisfaction of any obligations of any of the Parties then outstanding.

3 PARTICIPATING INTERESTS

3.1 Company shall until such time as the Government exercises its right under Article 13 of the Contract have a Participating Interest of one hundred per cent.

3.2 When the Government exercises its rights under Article 13.1 of the Contract in respect of a particular Development Area, or is deemed to have done so under Article 13.3 of the Contract, the Participating Interests in that Development Area shall be:

Party:	Participating Interest:
Nominee	Thirty (30) per cent
Company	Seventy (70) per cent

but the Participating Interest of the Parties in all other areas within the Contract Area shall remain unchanged.

3.3 Each Party shall share in all costs, obligations and benefits in proportion to its Participating Interest except as otherwise provided herein. In the event that a Party shall transfer an undivided interest in accordance with the provisions of Clause 14 hereof and pursuant to the Contract, the Participating Interests shall be revised accordingly.

4 OPERATOR

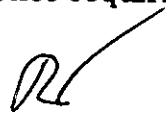
4.1 SIPD is designated as Operator subject to the provisions of this Clause. All Petroleum Operations shall be conducted by the Operator on behalf of the Parties in accordance with the provisions of the Contract and this Agreement and in accordance with good international petroleum industry practice. ONGC while it remains a Party and any other Non-Operators shall take all reasonable steps to assist the Operator in the performance of its obligations.

4.2 A change in Operator shall be made upon occurrence of the following events:

- (i) Operator gives one hundred eighty (180) days prior written notice to the Non-Operators of its resignation as to the whole of the Contract Area, which shall not take effect during the Exploration Period;
- (ii) On expiry of a notice served by the existing Operator following receipt of notice from the Nominee that it wishes to take over Operatorship pursuant to Article 6.2 of the Contract in respect of a particular Development Area in which the Nominee has a Participating Interest, the Nominee shall take over Operatorship from the existing Operator, in respect of the Development Area referred to in such notice served by the existing Operator; or
- (iii) if the Parties so agree.

4.3 Operator shall be removed upon occurrence of the following events:

- (i) An order is made by a court or any effective resolution is passed for dissolution, liquidation, winding up, amalgamation or reorganisation of Operator.
- (ii) Operator dissolves, liquidates or terminates its corporate existence.
- (iii) Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors; or
- (iv) A receiver is appointed for a substantial part of Operator's assets.
- (v) Operator, together with any Affiliate of Operator holds a Participating Interest of less than (10%), and any Non-Operator gives notice requiring the removal of Operator.



- (vi) Operator is in substantial breach of its duties or obligations as Operator or as a Party hereunder and does not commence to rectify the breach within thirty (30) days after written notice from any Non-Operator specifying the breach and requesting Operator to rectify the same.

4.4 When a change of Operator occurs pursuant to Clauses 4.2 or 4.3:

- (i) The Operating Committee shall meet as soon as possible to appoint a successor Operator (except in the case of a change under the provisions of Clause 4.2 (ii)). The successor Operator shall be chosen by majority vote of the Operating Committee, save that the outgoing Operator shall not vote to succeed itself.

The outgoing Operator shall continue to serve until the appointment of the successor Operator is effective and both the outgoing Operator and the successor Operator shall cooperate so that the change of operatorship takes place in such a way that the continuity of Petroleum Operations under the Contract is maintained.

- (ii) The Operating Committee shall arrange for the taking of a joint inventory of all assets recorded in the Joint Account and Petroleum and a joint audit of the books and records of the outgoing Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of the Operator. The costs and expenses of such audit shall be charged to the Joint Account unless Operator is removed, pursuant to Clause 4.3 (vi), in which case the removed Operator shall bear all such costs and expenses.
- (iii) The resignation or removal of an Operator or its replacement by the successor Operator shall not become effective prior to receipt of any necessary governmental approval.
- (iv) Upon the effective date of the resignation, or removal, the successor Operator shall succeed to all duties, rights and authorities of Operator. The former Operator shall transfer to the successor Operator all such assets and the books of accounts, records and other documents maintained by the Operator pertaining to the Contract Area and to Petroleum Operations. Upon delivery of the above described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.
- (v) The outgoing Operator shall be liable for complying with all obligations and liabilities of Operator until the date on which the appointment of the successor Operator becomes effective.

4.5 Operator shall have the following powers and authorities and shall perform and carry out the following duties:

4.5.1 Subject to Article 7 of the Contract, carry out Petroleum Operations in compliance with the obligations imposed upon the Contractor by the laws of India and the Contract including the timely filing of reports and payment of all fees, levies, taxes (except income taxes payable by the Parties), and charges of every nature payable by the Parties under the said laws and the Contract.



4.5.2 Take all appropriate steps to obtain, maintain in force, renew or extend, the Contract in accordance with the terms of the Contract and this Agreement.

4.5.3 Represent the Parties before the Government and any and all courts, administrative departments, bureaus and agencies whatsoever in India in matters related to the Petroleum Operations, and in so doing prepare and sign, file and receive any affidavits, undertakings, contracts, petitions, requests, certificates, authorisations, reports or other documents in connection therewith; advise the Parties in a timely fashion of any such acts which in the Operator's opinion may significantly affect the Parties; and perform all other acts of a similar nature necessary or proper in connection therewith, except to the extent any Party has indicated its desire to represent itself in connection with any of the foregoing.

4.5.4 Establish and maintain such relationship with Government, State or local authorities and with the public as shall be necessary or appropriate to ensure that the Petroleum Operations are conducted and carried out to the best advantage of the Parties.

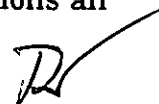
4.5.5 Prepare and submit the programmes and budgets as provided in Clauses 6.1 and 6.2.

4.5.6 Subject to necessary approvals, if required, establish and maintain such offices, installations and facilities in India as are necessary, adequate and appropriate for the efficient performance of Petroleum Operations hereunder. Establishment of any offices, installations or facilities outside India in connection with the Petroleum Operations hereunder, shall require the prior approval of the Operating Committee.

4.5.7 Subject to Article 7 of the Contract, establish and maintain such books, records and accounts as are required by the Contract and this Agreement together with such additional books, records and accounts as from time to time may be reasonably specified by the Operating Committee. Maintain such production records, well and reservoir data, field reserve and rate of production studies and estimates, and the like as will reflect a thorough and accurate history of all technical operations, including Development Operations and Production Operations, together with such additional similar records and data as from time to time may be reasonably specified by the Operating Committee.

4.5.8 Subject to Article 22 of the Contract, employ directly or through Contractors all personnel reasonably required for the Petroleum Operations. Also obtain when appropriate, such occasional or part-time service of experts, loan employees and others as operational requirements may, in Operator's opinion, dictate, while always keeping in mind the Parties' desire to conduct Petroleum Operations in an efficient and cost-effective manner.

4.5.9 Subject to Article 23 of the Contract and Clauses 5 and 7 hereof, acquire on behalf of the Parties and utilise in the Petroleum Operations all



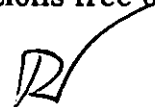
equipment, materials and supplies necessary or desirable for carrying out the Petroleum Operations.

4.5.10 Acquire such lands, leases, surface rights, easements and rights-of-way as may be necessary or desirable for the conduct of the Petroleum Operations; provided, however, that Operator shall not acquire for the Petroleum Operations any lands, surface rights easements or rights-of-way involving a total commitment in excess of the equivalent of fifty thousand United States Dollars (US \$50,000) for each such acquisition without prior approval of Operating Committee; and provided, further, that Operator shall not acquire for the Petroleum Operations any lease for a longer period of time than ten (10) years at an annual rental in excess of the equivalent of twenty-five thousand United States Dollars (US \$25,000) without prior approval of the Operating Committee.

4.5.11 Subject to Article 23 of the Contract, enter into contracts with others as agent for the Parties for the performance of services and supply of facilities, materials and equipment which, in the Operator's view are advisable and necessary to carry out the Petroleum Operations. The Operator shall award any contract involving expenditure of more than US Dollars one hundred thousand (US \$100,000) (or such higher limit as the Operating Committee may unanimously agree) by tender, unless the Operating Committee otherwise unanimously agrees. Each Party and its Affiliates may submit bids for such a contract.

- (i) In the case of any contract involving expenditure of more than US Dollars one hundred thousand (US \$100,000) but less than US Dollars five hundred thousand (US \$500,000) (or such higher limits as the Operating Committee may unanimously agree), the Operator shall award such contract to the most suitable and competitive bidder in accordance with its tendering procedure and shall report all such awards to the Operating Committee at its next meeting.
- (ii) In the case of any contract to be awarded to a Party or its Affiliates (other than the technical service agreement referred to in paragraph 2 of Article II of the Joint Accounting Procedure) or a contract involving expenditure of more than US Dollars five hundred thousand (US \$500,000) (or such higher limit as the Operating Committee may unanimously agree), the terms of the recommended bid shall be subject to the approval of the Operating Committee either at a meeting or by circulation of the recommended bid to the representatives of the Parties on the Operating Committee with the bid evaluation and other relevant documents. Approval shall be deemed to have been given to a recommendation circulated, unless within ten (10) days from the date of circulation, Parties having in aggregate a Participating Interest of twenty five per cent (25%) or more, give notice that they do not support such recommendation.

4.5.12 Promptly pay and discharge all costs and expenses incurred in connection with the Petroleum Operations and keep and maintain the Contract Area and any property acquired for the Petroleum Operations free of



all liens, charges and encumbrances arising out of the Petroleum Operations or in connection therewith.

4.5.13 Open, maintain or close such bank account or accounts within or outside India and in such currencies as may be appropriate for the Petroleum Operations. A separate bank account or accounts shall be maintained for all Development Operations and Production Operations in which the Nominee has elected to participate in accordance with Article 13 of the Contract.

