

MODEL CONTRACT

FOR EXPLORATION AND PRODUCTION

OF COAL BED METHANE (CBM)

BETWEEN

THE GOVERNMENT OF INDIA

AND

WITH RESPECT TO CONTRACT AREA

IDENTIFIED AS BLOCK

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**MODEL CONTRACT FOR EXPLORATION AND PRODUCTION OF
COAL BED METHANE**

This Contract made on this ____ day of _____, 200_ between:

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

AND

XYZ Company, a Company incorporated under the laws of India (hereinafter referred to as “XYZ”) having its registered office at _____, which expression shall include its successors and such assigns as are permitted under Article 25 hereof, of the SECOND PART; (in case of Contractor consisting of more than one Company, this will apply for all such Companies)

WITNESSETH :

WHEREAS

- (1) The Oilfields (Regulation and Development) Act, 1948 (53 of 1948) (hereinafter referred to as “the Act”) and the Petroleum and Natural Gas Rules, 1959 (hereinafter referred to as “the Rules”) made thereunder make provision, inter alia, for the regulation of Petroleum Operations and grant of Licences and Leases for exploration, development and production of Petroleum in India;
- (2) The Coal/Lignite Bed Methane (CBM) is a Natural Gas, and, therefore, it is governed by the Act and the Rules;
- (3) The Rules provide for the grant of Licences and Leases in respect of land vested in a State Government by that State Government with the previous approval of the Central Government, and XYZ Company(ies) has/have applied/shall apply for a License to carry out CBM Operations in that area identified as Block _____ and more particularly described in Appendix-A and Appendix-B;
- (4) Rule 5 of the Rules provide for an agreement between the Government and the Licensee or Lessee with respect to additional terms and conditions with respect to the License or Lease;
- (5) The Government desires that the CBM resources which exist in India be assessed and exploited in commercial quantities with the utmost expedition in the overall interest of India in accordance with modern CBM/oilfields and petroleum industry practices;
- (6) XYZ Company(ies) has/have committed that it has/they have, or will acquire and make available, the necessary technical and financial resources and the technical and industrial competence and experience necessary for proper discharge and/or performance of all obligations required to be

performed under this Contract in accordance with modern CBM/oilfields and petroleum industry practices and will provide guarantees as required under Article 26 for the due performance of its/their obligations hereunder; and

- (7) As a result of discussions between representatives of the Government and XYZ Company(ies) on the proposal of XYZ Company(ies), the Government has agreed to enter into this Contract with XYZ Company(ies) with respect to the said area referred to in paragraph (3) above on the terms and conditions herein set forth.

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

ARTICLE 1

DEFINITIONS

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

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

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

- i) ownership by one company of more than fifty percent (50%) of the voting securities of the other company; or
 - ii) the power to direct, administer and dictate policies of the other company even where the voting securities held by such company exercising such effective control in that other company is less than fifty percent (50%) and the term “controlled” shall have a corresponding meaning.
- 1.4 “Appendix” means an appendix attached to this Contract and made a part thereof.
- 1.5 “Approved Work Programme” means a Work Programme that has been approved by the Steering Committee pursuant to the provisions of this Contract.
- 1.6 “Arms Length Sales” mean sales made freely in the open market, in freely convertible currencies, between willing and unrelated sellers and buyers and in which such buyers and sellers have no contractual or other relationship, directly or indirectly, or any common or joint interest as is reasonably likely to influence selling prices and shall, inter alia, exclude sales (whether direct or indirect, through brokers or otherwise) involving Affiliates, sales between Companies which are Parties to this Contract, sales between Governments and Government owned entities, counter trades, restricted or distress sales, sales involving barter arrangements and generally any transactions motivated in whole or in part by considerations other than normal commercial practices.
- 1.7 “Article” means an Article of this Contract and the term “Articles” means more than one Article.

- 1.8 “Borehole” means a Well drilled in the sub-surface with or without obtaining the cores of rock samples for the purpose of ascertaining any information.
- 1.9 “Budget” means a budget formulated in relation to a Work Programme.
- 1.10 “Business Day” means any of the Calendar Day excluding holidays.
- 1.11 “Calendar Day” means any of the seven (7) days of a week.
- 1.12 “Calendar Month” means any of the twelve (12) months of the Calendar Year.
- 1.13 “Calendar Quarter” means a period of three (3) consecutive Calendar Months commencing on the first (1st) day of January, April, July and October of each Calendar Year.
- 1.14 “Calendar Year” means a period of twelve (12) consecutive Calendar Months according to the Gregorian calendar, commencing with the first (1st) day of January and ending with the thirty first (31st) day of December.
- 1.15 “CBM” means Natural Gas (mainly Methane) contained in coal or bituminous lignite beds under Reservoir condition and extracted therefrom during CBM Operations.
- 1.16 “CBM Field” means an area within the Contract Area consisting of a single CBM Reservoir or multiple CBM Reservoirs all grouped on or related to the same individual geological structure or stratigraphic conditions, (to include the maximum area of potential productivity in the Contract Area) in respect of which a Potential Commercial Assessment has been declared, Commercial Assessment has been made and a Development Plan has been approved in accordance with Article 5.
- 1.17 “CBM Operations” means, as the context may require, Exploration Operations, Development Operations or Production Operations or any combination of two or more such operations including, but not limited to, construction, operation and maintenance of all necessary facilities, plugging and abandonment of Wells, environmental protection, transportation, storage, sale or disposition of CBM to the Delivery Point, Site Restoration and all other incidental operations or activities as may be necessary.
- 1.18 “Commercial Assessment” means an assessment made by the Contractor for the purpose of determining whether or not CBM accumulations in the Contract Area are commercially exploitable and whether or not Commercial Production is viable after consideration of all pertinent technical, financial and economic data and other relevant factors according to generally accepted modern CBM/oilfield and petroleum industry practices.
- 1.19 “Commercial Assessment Area” means such producing and producible parts of the Contract Area about which, based upon Commercial Assessment and the results obtained from a Well or Wells drilled in such part, the Contractor is/are of the opinion that CBM exists in commercial quantities.