4.5.14 Subject to Article 26 of the Contract, keep the Non-Operators informed regarding the Petroleum Operations and prepare and submit reports, technical studies and production forecasts, including significant changes in production forecasts, and other data and information as required under the Contract and this Agreement. Subject to Article 26 of the Contract, provide the Non-Operators with samples, properly packed of rocks and fluids collected during Petroleum Operations in which they have a Participating Interest, promptly on request.

4.5.15 Allow authorised representatives of the Non-Operators full access to Petroleum Operations in which they have a Participating Interest, on reasonable prior written notice, provided that such access will not unduly interfere with such Petroleum Operations and provide all data and information pertaining to Petroleum Operations including derivative maps, and reports as may be reasonably requested.

4.5.16 Provide each Party with a Participating Interest in a Development Area with forecasts of production available for offtake from that Development Area (subject to Clause 9) at such frequency and in such manner as each Party may reasonably specify, consistent with generally accepted international petroleum industry practices.

4.5.17 Give timely notice to the Non-Operators prior to physically demarcating the location of a Well (including coordinates, and all other relevant information), as well as reasonable advance notice of the commencement of any drilling operations.

4.5.18 Use such quantities of Petroleum as are reasonably required in the Petroleum Operations, which quantities shall not be considered as produced and saved under this Agreement.

4.5.19 Deliver to each of the Parties having a Participating Interest therein and to the Government, Petroleum produced and saved from the Contract Area as provided in Clause 10.

4.5.20 Take prompt and necessary action and measures to protect and safeguard the property and interests of the Parties and the Petroleum Operations.

4.5.21 Make such recommendations from time to time to the Operating Committee for the efficient carrying out of the Petroleum Operations as Operator may consider advisable.



4.5.22 Perform such additional actions in connection with Petroleum Operations as the Operating Committee may from time to time direct.

4.6.1 Subject to Article 24 of the Contract, the Operator shall obtain and maintain in respect of the Petroleum Operations and the Joint Account assets any and all insurance required under the Contract or any applicable laws and such other insurance as the Operating Committee may from time to time determine or as shall be unanimously agreed from time to time by the Parties having a Participating Interest. All such required insurance shall name all the Parties having Participating Interests as additional insureds. No other insurance shall be procured and maintained by the Operator for the Joint Account. Each Party individually may maintain such additional insurance or self-insurance as it deems proper to protect its own interests in the Petroleum Operations, the costs of which shall not be charged to the Joint Account.

4.6.2 The Operator shall also require all contractors or subcontractors performing work in respect of the Petroleum Operations to effect and maintain any and all insurance required by the Contractor, or by law or governmental rules and shall make its best efforts to require all such contractors and subcontractors to have their insurers include as additional insureds and waive rights of recourse against the Government, the Licensee, the Operator and the Non-Operators having a Participating Interest.

4.7 It is understood that nothing herein shall prejudice the right of any Party to carry insurance at its own cost and expense, provided such insurance carries a waiver of all rights of recourse against the other Parties (including the Operator as such), in addition to the insurance procured and maintained for the Joint Account.

4.8 All damages, losses and liabilities incurred in the Petroleum Operations shall be charged to the Joint Account and all recoveries from insurance procured for the Joint Account under this Clause 4.8 shall be credited to the Joint Account, except as provided under Clause 4.11.

4.9 The Operator shall verbally or by telex or telefax advise Non-Operators of all occurrences that could have a negative impact on the environment and of any other losses and damages expected to exceed fifty thousand US Dollars (US \$50,000) within five (5) days of the Operator having been notified of such occurrence and provide written reports within thirty (30) days of having received such notification. The Operator shall verbally or by telex or telefax advise the Non-Operators of any serious injury or loss of life within twenty-four (24) hours of the Operator having been notified of such occurrence and follow up with a preliminary written report within thirty (30) days of having received such notification.

4.10 The Operator may on behalf of the Parties settle any single damage claim or suit arising from Petroleum Operations if the expenditure does not exceed twenty-five thousand US Dollars (US \$25,000) and if the payment is a complete settlement of such claim or suit. Any claim or suit for an amount in excess of the above amount shall be defended by the Operator who shall report

it promptly to the Operating Committee and shall comply with any direction given by the Operating Committee with respect thereto. Each Non-Operator having a Participating Interest shall have the right to be represented by its own counsel at its own expense in the settlement or defence of such claims or suits. All Operator's costs and expense of handling, settling or otherwise discharging any claim or suit shall be at the joint expense of the Parties. If a claim is made against any Party or if any Party is sued on account of any matter arising from Petroleum Operations hereunder over which such Party has no control because of the rights given to the Operator by this Agreement, the Party shall immediately notify the Operator, and the claim or suit shall be treated as any other claim or suit involving Petroleum Operations hereunder.

4.11 The Operator shall not be liable to any Non-Operator and Non-Operators shall indemnify Operator severally in proportion to their Participating Interests for any loss or damage caused by its acts and/or omissions as Operator, unless such act or omission is directly due to Wilful Misconduct or Gross Negligence. However, the Operator shall never be so liable (except as a Party to the extent of its Participating Interest) for any consequential losses, such as, but not limited to, loss of Petroleum, underproduction of Petroleum, loss of profits or any spillage of Petroleum or damages or losses resulting therefrom.

4.12 Operator undertakes to carry out Petroleum Operations within the limits of the related Work Programme and budgets in accordance with the generally accepted international petroleum industry practice and shall not undertake any operations hereunder not included in an approved Work Programme, except as provided in Clauses 6.9 and 6.10.

5. OPERATING COMMITTEE

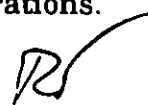
5.1 Pursuant to Article 6 of the Contract, to provide for the orderly supervision and direction of Petroleum Operations there shall be established an Operating Committee consisting of one (1) representative of each of the Parties hereto.

Each Party shall notify the other Party(ies) in writing of the names and addresses of its representative and may at any time replace its representative by notice to the other Parties and may designate alternate representatives to act in the absence of its representative.

The Operating Committee is the coordinating body for the direction, control and administration of the Petroleum Operations. The principal functions of the Operating Committee shall be:

5.1.1 To establish policies from time to time governing the conduct of Petroleum Operations.

5.1.2 To appoint such technical, financial, accounting, legal or other sub-committees as the representatives may deem appropriate for studies, analyses, reports, etc., on matters pertaining to the Petroleum Operations.



5.1.3 To review reports on Petroleum Operations conducted in the Contract Area.

5.1.4 To review and determine the area to be relinquished as required under the Contract.

5.1.5 To review and approve any proposal for the appraisal of a Discovery.

5.1.6 To review, propose revisions and approve Work Programmes and budgets for Exploration, Development and Production Operations and Development Plans as defined in the Contract and as proposed by Operator.

5.1.7 To approve the appointment of subcontractors for carrying out any Petroleum Operations by Operator beyond the authority vested in the Operator under this Agreement.

5.1.8 To review such other matters with respect to Petroleum Operations in the Contract Area as may be referred to the Operating Committee by any member of the Operating Committee.

5.1.9 To refer to the Management Committee matters which require advice or approval of the Management Committee pursuant to the Contract.

All decisions of the Operating Committee shall require the concurring vote of the representatives of Parties owning in aggregate a Participating Interest of at least 75%, except where specifically provided otherwise in this Agreement or the Contract. All decisions of the Operating Committee shall be binding on all of the Parties.

5.2 Unless otherwise agreed, the Operating Committee shall meet at least once each Calendar Year at the office of the Operator in India, or elsewhere as the Parties shall mutually decide. Additional meetings may be convened by any Party. A Party which wishes to hold an additional meeting shall give notice at least twenty (20) days before the proposed meeting date, specifying the proposed time, place and agenda of the meeting. In case of emergency, a meeting shall be convened whenever necessary, upon such notice as shall be reasonable in the circumstances.

5.3 The chairman of the Operating Committee, who will direct the meeting and prepare the minutes, shall be a representative of the Operator. The minutes shall include the names of the representatives present, the Parties they represent and any formal action taken by the Operating Committee. The minutes shall be deemed correct when the Operator receives written or telex approval from the Parties. The chairman shall maintain a permanent file of all Operating Committee determinations.

5.4 Any of the Parties may submit matters for determination without holding a meeting provided such matters are submitted by telex, facsimile or in other written form to the representatives of all other Parties or their alternates, and receipt is confirmed. In such event, the other Parties shall vote by giving advice by telex, facsimile or in other written form of such vote to

the submitting Party within ten (10) days with copies to all the other Parties unless the communication relates to the deepening, completing, sidetracking, plugging back, reworking, coring, testing or abandoning of a well on which drilling equipment is located, in which case each Party will vote within twenty-four (24) hours. A Party which fails to vote shall be deemed to have voted in favour of the proposal, provided the Party submitting the proposal has spoken to the representative of the Party who has not voted, or his alternate, prior to the expiry of the deadline for voting. In the case where the voting deadline is twenty four (24) hours, if any Party does not vote, the Parties who voted in favour shall be entitled (but not obliged) to proceed as if the proposal submitted had been a Sole Risk Proposal and the failure to vote was an election not to participate.

5.5 Each representative or alternate representative shall be entitled to have present at any Operating Committee meeting such reasonable number of advisors as he may desire and which are appropriate to the Petroleum Operations matters under consideration, at the cost and expense of the Party he represents.

5.6 In any matter arising before the Operating Committee, the representative of a Party, or in his absence its alternate representative, shall have full power and authority to represent and bind such Party in all matters and decisions taken by the Operating Committee and such decisions shall be deemed to be the decisions of, and shall bind the Party which appointed him.