- 1.20 “Commercial Bonus” means one time lump sum payment to the Government of US dollar zero point three (US \$ 0.3) million payable by Foreign Companies, an equivalent amount in Indian Rupees by Indian Companies, after Potential Commercial Assessment of the CBM reserves. Such payment shall be made by Contractor in proportion to its/their Participating Interest(s).
- 1.21 “Commercial Production” means production of CBM from the Contract Area and delivery of the same at the relevant Delivery Point(s) under a programme of regular production and sale.
- 1.22 “Company” for the purpose of this Contract means a company which is a Party to this Contract and, where more than one Company is a Party to the Contract, the term “Companies” shall mean all such Companies collectively, including their respective successors and permitted assigns under Article 25.
- 1.23 “Contract” means this agreement and the Appendices mentioned herein and attached hereto and made an integral part hereof and any amendments made thereto pursuant to the terms hereof.
- 1.24 “Contract Area” means on the Effective Date, the area described in Appendix A and delineated on the map attached as Appendix B, or any portion of the said area remaining after relinquishment or surrender from time to time pursuant to the terms of the Contract including any additional area as provided under Article 11.2, if any.
- 1.25 “Contract Costs” mean Exploration Costs, Development Costs and Production Costs as defined in Section 2 of the Accounting Procedure.
- 1.26 “Contract Year” means a period of twelve (12) consecutive months counted from the Effective Date or from the anniversary of the Effective Date.
- 1.27 “Contractor” means the Companies.
- 1.28 “Corehole” means a Borehole in which coring is carried out up to the final depth of the Borehole for the purpose of detailed study of various parameters of rock and also coal or lignite samples.
- 1.29 “Delivery Point” means, except as otherwise herein provided or as may be otherwise agreed between the Parties having regard to international practice, the point at which CBM reaches the outlet flange of the delivery facility and different Delivery Points may be established for purposes of sales. Delivery Point(s) for the purpose of sale(s) of CBM from the Contract Area shall be approved by the Steering Committee.
- 1.30 “Development Area” means that part of the Contract Area corresponding to the area of one or more CBM Field(s) delineated for development.
- 1.31 “Development Costs” mean those costs and expenditures incurred in carrying out Development Operations, as classified and defined in Section 2 of the Accounting Procedure.

- 1.32 “Development Operations” mean operations conducted in accordance with the Development Plan, including but not limited to the purchase, storage of equipment and materials used in developing CBM accumulations, the drilling, completion and testing of Development Wells, the drilling and completion of Wells for de-watering, gas or water injection, the laying of gathering lines, the installation of separators, tankage, pumps, other producing and injection facilities required to produce, process and transport CBM into main gas storage or gas processing facilities, including the laying of pipelines within or outside the Contract Area, to storage and to the Delivery Point or Points, the installation of said storage or Gas processing facilities required for the development and production of the said CBM accumulations and for the delivery of CBM at the Delivery Point and also including incidental operations not specifically referred to herein as required for the most efficient and economic development and production of the said CBM accumulations in accordance with modern CBM/oilfields and petroleum industry practices.
- 1.33 “Development Phase” means a period of _____ consecutive Contract Years during which the Development Operations may be carried out by the Contractor pursuant to Article 10.
- 1.34 “Development Plan” means a plan submitted by the Contractor containing proposals required for the development of CBM Field which has been approved by the Steering Committee or the Government pursuant to Article 5.
- 1.35 “Development Well” means a Well drilled, deepened or completed after the date of approval of the Development Plan pursuant to Development Operations or Production Operations for the purpose of producing CBM, increasing production, sustaining production or accelerating extraction of CBM including production Wells, de-watering Wells, injection Wells and dry Wells. It can also include Exploration Wells and Pilot Assessment Wells converted as Development Wells.
- 1.36 “DGH” means “The Directorate General of Hydrocarbons or its successors and assigns”.
- 1.37 “Effective Date” means the later of the dates on which this Contract is executed by the Parties or the date of issue of License or date from which License has been made effective by the State Government(s).
- 1.38 “Environmental Damage” means soil erosion, removal of vegetation, destruction of wildlife, pollution of groundwater or surface water, land contamination, air pollution, noise pollution, bush fire, disruption to water supplies, to natural drainage or natural flow of rivers or streams, damage to archaeological, palaeontological and cultural sites and shall include any damage or injury to, or destruction of, soil or water in their physical aspects together with vegetation associated therewith, aquatic or terrestrial mammals, fish, avi-fauna or any plant or animal life.
- 1.39 “Exploration Costs” mean those costs and expenditures incurred in carrying out Exploration Operations, as classified and defined in Section 2 of the Accounting Procedure.
- 1.40 “Exploration Operations” mean operations conducted in the Contract Area pursuant to this

Contract in searching for commercial CBM accumulations and shall include, but not limited to aerial, geological, geophysical, geochemical, palaeontological, palynological, topographical and seismic surveys, analyses, studies and their interpretation, investigations relating to the subsurface geology including structure test drilling, stratigraphic test drilling, drilling of pilot Wells for the purpose of assessment of CBM potential, carrying out other related activities such as surveying, drill-site preparation and all work necessarily connected therewith and conducted in connection with CBM exploration (including preparation of techno-economic pre-feasibility studies, market surveys and commitments and full scale commercial Development Plan).