5.7 The lodging, food, transportation and incidental costs incurred by representatives on the Operating Committee to attend meetings of the Operating Committee shall be borne by the respective Parties they represent.

5.8 In the event that there is no sufficient majority on the Operating Committee for a proposal to be passed in accordance with Clause 5.1, the following provisions shall apply:

5.8.1 In so far as a proposal relates to Petroleum Operations required in order to carry out the minimum Work Programme pursuant to Article 4 of the Contract, the proposal submitted by the Operator, modified as may be unanimously agreed, shall be deemed to have been approved by the Operating Committee as to the letting of contracts, the Work Programmes and the relative budgets.

5.8.2 In the case of proposals relating to the conduct of seismic surveys or other studies connected with the drilling of a Well in an approved Work Programme or required pursuant to Article 4 of the Contract, the Operator's proposals shall be deemed to have been approved by the Operating Committee as to the letting of contracts, the Work Programme and the relative budgets.

6 WORK PROGRAMMES AND BUDGETS

6.1 On or before the 30th day of September of each Year Operator shall submit to each Non-Operator a recommended operating programme and budget for the Contract Area for the subsequent Year, covering capital



expenditures and operating expenditures. At the same time as that Year's programme and budget is submitted, a provisional programme for the next succeeding Year shall be presented by the Operator, together with a provisional programme and budget for the Financial Year commencing on the subsequent 1st April for the planning purposes of ONGC.

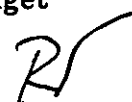
6.2 On or before the 30th of November of each Year, the Operating Committee shall agree upon and adopt a Work Programme and budget for the subsequent Year which shall include as a minimum the work and expenditure required to be performed or incurred under the Contract during such Year. At the time of agreeing upon and adopting an annual Work Programme and budget, the Operating Committee shall provisionally consider, but not act upon or adopt an operating programme for the next succeeding Year. As soon as possible after the adoption of an annual Work Programme and budget, Operator shall provide a copy thereof to each Party. The Operating Committee shall timely submit such Work Programmes and budgets to the Management Committee as required pursuant to Article 5 of the Contract.

6.3 Each budget shall be subdivided into the two major functional categories, Exploration versus Development/Production, and within each of those by sub-categories further broken down by programmed activity and individual projects. Purchases of materials and supply inventory not specifically made for an approved budget project will be budgeted as a separate item. Each individual project costing more than one hundred thousand United States Dollars (US \$100,000) per programme will be either labelled as "Firm" or "Pending". The movement of "Pending" items to "Firm" shall require the Operating Committee's approval.

6.4 A "Firm" project may be contingent on a satisfactory outcome of earlier projects and shall not require any further approval from the Operating Committee, provided any expenditure statement required under Clause 6.6 has been provided to and approved by the Non-Operators having a Participating Interest in that project.

6.5 Where the Operator, where necessary with the approval of the Operating Committee, has entered into contracts or commitments extending into one or more future budget periods, all Parties agree to budget funds to discharge the obligations except that, where the contracts or commitments permit, they may be cancelled or changed with appropriate changes in budgets as approved by the Operating Committee.

6.6 The Operator shall either when presenting a budget for approval, or subsequently, submit to the Parties having a Participating Interest in a project which is estimated to cost more than two hundred thousand United States Dollars (US \$200,000), an expenditure statement giving the best current estimate in hand prior to the availability of firm contract rates, of the total funds required to carry out such work, the estimated timing of expenditures and other supportive information normally available to Operator. The expenditure statement shall be approved prior to the Operator undertaking the project. Such approval may take the form of approval of the budget



submitted with the expenditure statement or signature of a copy of the expenditure statement by the Non-Operators having a Participating Interest as an authorisation for such expenditure. When specific approval of a budget over-expenditure is required pursuant to Clause 6.8 a revised expenditure statement shall also be submitted.

6.7 Unless specifically authorised to do so by the Operating Committee, Operator shall not perform, or be obliged to perform, any work pursuant to a Work Programme or incur any expenditure or indebtedness hereunder for the Joint Account until the corresponding budget and any expenditure statement required under Clause 6.6 have been reviewed and Operator has received all approvals required under the Contract and this Agreement. Once all such approvals are obtained, the Operator shall be authorised to carry out the Work Programme and to incur commitments and expenditures for this purpose for the Joint Account in accordance with the provisions of the Contract and this Agreement.

6.8 When necessary to carry out agreed Work Programmes, the Operator may during any budget period, overexpend any budget item by an amount not to exceed ten percent (10%) of the amount budgeted therefor or five hundred thousand US Dollars (US \$500,000), whichever is less: provided, however, the foregoing shall not authorise the Operator to overexpend the total amount of all budget funds for such budget period by more than five percent (5%). As soon as overexpenditure is foreseen by Operator it shall inform the Operating Committee, and seek a revision to the approved budget, where the expenditure foreseen is in excess of such permitted overexpenditure.

6.9 Subject to Article 6.10 below, Operator may during any budget period make expenditures or incur liabilities on behalf of the Parties in respect of the Petroleum Operations for non-budgeted projects (provided such projects have not been submitted to and rejected by the Operating Committee) which in the aggregate do not exceed the equivalent of one hundred thousand US Dollars (US \$100,000). The Operator shall as soon as practicable report such expenditures to the Operating Committee and once an item of such expenditure has been approved, the said aggregate amount shall be reinstated.

6.10 Operator is expressly authorised to make expenditures and incur liabilities in connection with Petroleum Operations hereunder when necessary or advisable in Operator's judgement, to deal with emergencies, such as, but not limited to, well blowouts and fires, or for the protection of life, property, or the environment. In the event of such emergency, the Operator shall immediately report the particulars thereof to the Parties and the action it has taken and intends to take.

7. COSTS AND EXPENSES

7.1 All costs and expenses incurred by the Operator on behalf of the Parties in carrying out Petroleum Operations under this Agreement (whether or not specifically mentioned herein) shall be borne and paid by the Parties in proportion to their Participating Interests, at the time when such

costs and expenses were incurred, or in the case of Sole Risk Operations in accordance with the provisions of Clause 9, and shall be determined and/or allocated in accordance with current accounting procedures as prescribed in the Joint Accounting Procedure.

7.2 In the event of any conflict between this Agreement and the applicable provision contained in the Joint Accounting Procedure or in any supplemental accounting instructions approved by the Operating Committee, the applicable provisions in the body of this Agreement shall govern to the extent of such conflict.

7.3 The terms and provisions of the Joint Accounting Procedure may be changed or modified as agreed by the Parties.

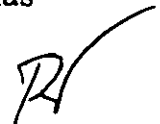
7.4 Audits of the Joint Account and records relating to Petroleum Operations kept by the Operator under this Agreement shall be conducted as provided for in the Contract, in this Agreement and in the Joint Accounting Procedure.

7.5 Inventories of assets shall be taken as provided for in the Contract.

7.6 Default

7.6.1 If any Party (hereinafter called the "Defaulting Party") fails to pay in full its share of any cash requirements by the date for payment thereof as provided in the Joint Accounting Procedure ("the Due Date"):

- (a) The Operator shall notify all Parties of such default (including any default where the Operator is the Defaulting Party) no later than the third New Delhi banking business day from the Due Date.
- (b) The Parties with a Participating Interest other than the Defaulting Party (hereinafter called the "Non-Defaulting Parties") shall contribute, as hereinafter provided, to the amount in default.
- (c) If the Defaulting Party fails to remedy its default within ten (10) days of the Due Date the Operator shall notify the Non-Defaulting Parties of the amount in default and shall make a further Cash Call to each of the Non-Defaulting Parties, with a copy to the Defaulting Party, based on the proportions that such Non-Defaulting Party's Participating Interest (or share in a Sole Risk Operation) bears to the total of the Participating Interests (or shares in the Sole Risk Operation) of the Non-Defaulting Parties.
- (d) Unless the Operator notifies the Non-Defaulting Parties that such default has been remedied, each of the Non-Defaulting Parties shall pay the amount specified in the Cash Call issued pursuant to (c) above no later than twenty (20) days from date of receipt of such notice, and shall continue to pay, in addition to its share of subsequent Cash Calls, the same proportions of that part of all subsequent Cash Calls attributable to the Defaulting Party until such time as the Defaulting Party has remedied its default as hereinafter provided.



- (e) The Operator shall promptly notify the Parties whenever a default has been remedied.

7.6.2 The Defaulting Party shall have the right to remedy its default up to the time of transfer of its Participating Interest under Article 7.7 by payment of the amount due together with interest thereon calculated at the LIBOR rate on the Due Date plus three per cent (3%) per annum from and including the Due Date for the Calendar Month in which the Due Date falls and thereafter at the LIBOR rate ruling on the first day of each subsequent Calendar Month plus three per cent (3%), such interest being compounded on a Calendar Monthly basis throughout the period of the default. All interest received by the Operator shall be paid to the Non-Defaulting Parties as well as any funds advanced in respect of amount in default refunded.

7.6.3 The Non-Defaulting Parties shall at all times have a lien to the extent of default on the Defaulting Party's Participating Interest and property held pursuant to this Agreement and the Defaulting Party's share of Petroleum produced to secure the payment, in full, of the amount in default together with interest as provided in Article 7.6.2 and, in the event of a sale of Petroleum by the Defaulting Party, for the purpose of enforcing such lien, shall have the right to require the purchaser of the Defaulting Party's share of Petroleum to make payment in respect thereof to the Operator or whomsoever it nominates until the Non-Defaulting Parties have recovered, in full, the amount in default together with interest as provided in Article 7.6.2. Such purchaser shall be entitled to rely upon information given to it by the Operator for and on behalf of the Parties as to the amount in default and interest due, and the Operator or whomsoever it nominates shall be empowered to give such purchaser a full and complete receipt in respect of such payment.