- 1.41 "Exploration Phase" (Phase-I) means a period of two (2) consecutive Contract Years as provided under Article 3 of this Contract from the Effective Date during which period Exploration Operations may be carried out by the Contractor pursuant to Article 5.
- 1.42 "Exploration Well" means a Well drilled for the purpose of searching for potential assessment of CBM accumulations on any geological entity, be it of structural, stratigraphic or pressure nature.
- 1.43 "Field" means CBM Field in respect of which a Development Plan has been duly approved.
- 1.44 "Financial Year" means the period from the first (1st) day of April to the thirty-first (31st) day of March of the following Calendar Year.
- 1.45 "Foreign Company" means a Company within the meaning of section 591 of the Companies Act, 1956.
- 1.46 "Government" or "Central Government" means the Government of India, unless otherwise stated.
- 1.47 "Lease" means a petroleum mining lease granted for the purpose of exploitation of CBM issued under the Rules.
- 1.48 "Lessee" means the Contractor to whom a Lease is issued under the Rules for the purpose of carrying out CBM Operations in the Contract Area.
- 1.49 "LIBOR" means the London Inter-Bank Offered Rate for six-month deposits of United States Dollars as quoted by the London office of the Bank of America (or such other Bank as the Parties may agree) for the day or days in question.
- 1.50 "License" means a petroleum exploration license granted for the purpose of carrying out Exploration Operations for CBM issued under the Rules.
- 1.51 "Licensee" means the Contractor to whom a Licence is issued under the Rules for the purpose of carrying out CBM Operations in the Contract Area.
- 1.52 "Methane" means, methane, a colourless, odourless, inflammable gaseous hydrocarbon, the simplest of alkane series and the main constituent of Natural Gas.

- 1.53 “Minimum Work Programme” means with respect to Phase-I and Phase-II, the Work Programme specified in Article 5 with respect to such phase.
- 1.54 “Month” means Calendar Month.
- 1.55 “Natural Gas” means gas obtained from Wells and consisting primarily of hydrocarbons and includes CBM but does not include helium occurring in association with such hydrocarbons.
- 1.56 “Operating Agreement” means the operating agreement entered by the constituents of Contractor, in accordance with Article 7, with respect to the conduct of CBM Operations.
- 1.57 “Operating Committee” means the committee established by that name in the Operating Agreement pursuant to Article 7.
- 1.58 “Operator” means one of the Companies which is a Party to this Contract appointed as the Operator pursuant to Article 7.
- 1.59 “Participating Interest” means, in respect of each Party constituting the Contractor, the undivided share expressed as a percentage of such Company’s participation as it may exist at any given time in the rights and obligations under this Contract.
- 1.60 “Parties” mean the parties signatory to this Contract including their successors and permitted assigns under this Contract and the term “Party” means any of the Parties.
- 1.61 “Petroleum” means Crude Oil and/or Natural Gas existing in their natural condition. Petroleum excludes helium occurring in association with Petroleum or shale.
- 1.62 “Petroleum Operations” mean CBM Operations.
- 1.63 “Pilot Assessment Operations” mean operations conducted in the Contract Area pursuant to this Contract for the purpose of assessment of CBM potential.
- 1.64 “Pilot Assessment and Market Surveys and Commitment Phase” (Phase-II), means the period after the end of Exploration Phase as provided under Article 3 during which pilot assessment, market surveys and commitments shall be carried out in accordance with Article 5.
- 1.65 “Pilot Assessment Well” means a Well drilled for the purpose of determining the potential CBM accumulations in the Contract Area on geological entities in terms of thickness, lateral extent and Gas content of coal seams up to a depth or stratigraphic level specified in the Work Programme.
- 1.66 “Potential Commercial Assessment” means the finding, during exploration, of a deposit of CBM in commercial quantities which can be recovered at the surface in a flow measurable by conventional petroleum industry testing methods.
- 1.67 “Producible Area” means that part of the Contract Area about which, based upon initial assessment and the results obtained from a Well or Wells drilled in such part, Steering

Committee unanimously opines that CBM exists and is likely to be produced in commercial quantities.

- 1.68 “Producing Area” means that part of the Contract Area containing CBM accumulations from which CBM is being produced at the relevant time, either incidentally during the course of or as a result of Exploration Operations or Development Operations, or on a commercial basis after approval of the Development Plan.
- 1.69 “Production Costs” mean those costs and expenditures incurred in carrying out Production Operations as classified and defined in Section 2 of the Accounting Procedure.
- 1.70 “Production Level Payments” or “PLP” means payments to be made to the Government of India in accordance with Article 15.1 (d).
- 1.71 “Production Operations” mean all operations conducted for the purpose of producing CBM from Contract Area after the commencement of production from the Contract Area including, but not limited to, operation and maintenance of all necessary facilities therefor.
- 1.72 “Production Phase (Phase-IV)” means a period of twenty five (25) consecutive Contract Years pursuant to Article 10, after completion of the Development Phase (Phase-III) during which period the Production Operations may be carried out pursuant to Article 10.
- 1.73 “Quarter” means Calendar Quarter.
- 1.74 “Reservoir” means a naturally occurring accumulation of coal or lignite of any rank and/or quality which contains CBM.
- 1.75 “Royalty” means a statutory payment payable to the State Government(s) in accordance with Article 15.1(c).
- 1.76 “Rules” means “The Petroleum & Natural Gas Rules, 1959”, as amended from time to time.
- 1.77 “Section” means a Section of the Accounting Procedure.
- 1.78 “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 CBM 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, vegetation, slope stabilisation, infilling of excavations or any other appropriate actions in the circumstances as per modern CBM/oilfields and petroleum industry practices.
- 1.79 “Statement” or “Statements” refer(s) to the statements required to be furnished in accordance with Appendix C of this Contract.
- 1.80 “State Government” means any Government of a State of the Union of India, which has control over the Contract Area for the purpose of grant of Licenses/Leases. In case the