7.6.4 All sums which may become payable to the Non-Defaulting Parties under Article 7.6.3 shall be paid by the Operator to them (to a designated bank account of the Non-Defaulting Parties' choice) as soon as possible, and any residual balance shall be paid promptly to the Defaulting Party. Any foreign exchange gains or losses as calculated by the Operator shall be for the account of the Defaulting Party.

7.6.5 The Defaulting Party shall remain liable and obligated for its Participating Interest share of all costs and obligations that in any way relate to the abandonment of Petroleum Operations. Any sums paid in respect of abandonment by the Non-Defaulting Parties on behalf of the Defaulting Party (together with interest thereon pursuant to Clause 7.6.2) shall remain a debt due and owing by the Defaulting Party.

7.7 Continuation of default

7.7.1 Commencing on the thirtieth (30th) day following the Due Date and as long as any default continues, the Non-Defaulting Parties shall exercise all the powers and rights of the Defaulting Party with respect to Petroleum Operations including participation in the Management Committee and Operating Committee voting procedure and its voting rights shall be exercised by the Non-Defaulting Parties in such proportion as their respective

Participating Interests bear to each other. The Defaulting Party shall have no further access to any data and information, including but not limited to records, returns, plans, maps, samples and accounts relating to the Petroleum Operations until such default is remedied.

7.7.2 In the event that the production of Petroleum from a Development Area is insufficient to meet the current Cash Calls in respect of that Development Area, and the default continues for more than ninety (90) days without the Defaulting Party paying or otherwise contributing the entire amount of the default plus accrued interest by the end of such time, the Participating Interest of such Defaulting Party shall be subject to forfeiture. Each of the Non-Defaulting Parties may by notice to the Defaulting Party requiring the Defaulting Party to pay the entire amount in default within thirty (30) days, or, if it fails to do so, immediately thereafter to transfer an appropriate share of the Defaulting Party's Participating Interest to the Non-Defaulting Parties. The appropriate share of Participating Interest to be transferred by the Defaulting Party shall be such as to leave the Defaulting Party with a reduced Participating Interest percentage ("A") calculated in accordance with the following formula $A = 100(B/C)$, where:

- B is the cumulative total contributions made by the Defaulting Party to the cost of Petroleum Operations in a particular Development Area (not including the amount in default), and
- C is the cumulative total contributions made by all Parties to the costs of Petroleum Operations in that Development Area, up to the date thirty days after the service of the said notice on the Defaulting Party.

Where A, calculated as above, is less than ten percent (10%), the entire Participating Interest of the Defaulting Party shall be transferred.

Each Non-Defaulting Party shall be entitled to the transfer of a share of the Participating Interest of the Defaulting Party to be so transferred equal to the proportion that the Participating Interest of that Non-Defaulting Party bears to the total Participating Interest of all the Non-Defaulting Parties or in proportion to the percentage each of them made up the delinquency, if different, or in such other ratio as the Non-Defaulting Parties may unanimously agree. A Non-Defaulting Party which did not serve notice on the Defaulting Party under this Clause 7.7.2 shall be under no obligation to take any part of the Participating Interest of the Defaulting Party. If the Defaulting Party fails to make the payment required in such notice within the time limit, it shall execute such documents as are necessary to transfer the appropriate share of its Participating Interest, free and clear of all liens and encumbrances, and do any and all acts required to be done in order to render such transfer valid, including, without limitation, the obtaining of all governmental consents and approvals, at its sole cost. Upon such transfer being made and becoming effective free and clear of any lien or encumbrance granted, created or suffered to be created by the Defaulting Party (other than the lien hereby created in favour of the Non-Defaulting Parties) that Non-Defaulting Party shall cease to have lien on the remainder of the Defaulting Party's Participating Interest.



No forfeiture hereunder will restore the Defaulting Party's rights under Clause 7.7.1 until the Defaulting Party has paid, in full, the first Cash Call following the date of expiry of the notice, and ~~no further Cash Calls are due.~~ *provided that* HWA.
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7.8 The foregoing provisions, including but not limited to the assumption of the Defaulting Party's Participating Interest, are in addition to and without prejudice to any other remedies or rights which the Non-Defaulting Parties may have against the Defaulting Party with respect to a default.

7.9 Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that in respect of any exercise by the Non-Defaulting Parties of any rights under or the application of any of the provisions of this Article, such Party shall not raise by way of set off or invoke as defence, whether in law or equity, any failure to pay amounts due and owing or any alleged or unliquidated claim that such Party may have against Operator or any Non-Defaulting Party, whether such claim arises under this Agreement or otherwise. Such Party further undertakes not to raise by way of defence, whether in law or in equity, that the nature or the amount of remedies granted to the Non-Defaulting Parties is unreasonable or excessive.

8 OWNERSHIP OF ASSETS

8.1 Subject to the provisions of the Contract and Clause 13.10, all assets acquired by Operator and charged to the Joint Account shall be owned by the Parties in proportion to their respective contributions to the costs of acquisition of such assets.

8.2 Unless the Operating Committee previously authorises otherwise, the Operator shall acquire for the Joint Account only such assets as are reasonably estimated to be required in carrying out the "Firm" and "Pending" Petroleum Operations provided for in the Work Programmes and Budgets, or revisions thereof, it being intended that Operator shall not unreasonably stockpile materials and equipment for future use without the approval of the Operating Committee.

8.3 Subject to the provisions of the Contract the Operator shall sell and dispose of any asset acquired for the Petroleum Operations which is no longer required and which is not required by the Licensee. The proceeds of any such sale shall be shared by the Parties in proportion to their respective contributions to the costs of acquisition of such assets. Prior to offering such assets for sale to third parties or considering the transfer of such assets to operations other than Petroleum Operations, Operator shall offer them for sale to the Parties, pro rata to their Participating Interests, in accordance with Article 27.7 of the Contract and the Joint Accounting Procedure.

8.4 Operator may also utilise in Petroleum Operations, equipment owned and made available by any Party and charges to the Joint Account for use of

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such separately-owned equipment shall be made in accordance with the Joint Accounting Procedure.

8.5 For projects involving expenditures for equipment and supplies of one million United States Dollars (US \$1,000,000) or more, any Party may - subject to the Operating Committee's approval - furnish in kind (in whole or in part) its Participating Interest share of the necessary equipment and supplies, provided such furnishing in kind does not interfere with or add to the cost of the Work Programmes and projects being carried out for the Joint Account as reasonably determined by Operator nor inhibit Operator's ability to discharge its obligations to conduct the Petroleum Operations under this Agreement prudently, efficiently and in a timely manner.

8.6 Title to assets passing to the Licensee in accordance with Article 27.4 of the Contract shall be free and clear of all charges, liens, mortgages and similar encumbrances.

9. CONFIDENTIAL INFORMATION AND REPORTS

9.1 Subject to any provisions of the Contract regarding ownership of assets and confidentiality of data, data and information obtained by the Operator from the Petroleum Operations shall be made available to the Parties having a Participating Interest in the Development Area to which such data relates, and, except as provided in Clauses 9.2 and 9.3 cannot be disclosed, given, sold or traded to others without mutual consent of the Parties. Subject to the provisions of the Contract, any proceeds from sale by any Party of any such data and information shall be shared by the Parties in proportion to their respective Participating Interests. In any exchange of such data and information effected by any Party, provision shall be made for disclosure to the other Parties and their Affiliates of data and information received in such exchange.

9.2 Each Party shall, until the expiry of five (5) years after the termination of the Contract, treat all Petroleum Operations or Sole Risk Operation data and information, including this Agreement, as confidential and shall take or cause to be taken such precautions as are necessary to prevent disclosure thereof to others; provided, however, that each Party may, subject to the provisions of the Contract, disclose such data and information to:

9.2.1 Affiliates of the Party concerned;

9.2.2 Public authorities to the extent required by applicable law or regulations;

9.2.3 Financial institutions in connection with the raising of funds;

9.2.4 Counsellors of the Party concerned, such as legal counsel and auditors;

9.2.5 Persons and contractors engaged by Operator to the extent required for efficiently carrying out the Petroleum Operations;



9.2.6 Persons to which public authorities, financial institutions or judicial courts, acting pursuant to law, require such disclosure; and

9.2.7 Bona fide prospective assignees.

All reasonable measures shall be taken by the Party disclosing data, as provided above, to impose upon such Affiliates, public authorities, financial institutions, counsellors, persons, prospective assignees and contractors an obligation to keep confidential the data and information disclosed.

9.3 Notwithstanding the foregoing, in the event of an emergency involving extensive property damage, operations failure, loss of human life or other clear emergency and when time does not permit the obtaining of prior approval of the Parties, the Operator is authorised to furnish such factual information as is necessary to satisfy the legitimate public interest on the part of the press or authorities. The Operator shall promptly advise the Parties of the information so furnished.

9.4 Operator shall furnish to the Non-Operator(s) the following reports:

9.4.1 Weekly Well progress report (for Exploratory and Development Wells) which shall include for the week concerned a brief description of the work performed, the number of feet drilled, the type and depth of the formation or formations penetrated, the size and landed depth of any casing landed, the type and results of any tests made, and such other Well information or data as the Parties from time to time may reasonably specify, and a weekly production report for each type or grade of Petroleum.

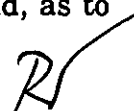
9.4.2 Monthly report of Petroleum Operations which shall include a summary of all service and all Exploration, Drilling, Development and Production Operations performed during the period covered by such report.

9.4.3 Monthly report of production from the Contract Area, showing disposition of Petroleum and such other data as specified in the Contract or this Agreement.

9.4.4 Immediate reports on Well developments of significance, such as blowout or Discovery, and immediate notice of special events of importance to the Petroleum Operations, such as fire, accident, sabotage or acts of God involving loss of life or serious property damage; strikes and riots; or Government actions threatening or adversely affecting the rights and interests of the Parties. Such immediate reports or notices shall be given by telex, telegraph, telephone or equivalent means and confirmed in writing.

9.4.5 A comprehensive final report upon the completion of each significant phase in the Petroleum Operations.

9.5 Each Non-Operator shall have at its own risk and cost, and subject to complying with Clause 4.5.15 access at all reasonable times to all of the Petroleum Operations in which said Non-Operator participates, and, as to



such Petroleum Operations and, except as provided under Clause 9.6, may at such Non-Operator's cost:

9.5.1 Inspect all records, data studies, logs, surveys, files, maps and other information kept by or available to the Operator;

9.5.2 Have special studies performed by the Operator to the extent and when such activities do not interfere with or delay the Operator's performance of its duties under this Agreement or under the Contract;

9.5.3 Request and receive from Operator forecasts, schedules, statements or status reports not otherwise provided for in this Agreement, copies of contracts, final maps, data information and interpretations, as well as samples of cores, well cuttings and produced water or Petroleum (to the extent available); and

9.5.4 Conduct audits in accordance with the Joint Accounting Procedure.

9.6 Nothing in this Agreement shall require any Party to divulge proprietary technology to the other Parties, and subject to Article 22 of the Contract the following principles as to utilisation and protection of proprietary technology in the Petroleum Operations shall apply:

9.6.1 Operator may from time to time utilise proven proprietary technology available to it at Joint Account expense in the conduct of Petroleum Operations and may take such reasonable precautions as Operator deems necessary or desirable (including agreement with or commitments from its employees, contractors and agents against such disclosure) to prevent disclosure of or entitlement to such proprietary technology including improvements and inventions resulting from use hereunder) to others.

9.6.2 Non-Operators shall, with respect to Development Areas in which they have a Participating Interest, have access to basic field data obtained through Operator's utilisation of proprietary technology and to final maps, data, information and conclusions resulting from any such utilisation, with entitlement to copies of such basic and final data, interpretations, maps, information and conclusions as provided for in this Agreement.

9.6.3 Any Party may at its own expense utilise proprietary technology available to it in developing from Petroleum Operations field data whatever information it desires, without the obligation to disclose such information, its results or conclusions to the other Parties.

9.6.4 Each Party utilising proprietary technology as mentioned in this Clause 9.6 shall hold all other Parties free and harmless from all third party claims, charges and damages arising out of such utilisation, including but not limited to claims based on patent infringement.

9.6.5 Should future difficulties or controversies between the Parties occur regarding application of the principles of this Clause 9.6, the Parties shall consult in good faith with the view to best possible utilisation of proprietary

technology in the Petroleum Operations, giving due regard to each Party's right to protect such proprietary technology and the need for access to data and information as well as to final results for determination of Work Programmes and budgets.

10. SHARES OF PRODUCTION OF PETROLEUM

10.1 Subject to the provisions hereof, each Party shall directly own and receive in kind its Participating Interest share of Contractor's entitlement to Profit Oil and/or Profit Gas of each grade and quality of all Petroleum produced and saved from each Development Area and to a share of Cost Oil and/or Cost Gas equal to the proportion of Contract Costs to be recovered therefrom which were originally borne by that Party. Subject to the relevant Articles of the Contract and to the Petroleum Offtake Agreement agreed under this Clause 10, each Party shall separately and at its own expense take and dispose of its full share of such Petroleum.

10.2 Petroleum produced and saved from the Contract Area shall be deemed to be delivered by Operator to the Parties at the Delivery Point.

10.3 Title to Petroleum and risk of loss shall pass to a Party upon delivery of Petroleum to such Party at the Delivery Point.

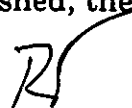
10.4 Not less than six (6) months prior to the start of Commercial Production from a Development Area, the Parties having a Participating Interest therein and the Government shall in good faith negotiate a Petroleum Offtake Agreement which shall provide, among other things, detailed terms and procedures for:

- A. short-term production forecasts;
- B. frequency of Petroleum nominations and period involved;
- C. ocean tanker nominations;
- D. lifting tolerances;
- E. underlift/overlift;
- F. demurrage, and
- G. penalties assessable to any Party or the Government which causes a production loss due to its failure to perform.

11. RELINQUISHMENT

11.1 When it becomes necessary pursuant to the terms of the Contract to relinquish portions of the Contract Area:

11.1.1 The Parties holding a Participating Interest shall make reasonable best efforts to reach unanimous agreement on the area proposed to be relinquished one hundred twenty (120) days before such relinquishment is required to be made. If such Parties are unable to reach agreement thirty (30) days prior to the date on which the area or areas must be relinquished, the



following procedure shall be observed provided all selections of the area or areas to be relinquished are within the requirements and restrictions of the Contract:

- (a) In the event Parties holding at least seventy five percent (75%) of the total Participating Interests agree on an area or areas to be relinquished, such area or areas shall be relinquished.
- (b) In respect to any area or areas to be relinquished on which the Parties holding at least seventy five percent (75%) of the total Participating Interests cannot agree, each Party shall select a proportionate part of the remaining area or areas to be retained equal to its Participating Interest.

11.1.2 The Operator shall proceed in a timely manner to relinquish the area or areas determined in accordance with the foregoing procedures.

12. WITHDRAWAL

12.1 Any Party may withdraw from this Agreement at any time provided that during the Exploration Period no Party shall withdraw until all the Exploration Operations Work Obligations for the then current exploration phase as specified in the Contract have been met.

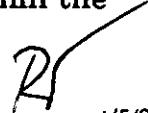
12.2 The Party desiring to withdraw (hereinafter called the "Withdrawing Party") shall give notice of intention to withdraw to the other Parties at least seventy (70) days in advance of the date of withdrawal and such notice shall contain:

12.2.1 Designation of the effective date for withdrawal, which shall be the last day of a Calendar Month; and

12.2.2 An offer to assign, without compensation, to the other Parties having a Participating Interest all of the Withdrawing Party's right, title and interest in the Contract Area, under the Contract or this Agreement, such offer to be conditional upon the other Parties' assumption of all future obligations related to the right, title and interest offered.

12.3 The other Parties shall have forty-five (45) days from date of receipt of such notice to notify the withdrawing Party whether they accept the offer and elect to receive the assignment provided for in Clause 12.2.2.

- (a) If one or more of the other Parties gives notice of acceptance and election to receive such an assignment within such forty-five (45) day period, the concerned Parties shall promptly execute and deliver all acts and things necessary and appropriate to effect such assignment. If more than one of the other Parties elects to receive the assignment, the Withdrawing Party's interest shall be apportioned among the assignees in the proportion that the Participating Interest of each (prior to assignment) bears to the total of the Participating Interest of all such assignees unless another apportionment is agreed to by all the assignees.
- (b) If none of the other Parties having a Participating Interest gives notice of its acceptance and election to receive such an assignment within the



forty-five (45) day period, the Parties shall promptly cause Operator to wind up the Petroleum Operations and the Parties shall do and perform all acts and things necessary and appropriate to this end, including termination of the Contract, subject to approval of Operating Committee. In such event all Parties, including the Withdrawing Party, shall continue to be responsible for their respective Participating Interest share of all financial and other obligations hereunder and under the Contract until the Contract is terminated without further obligation of the Parties and final settlement has been made among the Parties.

12.4 In the event of an assignment under Clause 12.3 (a) the Withdrawing Party shall be responsible for its financial obligations accrued under the Contract and this Agreement up to the effective date of withdrawal, including but not limited to payment of its full share of costs and expenses as to any particular Well, geophysical survey or other individual project investment for which they were committed either under the terms of the Contract or through an approved Work Programme or budget which has been commenced (or funds therefore committed) before such date of notice, except to the extent such obligations shall be assumed or paid by any third party which acquired from the remaining Party or Parties within three (3) months of the effective date of withdrawal, all or part of the interest assigned by the Withdrawing Party. The Withdrawing Party shall not be obligated for any obligations or commitments undertaken by the remaining Parties after the date of giving notice of withdrawal, but the Withdrawing Party shall be obligated for its Participating Interest share of any obligations which may accrue under the Contract prior to the date of notice.

12.5 The Withdrawing Party shall remain liable and obligated for its Participating Interest share of all expenditure accruing to the Joint Account under any relevant Work Programme and budget prior to the effective date of withdrawal and also to pay all cost and expenses incurred by the other Parties in connection with such withdrawal.

12.6 A Withdrawing Party shall not be entitled to withdraw from the Contract and this Agreement if its Participating Interest is subject to any lien, charges or encumbrance other than those arising under the Contract or this Agreement unless the other Parties are willing to accept the assignment subject to the additional lien, charges or encumbrance.

12.7 The Withdrawing Party shall without compensation of any kind and at its sole risk and expense, prepare and execute all necessary documents to assign its Participating Interest and take any and all steps necessary to obtain whatever approval is necessary and deliver such documents to the Non-Withdrawing Parties. The latter shall pay to the Withdrawing Party the reasonable salvage value of its Participating Interest share in any equipment, facilities and Wells either acquired for the Petroleum Operations or for any Sole Risk Operation in which the Withdrawing Party was participating as of the effective date of withdrawal, less (i) the estimated cost of salvaging as determined by competitive bids, and (ii) the estimated cost of plugging and abandoning wells. If cost of salvaging is in excess of the value of the salvage,



the Withdrawing Party shall pay its Participating Interest share of such excess in cash.