Contract Area covers more than one State, the State Government will include all such Governments of those States.

- 1.81 “Steering Committee” means the committee constituted pursuant to Article 6 hereof.
- 1.82 “Sub-contractor” means any person, an association of persons or a company contracted by the Contractor to provide supplies/services with respect to CBM Operations.
- 1.83 “Test Well” means an Exploration Well drilled for the purpose of carrying out different well tests to assess the CBM production potential of the coal or lignite seams. The well tests in such a well shall include but not be limited to injection or fall off tests, stress test, dewatering test for production testing or any other test as required for estimation of CBM and water production rates.
- 1.84 “US \$ or US Dollars or United States Dollars” mean(s) the currency of the United States of America.
- 1.85 “Well” means a Borehole or Corehole made by drilling in the course of CBM Operations, but does not include a seismic shot hole.
- 1.86 “Work Programme” means programmes formulated and agreed for carrying out CBM Operations pursuant to Articles 5 and 10 of this Contract.
- 1.87 “Year” means a Financial Year.

ARTICLE 2

PARTICIPATING INTERESTS

2.1 The initial Participating Interest of the Parties comprising the Contractor shall be as follows:-

X Company_____	:	(%)
Y Company_____	:	(%)
Z Company_____	:	(%)

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

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

- (a) the right to take its total Participating Interest share of revenue in the CBM Operations;
- (b) the right to receive its Participating Interest share of any incidental income and receipts arising from the CBM Operations; and
- (c) the obligation to contribute its Participating Interest share of costs and expenses including Contract Costs.

2.3 The liability of the Contractor under this Contract shall be both joint and several.

ARTICLE 3

LICENSE AND EXPLORATION PERIOD

- 3.1 The Exploration Phase (Phase I), the Pilot Assessment, Market Surveys and Commitments Phase (together called Phase II), shall be the License period.
- 3.2 The Exploration Phase (Phase-I) shall begin from the Effective Date and term of the Exploration Phase shall be two (2) consecutive Contract Years unless extended pursuant to the terms of this Contract.
- 3.3 If, at the end of the Exploration Phase (Phase-I), drilling or testing operations are in progress on a Corehole/Production Test Well included in the Minimum Work Programme or where sufficient time is not available prior to the expiry of the Phase-I (Exploration Phase) to complete the studies on (i) Corehole drilling, testing and (ii) drilling and production testing of committed production Test Wells, at the request of the Contractor, such Exploration Phase shall be extended for a period as determined by the Contractor, but not exceeding six (6) months, provided that the Contractor can show technical or other good reasons for non-completion thereof and the Steering Committee gives its consent to the said extension asked for and provided further that the period of such extension shall be subtracted from the period of the next succeeding Pilot Assessment Phase (Phase-IIA). In the event of an extension as provided hereinabove is required, the Contractor shall serve a notice to Government at least thirty (30) days prior to the expiry of the relevant Phase (Phase-I).
- 3.4 If, at the end of Phase-I, drilling or testing operations are in progress on a Well not included in the Minimum Work Programme, such Phase-I shall be extended for a period not exceeding six (6) months to enable completion thereof provided that the Minimum Work Programme for such Phase has been completed and the Government gives its consent to the said extension. In the event of an extension as provided for herein, the notice shall be given at least thirty (30) days prior to the expiry of the relevant extension.
- 3.5 At the expiry of Exploration Phase (Phase-I), provided that the Contractor has completed the Minimum Work Programme for that Phase, the Contractor shall have the option exercisable by giving a written notice to the Government at least thirty (30) days prior to the expiry of Phase-I, either :
- (a) to terminate the Contract or exit as per the terms of the Contract, or;
 - (b) to proceed to the next Phase, Pilot Assessment, Market Surveys and Commitments (Phase-II) and furnish the relevant guarantees as provided for in Article 26.
- 3.6 The term of Pilot Assessment Phase (Phase-IIA) and the Market Surveys and Commitments Phase (Phase-II B), constituting Phase-II shall be a period of 3 (three) consecutive Contract Years after completion of the Exploration Phase (Phase-I).
- 3.7 If at the end of Phase-IIA (Pilot Assessment Phase), drilling or testing operations are in progress on a Well included in the Minimum Work Programme or non-completion of the

techno-economic pre-feasibility report or in the event of non-completion of the Minimum Work Programme of Phase-IIB, at the request of the Contractor, the Pilot Assessment and Market Surveys and Commitments Phase (Phase-II) shall be extended for a period, as determined by the Contractor, but not exceeding six (6) months, provided that the Contractor can show technical or other good reasons for non-completion thereof and the Steering Committee gives its consent to the said extension asked for and provided further that the period of such extension shall be subtracted from the next succeeding Development Phase (Phase-III). In the event of an extension as provided hereinabove is required, the Contractor shall serve a notice to the Government at least thirty (30) days prior to the expiry of the Phase-II.

3.8 After the expiry of Phase-II [Pilot Assessment Phase (Phase-IIA) and Market Surveys and Commitments Phase (Phase-IIB)], provided that the Contractor has completed the Minimum Work Programme for that Phase, the Contractor shall have the option, exercisable by giving at least thirty (30) days notice to Government prior to the expiry of Phase-II :

- (a) to terminate the Contract or exit as per the terms of the Contract, or;
- (b) to proceed to the next Phase, Development Phase (Phase-III)

3.9 If the time allocated for a given phase is not fully utilised by the Contractor, then the unused time will be allocated to the next phase. However, the total Contract period will remain unchanged.

3.10 In an event where the Contractor exercises its option to terminate the Contract or exit as provided in Articles 3.5 and 3.8, the Contract shall terminate and the License shall be automatically cancelled.

ARTICLE 4

RELINQUISHMENT

- 4.1 The first relinquishment will take place at the end of Phase-II, i.e. after completion of Market Surveys and Commitments Phase-II.
- 4.2 In the first relinquishment, the Contractor shall retain only Producing and Producible Areas and relinquish twenty percent (20%) of the original Contract Area, in not more than two (2) contiguous areas of simple geometrical shapes.
- 4.3 Relinquishment provisions mentioned in Article 4.2 above are negotiable and to be finalised and agreed to between the Contractor and the Government at the end of Phase-II in case of Block(s) where specific conditions relating to the exploration, warrant such variation on the recommendations of the Steering Committee.
- 4.4 The second and final relinquishment will take place at the end of the Development Phase (Phase-III).
- 4.5 In the second and final relinquishment, the Contractor shall retain only Producing Areas and Producible Areas and relinquish the balance Area held by it.
- 4.6 If during the Production Phase or before the expiry of the Contract, in the opinion of the Contractor, the Field(s) has/have been depleted or the production becomes uneconomical to produce, the Contractor is required to surrender the area then held by it/them and such a surrender of the area by the Contractor will be deemed to be the determination of the Contract. On such a surrender, the Lease of the Contract Area will be automatically cancelled.
- 4.7 Relinquishment of the Contract Area, or termination/determination of the Contract shall not be construed as absolving the Contractor of any liability undertaken or incurred by or on behalf of the Contractor in respect of the Contract Area prior to the date of such relinquishment, surrender, termination or determination.
- 4.8 Subject to Articles 14.9 and 21.3, the liability of the Contractor shall be limited to any liability undertaken or incurred by or on behalf of Contractor in respect of or relating to or connected with the Contract, and / or any claim arising out of or in relation to the act of negligence, misconduct, commission or omission in carrying out CBM Operations during the period between the Effective Date and the date of relinquishment, surrender of the Contract Area or termination or expiry of the Contract, as the case may be.

ARTICLE 5

WORK PROGRAMME

- 5.1 The Contractor shall commence CBM Operations not later than six (6) months from the Effective Date.
- 5.2 During the currency of Exploration Phase (Phase-I), the Contractor shall complete the following Work Programme:
- a) Drilling of sufficient Coreholes (at least one Corehole to penetrate the technical basement), and carry out related studies as under :
 - (i) Geophysical logging, interpretation of coal thickness and associated strata;
 - (ii) Analysis of coal grade, rank, cleat spacing of coal core samples obtained during Corehole drilling;
 - (iii) Adsorption isotherm of core samples;
 - (iv) Gas content of coal core samples by desorption studies in canisters; and
 - (v) Injection/ fall off test in the Coreholes for carrying out permeability study and Reservoir simulation leading to forecasting of CBM and water productions.
 - b) Drilling of Test Wells*
Drilling, completion, stimulation (hydro fracturing or cavitations etc.), well testing, dewatering (production testing) of the Test Wells. Forecasting of CBM gas production and water based on the results of reservoir simulation, hydro-geological studies and Preliminary economic assessment.
 - c) Any other work considered necessary by the bidder;
 - d) Submission of reports :
 - i) At the end of Corehole drilling, testing and studies, and
 - ii) On the results of drilling and production testing of committed production Test Wells.
- * **The Test Wells, if successful, can be considered as a part of cluster Wells during Pilot Assessment Phase (Phase-IIA).**
- 5.3 The actual depth objective for each of the Coreholes/Test Well(s) shall be determined by the Contractor on geological consideration. However, at least one Corehole should penetrate the Technical Basement. The Contractor shall ensure that all relevant subsurface, geological, geochemical and geophysical information necessary for the attainment of the exploration objectives in accordance with modern CBM/oilfield and petroleum industry practices is carried out during exploratory drilling.
- 5.4 If the depth/ geological objective of the Well is not achieved for any reason, in that case, a substitute Well shall be drilled of the same specifications as stipulated in Article 5.3.

5.5 During the currency of Phase-II (Pilot Assessment Phase –II A and Market Surveys and Commitments Phase-IIB), the Contractor shall complete the following Work Programme:

Pilot Assessment Phase-IIA

- a) Drilling of sufficient pilot Wells including 3/5 spot pattern Wells in one or more clusters for stimulation, de-watering, Gas flow rate measurement and ascertaining other production parameters;
- b) Perform stimulation, injection and related tests, run computer modelling of production profiles;
- c) Carry out environmental impact and related studies; and
- d) Prepare a technical assessment of the Contract Area.