12.8 Until such time as a valid assignment of the Withdrawing Party's Participating Interest is completed, the Withdrawing Party shall remain obligated to join in any action required of the Parties for the maintenance in force of the Contract, it being understood that the Withdrawing Party shall not, by such joinder or participation in any action following the effective date of withdrawal, incur any financial responsibility or obligation accruing after the effective date of withdrawal other than as provided in this Clause 12.

13. SOLE RISK

13.1 If any Party wishes, in any Development Area, to explore for, appraise or develop any Reservoir, other than one which contains a Discovery, which has been declared a Commercial Discovery under the provisions of the Contract, such Party may submit to the Operating Committee a written proposal for:

- (i) the drilling, deepening, deviating, reworking, completion re-completion, or testing of a Well;
- (ii) the carrying out of seismic or other geophysical surveys preparatory to the drilling of Exploration or Appraisal Wells; or
- (iii) the installation of production facilities with respect to any such Well;

provided that such operations are not included in an approved Work Programme and that it does not unreasonably interfere with or delay Petroleum Operations under an approved Work Programme or would prevent Contractor from exercising rights or performing its obligations or would interfere with giving notice of Commercial Discovery.

13.2 Any proposal submitted under Article 13.1 ("Sole Risk Proposal") shall specify the work to be performed and the timing and the estimated costs thereof. The Operating Committee shall have a period of thirty (30) days after receipt of the Sole Risk Proposal (or forty-eight (48) hours in the case of a Sole Risk Proposal under Article 13.1 (i) where the drilling rig is on location) in which to decide whether or not to approve the Sole Risk Proposal. During such period any Party may through its Operating Committee representative elect to participate in the Sole Risk proposal, notwithstanding that it previously opposed the Sole Risk Proposal. If all Parties elect to participate in the Sole Risk Proposal, it shall be carried out as Petroleum Operations for the Joint Account and the current approved Work Programme and Budget for Petroleum Operations shall be revised accordingly.

13.3 If the Sole Risk Proposal is not approved by all Parties' representatives within the applicable period, the Party or Parties who elected to participate (the "Sole Risk Party") may request the Operator to carry out the Sole Risk Proposal as a "Sole Risk Operation" at the sole risk, cost and expense of the Sole Risk Party, within ninety (90) days (or twenty-four (24) hours in the case of a Sole Risk Proposal under Article 13.1 (i) where the drilling rig is on location) after the time for decision under Article 13.2 has expired. The

Operator, (regardless of whether or not the Sole Risk Party includes the Operator) shall carry out the Sole Risk Operation, under the provisions, mutatis mutandis, of this Agreement, provided it can be carried out without unreasonable delay to or interference with approved Work Programmes or contractual commitments of the Operator. All of the Parties shall be entitled to be furnished with information on any Sole Risk Operation.

If the Sole Risk Party consists of more than one Party, each such Party shall bear the costs and expenses and share the rights and obligations in respect of such Sole Risk Operation in the same proportion that such Party's Participating Interest bears to the sum of the Participating Interests of the Parties constituting the Sole Risk Party, unless otherwise agreed between the Parties constituting the Sole Risk Party.

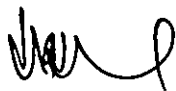
13.4 If the Sole Risk Party does not request the Operator to carry out the Sole Risk Proposal as a Sole Risk Operation within the period specified in Article 13.3 the Sole Risk Proposal shall lapse, but may be resubmitted to the Operating Committee under Article 13.1.

13.5 The Operator shall prepare at the cost of the Sole Risk Party all applications for consents and approval, development plans and any reports and information which may be necessary in respect of the Sole Risk Operation under this Agreement or the Contract. The non-participating Parties shall at the cost and risk of the Sole Risk Party take any action required by the Sole Risk Party to enable the Sole Risk Operation to proceed in accordance with the Sole Risk Proposal.

13.6 No Sole Risk Operation shall result in a Well being completed as a producing Well, unless all of the Parties who participated in such Well consent to the Sole Risk Operation; or in a Well being completed in a Reservoir in which drilling operations are proposed, or are being carried out under an approved Work Programme for Petroleum Operations, or from which a Well, located elsewhere in the Reservoir, is producing or is capable of producing, unless the Well so completed as a Sole Risk Operation conforms to a Well spacing pattern previously determined by the Operating Committee for such Reservoir, which yields the maximum efficient rate of production.

13.7 If a Sole Risk Operation results in or contributes to the discovery of a Reservoir from which Petroleum is produced the Sole Risk Party shall be entitled to an enhanced share of the Contractor's entitlement to Profit Oil or Profit Gas from such Petroleum produced, in addition to the recovery of its Contract Costs in respect of the Sole Risk Operation, until such time as the Sole Risk Party shall have received therefrom an amount of Petroleum with a value equal to the sum of the following:

- (i) Six hundred per cent (600%) of the cost of drilling, deepening, deviating, reworking, completing, re-completing or testing an Exploration Well and equipping it up to the wellhead connections and of any surveys preparatory to drilling such Exploration Well incurred by the Sole Risk Party in the course of the Sole Risk Operation in question;



- (ii) Three hundred per cent (300%) of the cost of drilling, deepening, deviating, reworking, completing, re-completing or testing an Appraisal Well and equipping it up to the wellhead connections and of any surveys preparatory to drilling such Appraisal Well incurred by the Sole Risk Party in the course of the Sole Risk Operations in question;
- (iii) Two hundred per cent (200%) of the cost of drilling, deepening, deviating, reworking, completing, re-completing, or testing of Development Wells or of completing or re-completing Exploration and Appraisal Wells as producing Wells or as Wells for the injection of water or gas to enhance recovery of Petroleum and of all costs of facilities and installations (other than those up to the wellhead connections of Exploration and Appraisal Wells) incurred by the Sole Risk Party in the course of the Sole Risk Operation in question; and
- (iv) One hundred per cent (100%) of all other costs and expenses, including Operating Costs, incurred by the Sole Risk Party in the course of the Sole Risk Operation in question.

13.8 The enhanced share of the Sole Risk Party, out of which the amounts referred to in Clause 13.7 are to be recouped shall consist of all Profit Oil or Profit Gas attributable to the production from a producing Well completed as part of the Sole Risk Operation in question and fifty per cent (50%) of all Profit Oil or Profit Gas attributable to the production from other producing Wells in the Reservoir subsequently completed as Petroleum Operations. Each Party participating in the drilling of such other producing Wells (including the Sole Risk Party) shall be entitled to take its proportionate share of the remaining fifty (50%) of such portion during the balance of the recoupment period.

13.9 Any non-participating Party may, notwithstanding that it failed to participate in a Sole Risk Operation, elect to participate in another Sole Risk Operation or Petroleum Operations relating to further work following on from the Sole Risk Operation, in respect of which it failed to participate. Any such participation shall not affect the rights of the Sole Risk Party to an enhanced share of the production of Petroleum to which the Sole Risk Operation in question contributed in accordance with Clauses 13.7 and 13.8. In the event that there are two or more Sole Risk Operations in respect of which the Sole Risk Party is differently constituted as to Parties or as to participation the amounts to be recovered under Clauses 13.7 and 13.8 shall be recovered first by the Sole Risk Party which participated in the Sole Risk Operation which was requested under Article 13.3 first in time, and thereafter in the order of such requests for other Sole Risk Operations.

13.10 Immediately after the date on which the Sole Risk Party shall have recouped all the amounts referred to in Clause 13.7 out of the enhanced share referred to in Clause 13.8, the Sole Risk Party shall give notice of such date (the "Pay-Out Day") to non-participating Parties. Thereafter the Sole Risk Operation shall be carried out as Petroleum Operations on behalf of all Parties having a Participating Interest in the Development Area in question, under this Agreement, with effect from the Pay-Out Date. However, if any non-participating Party notifies the other Parties within 30 days of receipt of the notice of the Pay-Out Date that it will not participate, the Sole Risk



Operation shall continue as a Sole Risk Operation. If and when a Sole Risk Operation ceases to be a Sole Risk Operation, the Assets acquired by the Sole Risk Party shall become the property of all the Parties in proportion to their Participating Interests in the Development Area in question.

13.11 All costs of a Sole Risk Operation shall be borne by the Sole Risk Party, including the costs of abandonment of any Wells drilled, deepened, completed, re-completed or reworked and the removal of any surface facilities constructed in the course of the Sole Risk Operation.

13.12 The Operator shall, within sixty (60) days after completion of a Sole Risk Operation, furnish each of the Parties with an inventory and itemised statement of the costs and expenses related to the Sole Risk Operation, and in the case of a Sole Risk Operation arising from a Sole Risk Proposal under Clause 13.1 (iii) shall provide the other Parties with monthly statements of operating and other costs and expenses and progress reports on the implementation of the Sole Risk Operation, together with statements of the portion of Petroleum production attributable to and received from the Sole Risk Operation, and the enhanced shares of such production under Clause 13.8.

13.13 Any production, handling, processing and/or transporting facilities acquired for a Sole Risk Operation may be used for other Petroleum Operations subject to a determination by the Sole Risk Party as to a reasonable financial charge, availability of capacity and production compatibility. Such charge shall be charged to the Joint Account and will be settled between the Parties by making corresponding adjustments to their respective payments to the Joint Account.

14. ASSIGNMENT, SALE OR TRANSFER OF INTERESTS

14.1 No Party shall sell, assign or transfer a Participating Interest, in whole or in part, except in accordance with the provisions of this Clause, and subject to the terms of the Contract and to Clauses 12 and 13.