Market Surveys and Commitment Phase-IIB

- (i) Carry out market surveys, investigate potential markets and obtain market commitments;
- (ii) Prepare a Development Plan for approval of the Government through the Steering Committee.

Note : The Work Programme mentioned in Articles 5.2 and 5.5 shall be as per the bid of the Contractor and accepted by the Government.

5.6 During the Pilot Assessment Phase (Phase-IIA) or earlier, if and when a Potential Commercial Assessment is made within the Contract Area, the Contractor shall :

- (a) Forthwith inform the Steering Committee and the Government of the Potential Commercial Assessment and furnish the details of such assessment to the Steering Committee and Government within thirty (30) days;
- (b) Proceed to prepare a techno-economic pre-feasibility report, as may be required to determine whether the Potential Commercial Assessment is of commercial interest within one (1) year of the Potential Commercial Assessment and submit the report to Government through the Steering Committee;
- (c) Simultaneously, proceed with the next sub-Phase, namely, Market Surveys and Commitments Phase (Phase-IIB) by carrying out market surveys and commitments and submit a report to the Government through the Steering Committee of its intention either to proceed or otherwise with the development plan for CBM;
- (d) If the Contractor decides to proceed with the development plan, then, the Contractor shall prepare such plan and submit the same to the Steering Committee at least sixty (60) days before the proposed commencement of the Development Phase (Phase-III).

5.7 As soon as possible, after the Effective Date and thereafter within, ninety (90) days before commencement of each following Year, the Contractor shall submit to the Steering Committee the Work Programme relating to CBM Operations to be carried out during the relevant phase, as the case may be, for the ensuing Year. The Yearly Work Programme for the Exploration Phase and Pilot Assessment and Market Surveys and Commitments Phase shall include the Minimum Work Programme specified in this Article 5.

5.8 The Contractor may propose amendments to the details of an Approved Work Programme

in the light of the then existing circumstances and shall submit to the Steering Committee, modifications or revisions to the Work Programme referred to in Article 5.7.

- 5.9 In the event that the Contractor has carried out work in excess of the Minimum Work Programme specified in Articles 5.2 and 5.5, as the case may be, the excess work done shall be set off against the Minimum Work Programme for the following phase, if technically and operationally feasible.
- 5.10 The Contractor shall undertake to complete the Minimum Work Programme agreed upon in each phase in accordance with Articles 5.2 and 5.5, 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 phase or the extended period, if any, or Contract is terminated in accordance with the Article 27 the Contractor shall pay to the Government within sixty (60) days following the end of the relevant phase or the extended period, if any, as the case may be, an equivalent amount for the unfinished/balance work, when evaluated in terms of the Minimum Work Programme agreed upon, in accordance with modern CBM/oilfields and petroleum industry practices, reduced by the amount of the bank guarantee referred to in Articles 26.1 (a) and 26.2.
- 5.11 A Development Plan prepared and submitted by the Contractor pursuant to Article 5.6 (d) shall contain detailed proposals for the construction, establishment and operations of all facilities and services for and incidental to the recovery of CBM, storage and transportation of CBM to the Delivery Point together with all data and supporting information including, but not limited to:
- (a) Description of the nature and characteristic of the Reservoir data, statistics, interpretations and conclusions on all aspects of the geology, Reservoir evaluation, CBM engineering factors, reservoir models, estimates of reserve in place, recoverable reserves, possible production magnitude, nature and analysis of producible CBM;
 - (b) Details of the Development Plan and/or alternative Development Plans, if any, including but not limited to the number of Wells to be drilled, the production profile and the rate of CBM to be produced on Yearly basis during the Development and Production Phases, the transportation facilities to be installed and the infrastructure to be established and/or used under such Development Plan and/or alternative Development Plans, if any;
 - (c) Estimated rate of production to be established and projection of the possible sustained rate of production in accordance with generally accepted modern CBM/oilfields and petroleum industry practices under such Development Plan and /or alternative Development Plans, 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) Details of proposed marketing arrangements including any sales commitment;
 - (e) Estimates of Development Costs, Production Costs, estimated sales revenues and any other income under such development plan and/or alternative development plan, if any;
 - (f) Details of proposed financing arrangements;
 - (g) Work Programme(s) and Budget(s) for development proposal;

- (h) Implementation schedule of major activities of the Development Plan;
- (i) Detailed proposal for further evaluation of Producing Areas of commercial interests in the Contract Area;
- (j) Measures to be taken for health and safety of employees engaged in CBM operations; and
- (k) 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 CBM Operations.

5.12 The Steering Committee shall review the Development Plan submitted by the Contractor pursuant to Article 5.6(d) and may ask the Contractor, within ninety (90) days from the date of submission of the Development Plan, to submit any additional information or clarification or an amended or revised Development Plan, if considered necessary, for approval of the Steering Committee. In such an event, the Contractor shall examine the modifications/ revisions suggested by the Steering Committee or provide such additional information or clarification, as the case may be and submit the same to the Steering Committee within sixty (60) days for consideration and approval. The Steering Committee shall convey its decision in writing to the Contractor within one hundred and twenty (120) days from the date of submission of Development Plan or within sixty (60) days from initial receipt of information or clarification or modified/revised Development Plan, as the case may be. In case the Steering Committee disapproves the Development Plan submitted by the Contractor or fails to respond within the specified time limit provided in this Article, the Contractor shall have the option to submit the Development Plan directly to the Government. The Government shall convey its decision in writing to the Contractor on the proposed Development Plan submitted by the Contractor within one hundred and twenty (120) days of its submission. Additional information or clarification, if any, shall be asked by the Government within sixty (60) days from submission of the Development Plan by the Contractor. In case the Government refuses to approve the proposed Development Plan, it shall convey the reasons for such refusal and the Contractor shall be given opportunity to make appropriate modifications to meet the requirements of the Government and the provisions of the foregoing Article.