14.2 Subject to Article 28 of the Contract, any Party shall have the right at any time, with or without compensation, to transfer and assign to an Affiliate all or part of its right, title and interest in the Contract Area and in and under this Agreement provided the assignee assumes all of the Party's obligations with respect to such interest.

14.3 Should any Party desire to assign or sell all or part of its Participating Interest ("the Interest"), other than to an Affiliate, the proposing Party shall promptly give written notice to the other Parties of the nature of the Interest to be sold or assigned, the identity of the proposed assignee or purchaser, the consideration to be received, and all other terms of the proposed assignment or sale.

14.3.1 The other Parties shall thereupon have the right to acquire the Interest on equivalent terms or conditions to those that the proposed assignee or purchaser is willing to offer, and, if this right is exercised by more than one

other Party, the Parties exercising this right shall share the Interest in the proportions that the Participating Interest of each bears to the total of the Participating Interests of all exercising Parties immediately prior to such assignment or sale, except where said Parties agree in writing otherwise. The right to acquire the Interest must be exercised within forty five (45) days after receipt of the written notice from the proposing Party.

14.3.2 If none of the other Parties exercise their right to acquire the Interest, the proposing Party shall be free to assign or sell the Interest to the proposed assignee or purchaser on the terms and conditions originally notified to the other Parties, within ninety (90) days. If the Interest is not so sold, the proposing Party shall be required to serve a fresh notice hereunder.

14.4 All costs of sales, transfer and assignments provided for in this Clause 14 including notarial and registration fees, tax or other expense shall be the sole obligation of the Party selling, transferring or assigning.

15. FORCE MAJEURE

15.1 Any non-performance or delay in performance by any Party hereto of any of its obligations under this Agreement, or in fulfilling any condition of any licence or lease granted to such Party, or in meeting any requirement of the Contract or any licence or lease issued thereunder, shall, except for the payment of monies due under this Agreement, be excused if, and to the extent that, such non-performance or delay in performance is caused by Force Majeure as defined in Article 31 of the Contract.

15.2 For the purpose of this Agreement, the provisions of Article 31 of the Contract shall be deemed to be incorporated mutatis mutandis herein.

16. RELATIONSHIP OF PARTIES

Except as otherwise provided herein, the covenants, obligations and responsibilities of the Parties are intended to be several and not joint or collective. Further, and except as expressly provided in this Agreement, nothing herein contained shall be construed to create an association, trust or partnership, on or with regard to any one or more of the Parties. Each Party shall be individually responsible for its own covenants, obligations and responsibilities except as herein provided. No Party shall be under the control of or the agent of or have a right or power to bind any other Party without its express written consent, except as herein provided.

17. NOTICES

17.1 Any and all notices required or permitted to be given under the provisions of this Agreement shall be deemed to have been given when delivered in writing to the receiving Party and receipt therefor acknowledged in writing by an authorised representative of such Party, or when given by telex and confirmed by the recipient's answer back code appearing on the sender's copy of the telex or by telefax notice confirmed by the posting of a

registered letter postage prepaid, or by delivery by hand, acknowledged by the addressee or a responsible person on his behalf, addressed to the receiving Party at the applicable following addresses:

- a) ONGC
The Company Secretary
Oil & Natural Gas Corporation Limited
Jeevan Bharati Tower II
Connaught Circus
New Delhi 110 001, INDIA
Grams: COMONG
Telex No: 0316 5184/0316 6262
Facsimile No.: 91-11-3316 413
- b) Shell India Production Development B.V.
S-3 International Trade Tower
Nehru Place
New Delhi
110019 INDIA
Facsimile No.: 91-11-642 9228

with a copy to

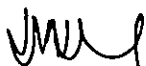
Shell Internationale Petroleum Maatschappij B.V.
Attention EPX/12
P.O. Box 162,
Oostduinlaan 75
2501 AN The Hague
The Netherlands
Facsimile No.: +31-70-377-4848
Telex No.: 00 44 36000

17.2 A Party may from time to time change its address under this Article on fifteen (15) days notice to the other Parties.

18. ARBITRATION AND GOVERNING LAW

18.1 Disputes and claims, if any, arising out of or relating to this Agreement or the interpretation or performance of provisions of any of the Articles of this Agreement and which cannot be settled amicably within a reasonable time shall be finally settled through arbitration according to the provisions of Articles 32 and 33 of the Contract.

18.2 This Agreement shall be construed and the relationship between the Parties governed by and interpreted in accordance with Article 32 of the Contract.



IN WITNESS WHEREOF the Parties have caused this Agreement to be executed by their duly authorised officers and representatives as of the day and year first above written.

Signed by:
for and on behalf of
Oil & Natural Gas
Corporation Ltd.

S. Srinivasan

(DR. S. SRINIVASAN)

in presence of:

K. R. N. DESAI
C R N DESAI

Signed by:
for and on behalf of
Shell India Production
Development B.V.

B. Reinhardt

B. REINHARDT

in presence of:

V. K. H. T. A

V. K. H. T. A

**OPERATING AGREEMENT
JOINT ACCOUNTING PROCEDURE**

Appended to and made a part of
the Operating Agreement between
Shell India Production Development B.V.
and
Oil and Natural Gas Corporation Ltd.

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JOINT ACCOUNTING PROCEDURE

Article I - General provisions

1 Purpose and Definitions

This Joint Accounting Procedure shall be applied in addition to the Accounting Procedure of the Contract and is intended to regulate the Joint Account as between the Parties to the Operating Agreement of which this Joint Accounting Procedure forms part ("the Operating Agreement").

The provisions of the Accounting Procedure under the Contract are applicable herein, unless specifically provided otherwise in this Joint Accounting Procedure.

The purpose of this Joint Accounting Procedure is to establish equitable methods of determining charges and credits applicable to the conduct of Petroleum Operations by the Contractor under the Contract and the Operating Agreement which will truly reflect the Operator's actual costs, to the end that the Operator shall neither gain nor lose in relation to the Non-Operator(s) by reason of the fact that it acts as Operator. If at any time or from time to time, any such methods prove unfair or inequitable to Operator, or Non-Operator(s), the Parties will meet and in good faith endeavour to agree on changes in methods deemed necessary to correct any unfairness or inequity.

The definitions contained or adopted in Clause I of the Operating Agreement to which this Joint Accounting Procedure is attached shall also be applicable in this Joint Accounting Procedure.

2 Accounting records

- 2.1 Each of the Parties shall be responsible for maintaining its own accounting records to comply with its legal requirements with regard to its Participating Interest in the Petroleum Operations under all applicable income tax and other laws.
- 2.2 To enable each Party to record such data in its own books in accordance with paragraph 2.1 above the Operator shall at all times maintain and keep a Joint Account containing true and correct records of the production and disposition of all Petroleum and of all costs and expenses in respect of the Petroleum Operations under the Contract and the Operating Agreement, in such a manner that all costs and expenses can be segregated and allocated to the appropriate Development Areas or the appropriate Petroleum Operations, as well as all other data necessary or proper for the settlement of accounts between the Parties in connection with their rights and obligations under the Contract and the Operating Agreement.



- 2.3 The accounting records must be kept in accordance with the standard accounting methods used by the Operator and the accounting requirements under the Contract and the Operating Agreement.
- 2.4 The Joint Account shall be kept on an accrual basis and shall be maintained in United States Dollars, which shall be the controlling currency of account between the Parties. Metric units and Barrels shall be used for all measurements required under the Contract and the Operating Agreement, unless otherwise provided. Transactions incurred in currencies other than United States Dollars shall be converted at the appropriate rates of exchange in accordance with section 1.6 of Appendix C of the Contract. Any loss or gain resulting from the exchange of currency shall be debited or credited as the case may be to the Joint Account.

3 Advances and Cash Calls

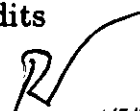
- 3.1 Operator shall have the right at its option to require each of the Parties to advance its share of net cash requirements for Petroleum Operations to be carried out by Operator in accordance with the provisions of the Operating Agreement, by submitting to the Parties, on or before the fifteenth (15th) day of any Calendar Month an itemised estimate by budget categories of such requirements in United States Dollars and/or Indian Rupees for the succeeding Calendar Month. The Parties shall pay their Participating Interest share of the cash requirements within fifteen (15) days after receipt of the Cash Call or by the first day of the Calendar Month for which the cash is required, whichever is the later, in the currencies requested. A reconciliation between estimated and actual cash requirements shall be made by Operator at the close of each Calendar Month and any differences will be adjusted in the subsequent Cash Call.
- 3.2 The Operator shall include, for information only, its estimate of the Cash Calls to be made for each of the next two Calendar Months, when making a Cash Call under Section 3.1 of Article I hereof.
- 3.3 In the event that Operator subsequently determines that due to unanticipated expenditure in a particular Calendar Month the Cash Calls submitted to the Parties for that Calendar Month are inadequate, Operator shall have the right to require the Parties to advance their respective portions of additional requirements by submitting an itemised estimate by budget categories of such additional requirements. The Parties shall pay their Participating Interest share of such additional cash requirements within fifteen (15) days after receipt of any such additional Cash Call.
- 3.4 Any Party may require that funds which it has advanced in excess of its Participating Interest share of actual cash requirements be refunded at its own expense within a period of twenty one (21) days from the date of the request, in the currency of their original contribution, provided that such excess funds exceed fifty thousand

United States Dollars (US \$50,000) or their equivalent in Indian Rupees.