5.13 A Development Plan approved by the Steering Committee or the Government, as the case may be, pursuant to Articles 5.6(d) and 5.12, shall commit the Contractor to the obligations stipulated in Articles 10.3 and 10.4.

5.14 If, at the expiry of Pilot Assessment, Market Surveys and Commitments Phase (Phase-II), a Development Plan for development of the Development Area and an application for grant of a Lease has been submitted by the Contractor and is under consideration by the Government, the License shall continue to be in force with respect to that part of the Contract Area to which the application for the Lease relates, pending a decision on the proposed Development Plan and the application for the Lease, but shall cease to be in force and effect with respect to the remainder of the Contract Area.

ARTICLE 6

STEERING COMMITTEE

- 6.1 For the purpose of proper facilitation of CBM Operations under the provisions of this Contract, there shall be a committee, to be called, the Steering Committee.
- 6.2 Government shall nominate two (2) members representing Government in the Steering Committee, whereas, each Company constituting Contractor shall nominate one member each to represent it in the Steering Committee. In case, Contractor constitute a single Company, that Company shall nominate two (2) members representing it. The Parties shall nominate the members to the Steering Committee within thirty (30) days of the Effective Date.
- 6.3 Each Party may nominate alternate members with full authority to act in the absence and on behalf of the members nominated under Article 6.2 and may, at any time, nominate another member or alternate member to replace any member nominated earlier by notice to other Parties.
- 6.4 The representative of the Government shall be designated as the Chairman of the Steering Committee and the alternative representative to the Chairman shall be designated as the Deputy Chairman. One of the members of the Operator in this Steering Committee shall be designated as the Secretary of the committee by the Government.
- 6.5 All approvals to matters, except those specified in Article 6.9 be taken by the Steering Committee by majority vote of the members attending the meeting as well as the vote of the members received when not attending the meeting.
- 6.6 The Steering Committee shall review and advise on the following matters:-
- (a) proposals for surrender or relinquishment of any part of the Contract Area by the Contractor;
 - (b) Annual Work Programme and Budget for Phase-I and Phase-II operations;
 - (c) Budget for Development Operations and Production Operations, and any modification or revisions there to over 20%;
 - (d) any matter required by the terms of this Contract to be submitted to it for review or advice;
 - (e) any other matter which the Contractor decide to submit for review or advice including matters concerning inter-Party relationships; and
 - (f) any other matter, which Government refers to the Steering Committee for its consideration and reasoned advice.
- 6.7 The following matters shall be submitted to the Steering Committee for approval or making recommendation to the Government, where applicable as per the provisions of the Contract:
- (a) Annual Work Programme for Development and Production Operations and any modifications or revisions thereto;

- (b) Approvals to Development Plan(s);
- (c) Inclusion of an area extending outside the Contract Area in the Development Area pursuant to Article 11.2;
- (d) Subject to Article 7.2, any change of operatorship;
- (e) Retention of more than 80% of the Contract Area at the end of Phase II;
- (f) Subject to Article 25.8, any proposed mortgage, charge or encumbrance on CBM assets, CBM reserves or production of CBM;
- (g) Matters related to assignment or transfer of Participating Interest(s) etc;
- (h) Appointment of auditors including scope of work, approval and adoption of accounts;
- (i) Any matter required by the terms of this Contract to be submitted for the approval of the Steering Committee; and
- (j) Any matter which the Contractor decide to submit to it.

6.8 In the event that the votes cast in favour are equal to the votes cast against, the Chairman will have an additional vote, called casting vote, to remove the deadlock.

6.9 Matters which require unanimous approval of the members of the Steering Committee :

1. Approval to development plan(s);
2. Approval to Annual Work Programme(s) as provided in Article 6.7;
3. Production and Reservoir management related issues;
4. Approval and adoption of annual accounts; and
5. A proposal for determination of "Producible Areas" for the purpose of relinquishment as per the Article 4.5 of the Contract.

6.9.1 In case, unanimity is not reached in the decision process within a reasonable period as may be required under the circumstances, but not exceeding one hundred and eighty (180) days, unless provided otherwise in the Contract, the matter shall be referred to the Government and its decision shall prevail and shall be binding on all Parties.

6.10 The Steering Committee shall not take any decision without obtaining approval of the Government where such approval is required under this Contract or any applicable law (including rules and regulations) of India. The Steering Committee shall obtain such approval/ decision and convey the same to the Contractor with utmost expedition.

6.11 The Steering Committee shall meet at least once in every six (6) months or more frequently at the request of any member. The Secretary, with the approval of the Chairman, shall convene each meeting by notifying the members twenty eight (28) days prior to such a meeting (or a shorter period of notice if the members unanimously so agree) of the time and place of 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 of the final agenda for such meeting and the agenda shall include all items of business requested by the members for inclusion, provided such requests are received by the Secretary at least ten (10) days prior to the date fixed for the meeting. The Secretary shall forward the agenda to the members at least nine (9) days prior to the date fixed for the meeting. Matters not included in the agenda may be taken up at the meeting by any member with the unanimous consent of all the members whether present or not present at the meeting.