- 3.5 If the total of the individual Parties' advances is less than actual cash requirements, the shortfall may, at the Operator's option, be added to the next succeeding Cash Call or be billed to the individual Parties and shall be paid by the individual Parties within fifteen (15) days following the receipt of the Operator's billing for such shortfall.
- 3.6 If the Operator does not request the Parties to advance their share of estimated cash requirements, the Parties shall pay their share of actual costs, expenditure charges and credits to the Joint Account within fifteen (15) days after receipt of Operator's billing.
- 3.7 Any advances by the Parties shall, unless otherwise agreed by the Operating Committee, be held in a separate account established for the Petroleum Operations, and any interest earned will be for the benefit of the individual Parties in proportion to their contributions.
- 3.8 If a Non-Operator believes that all or part of the Cash Call exceeds the amount authorised under the relevant approved expenditure statement or under Clause 6.8, 6.9 or 6.10 of the Operating Agreement, it may within three (3) days of receipt of such Cash Call give notice to all other Parties including the Operator of such belief, providing its reasons therefor. If within a further three (3) days the Operator agrees, or if there is more than one Non-Operator, who has received a Cash Call in respect of that expenditure, all the Non-Operators agree, that all or a part of the Cash Call exceeds the amount authorised, then that part of the Cash Call shall be invalidated. A Party shall not be in default under Clauses 7.6 and 7.7 of the Operating Agreement for failing to pay that part of a Cash Call so invalidated.
- 3.9 Subject to Section 3.8 of Article I hereof, if any Party fails to pay in full its share of any Cash Call by the due date as provided above, it shall be in default and Clauses 7.6 and 7.7 of the Operating Agreement shall apply.
- 3.10 Payment of any billings, advances or Cash Calls shall not prejudice the right of any Non-Operator to protest or question the correctness thereof.
- 3.11 Advances and Cash Calls and any other credits to the Joint Account in respect of a Development Area in which the Nominee has elected to participate pursuant to Article 13 of the Contract shall not be comingled with other funds held by the Operator.

4 Statements and Billings

- 4.1 The Operator shall furnish each Non-Operator having a Participating Interest within thirty (30) days after the end of each Calendar Month, with a statement of all costs, expenditure, charges and credits



recorded in the Joint Account during that month, cumulatively for the current Calendar Year and the cumulative totals, summarised by main cost headings as budgeted and showing each Party's share therein in total. The monthly statements shall also show the advances received from each of the Parties and the movement in working capital during the period covered. All unusual charges and credits to the Joint Account shall be detailed. These statements shall be prepared in US Dollars and shall show the Indian Rupee equivalent.

- 4.2 All statements and billings relating to any Calendar Year rendered to Non-Operators by the Operator, shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of that Calendar Year, unless a Non-Operator takes written exception thereto, and makes claims on the Operator for adjustment, or an Audit has been initiated under Section 5 hereof within such twenty-four (24) month period. No adjustment favourable to the Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory, adjustments arising from claims involving a third party, or adjustments required by any authority in India having power so to require.

5. Audits

5.1 A Non-Operator having a Participating Interest, upon at least thirty (30) days advance written notice to the Operator and other Non-Operator(s), shall have the right at its sole expense to audit the Joint Account and records relating to Petroleum Operations in which it is participating, kept by the Operator in accordance with the Operating Agreement, for any Calendar Year, not more than once, within the twenty-four (24) month period following the end of such Calendar Year, at a time convenient to the Operator, and in a manner which will result in a minimum of inconvenience and expense to the Operator, and so that the Operator's conduct of Petroleum Operations will suffer as little hindrance as possible.

5.2 Where there are two or more Non-Operators desiring to conduct an audit of a particular Calendar Year, they shall make every reasonable effort to conduct joint audits. Such Non-Operators shall be provided by the Operator with reasonable facilities and assistance as may be necessary for the inspection of the financial records, and accounts relating to the Petroleum Operations.

5.3 Such audit will be limited to the accounts and records of the Operator's activities under the Operating Agreement. In the case of common costs to be shared between different Petroleum Operations for which the Participating Interests differ, or costs shared with activities other than Petroleum Operations, the charges to the Joint Account will be based upon a reasonable, equitable and consistent allocation of such costs, where possible based on direct hours substantiated by time sheets. If any Non-Operator desires verification of charges representing a proportionate share in the cost of these activities, it may do so to the extent the Operator is able to present

such information without infringing the confidential or proprietary nature of such information. In case such infringement may occur any Non-Operator may, at its own expense, obtain an audit certificate from a recognised firm of public accountants acceptable to the Operator.

5.4 A Non-Operator shall raise any objection in respect of the Joint Account in writing to the Operator within ninety (90) days following the end of an audit, carried out in accordance with Article 5.1. The Operator and the Non-Operators shall make every reasonable effort to resolve all audit claims. Any errors and/or omissions agreed to have been found in the Joint Account shall be rectified promptly by the Operator. In the case that the Operator and Non-Operator(s) are unable to reach final agreement on audit exceptions then such exceptions shall be referred to an internationally recognised firm of public accountants selected by the Operating Committee.

Article II - Charges to the Joint Account

Notwithstanding the provisions of the Accounting Procedure to the Contract, the Operator shall charge the Joint Account with the costs incurred in connection with the Petroleum Operations under the Contract and the Operating Agreement and for the performance of its duties so that Operator shall neither gain nor lose in relation to the Non-Operators by reason of the fact that it acts as Operator. In particular, without prejudice to the foregoing, Operator shall charge to the Joint Account the costs set out hereunder.

1. Costs not recoverable and/or not allowable under the Contract

In the event that any costs are incurred by the Operator in connection with the conduct of Petroleum Operations, which are not recoverable under the Contract or are subsequently disallowed or not recovered such costs shall be properly charged to the Joint Account, except costs falling within subsections (i), (ii), (iii) and (ix) of Section 3.2 of the Accounting Procedure to the Contract.

2. Services of Affiliates of Operator

Notwithstanding Section 2.6.2 of the Accounting Procedure to the Contract, there shall be charged to the Joint Account, in addition to the charges for specific services provided by Affiliates of Operator charged under Section 3.1.4 (ii) a) of the Accounting Procedure to the Contract the actual costs charged for General Services rendered by Affiliates of SIPD, while it is the Operator under a service agreement with its Affiliate Shell Internationale Petroleum Maatschappij B.V. ("SIPM"). The amount to be charged shall be the actual charge for general technical and other services, including a contribution to the cost of research and development work, charged at rates designed (after the payment of any taxes) to recover the cost of all such general services, advice and assistance made available to SIPD in the conduct of Petroleum Operations.



The charges made under the said service agreement shall not include any element of profit and shall be calculated in accordance with Affiliates' customary accounting practice for recovering the actual cost of providing such services. At the request of any Party, Operator shall procure that a certificate from the statutory auditors of Operator's Affiliate in the case of any sum charged to the Joint Account to the effect that:

- (i) It represents a fair allocation of actual costs and does not include any element of profit;
- (ii) It does not exceed the amount which would normally be charged by the Affiliate giving the advice or service to other operating company Affiliates for the advice and service of the type provided in accordance with the cost charging system of that Affiliate; and
- (iii) It does not duplicate any other amount charged to the Operator.

Such charges for general services shall be made in place of and not in addition to the annual overhead charge provided for in Section 2.6.2 of the Accounting Procedure of the Contract, without prejudice to the right of the Operator and the Non-Operators to recover a share of the said overhead charge as Cost Oil or Cost Gas proportional to their respective Participating Interests in the Contract Costs upon which the overhead charge is based.

3 Apportioned Costs

The amount to be apportioned and charged to the Joint Account in respect of costs incurred partly in connection with Petroleum Operations and partly in connection with other activities conducted by the Operator shall be calculated on a fair and equitable basis consistently applied by Operator.

4 Use of Operator's and Non-Operators' exclusively owned facilities

Equipment, facilities and property owned and furnished by any Party to the Operating Agreement or its Affiliate, which is used in Petroleum Operations shall be charged to the Joint Account 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.

Article III - Disposal of Assets

Assets no longer required for Petroleum Operations shall, in accordance with Article 27.7 of the Contract be offered at book value, in priority to the Licensee and thereafter to the Parties constituting the Contractor. Any Party may

specify a price at which it will be prepared to purchase any item which is not transferred at book value pursuant to Article 27.7.

The Operator shall be under no obligation to purchase for its own account such assets not required by the Licensee or any Non-Operator, and may sell or otherwise dispose of any such assets at its sole discretion, provided that it may not dispose of any item which a Party has offered to purchase at a price which is less than the price offered by that Party, unless that Party withdraws its offer.

1. Purchase by Operator or Non-Operators

The purchase price in respect of assets purchased by a Party to the Operating Agreement for use in operations outside the Contract Area shall be credited by Operator to the Joint Account as soon as such assets are removed by the purchaser.

2. Division in kind

Division of assets in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such assets. Each Party will thereupon be charged individually with its share of the agreed value of the assets received or receivable by each Party, and corresponding credits will be made by Operator to the Joint Account.

3. Sale to Third Parties

Sale to third parties of assets shall be credited by the Operator to the Joint Account at the net amount collected by the Operator from the purchaser. Any claims by the purchaser for defective materials or otherwise shall be charged back to the Joint Account if and when paid by the Operator.

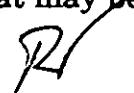
Article IV - Miscellaneous provisions

1. Duplication

Notwithstanding the foregoing provisions of this Joint Accounting Procedure, it is the intention that there shall be no duplication of charges or credits to the Joint Account, or to accounts in respect of Sole Risk Operations.

2. Termination

As soon as practical after termination of the Contract and the Operating Agreement, the Joint Account shall be finally settled and balanced by whatever cash payments between the Parties are necessary following presentation by the Operator to all Non-Operators of a final statement of the costs and credits in the Joint Account, subject to any adjustment that may be



required as the result of any final audit performed in accordance with this
Joint Accounting Procedure, the Contract and the Operating Agreement.

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