- 6.12 The Chairman or Deputy Chairman, as may be the case, shall preside over the meetings of the Steering Committee, and, in their absence, any other member representing Government and present shall preside over the meetings.
- 6.13 The Secretary to the Steering Committee will be responsible, inter alia, for preparation of the minutes of every meeting in the English language and circulate to every member of the Steering Committee with two copies of the minutes not later than fourteen (14) days after the date of the meeting with the approval of the Chairman.
- 6.14 The meetings of the Steering Committee shall be held in India, unless otherwise mutually agreed by the members of the Steering Committee.
- 6.15 Any member shall be entitled, if either he or his alternate is unable to attend a meeting to cast his vote, by telex or facsimile transmission received by the Chairman prior to the date on which the vote is taken in the course of the meeting. Such vote shall have the same effect as if that member had been present and so voted at the meeting.
- 6.16 A member of the Steering Committee who is unable to attend a meeting may give prior written notice to all other members and appoint a member representing another Party who consents to such appointment as its proxy to attend a meeting and to exercise the appointing member's right to vote at that meeting whether as directed by the appointing member or otherwise. A member appointed as a proxy and attending a meeting shall be present in two separate capacities and vote accordingly.
- 6.17 There shall be a quorum of the Steering Committee for holding a meeting and making decisions with each Party to the Contract represented by at least one of its nominated members in the Steering Committee either present in person or represented as per Article 6.16. If there is no quorum in a meeting, the meeting shall stand postponed to the same day and time in the next week and if quorum is not present or represented even in the next meeting and subject to a Government member being present, the members present and represented will constitute the quorum and take decisions and decisions taken by such quorum shall be final and binding to all the absenting Parties or Parties not represented, notwithstanding the provisions of Article 6.5.
- 6.18 Submission in lieu of meeting :
- “Without prejudice to Article 6.11, where the Operating Committee or the Operator has agreed or decided that a recommendation be made to the Steering Committee, the Chairman may, when in his reasonable opinion it is not practical or appropriate to incur a delay in convening a meeting, submit the recommendation (together with the reasons for the recommendation) for consideration by the Steering Committee by giving each member notice by telex or facsimile transmission, receipt of which shall be confirmed by telephone by the Chairman (or, in case of an emergency, by telephone confirmed by telex or facsimile transmission not later than the next Business Day)”.

6.18.1 In the case of any recommendation submitted to the members for decision pursuant to Article 6.17 :

- i) Subject to paragraph (ii) of this Article 6.17.1, the members shall vote, by telex or facsimile transmission to the Chairman, with a copy to the other members.
 - a) Within 48 hours of service of notice in the case of an emergency or
 - b) In any other case, within a time nominated in the notice being reasonable in the circumstances but not less than five (5) Business Days from the date of service of the notice.
- ii) Except in the case of an emergency, a member may, within 48 hours of the service of the notice of the proposal, require by further notice that the proposal be put to a meeting pursuant to Article 6.11.
- iii) Any member failing to vote within the time limits set out in Article 6.17.1(i) shall be deemed to have voted in favour of the proposal.
- iv) The result of any such vote shall be notified by the Chairman to all the members.

6.19 Without prejudice to the foregoing, in cases of emergencies, the Operator shall take prompt decision on any matter affecting the safety and continuation of work, where a decision is likely to get delayed in the normal process, take decision and within a reasonable time thereafter communicate the decision taken to all the members of the Steering Committee with justification of such an emergent decision.

6.20 The Steering Committee, if it considers necessary, may appoint legal, financial or technical sub-committees comprised of such representatives as may be agreed by the Steering Committee to consider any matter requiring approval or decision of the Steering Committee. Such sub-committee expenses shall form part of Contract Cost with relevant cost classification as decided by the Steering Committee pursuant to the Section 2 of the Accounting Procedure.

ARTICLE 7

OPERATORSHIP, OPERATING AGREEMENT AND OPERATING COMMITTEE

- 7.1 Except as provided in Article 7.2, XYZ shall be Operator for the CBM Operations within the Contract Area during the term of the Contract.
- 7.2 No change of Operator shall be effected without the consent of the Government on the recommendations of the Steering Committee as per Article 6 and such consent shall not be unreasonably withheld.
- 7.3 The functions of the Contractor under this Contract shall be performed by the Operator on behalf of the constituents of the Contractor subject to, and in accordance with, the terms and provisions of this Contract and generally accepted modern CBM/oilfields and petroleum industry practices, provided, however, that this provision shall not be construed as relieving the Contractor from any of its obligations or liability under the Contract.
- 7.4 Within fifteen (15) days of the Effective Date or such longer period, as may be agreed to by the Government, constituents of the Contractor shall execute a mutually agreed Operating Agreement. A copy of such Operating Agreement shall be provided to the Government within thirty (30) days of the Effective Date or such longer period as may be agreed to by the Government. The said agreement shall be consistent with the provisions of this Contract and shall provide for, among other things:
- (a) the appointment, resignation, removal and responsibilities of the Operator;
 - (b) the establishment of an Operating Committee comprising of an agreed number of representatives of the Companies chaired by a representative of the Operator;
 - (c) functions of the said Operating Committee, procedures for decision making, frequency and place of meetings etc.; and
 - (d) contribution to costs, default, sole risk, disposal of CBM and assignment as between the Parties to the Operating Agreement.
- 7.5 In case a single Company constitutes the Contractor, the provisions of Article 7.4 shall not be applicable. However, in case of increase in the number of constituents of Contractor, the provisions of Article 7.4 shall apply from the date of such increase in the number of the constituents.

ARTICLE 8

GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

- 8.1 Subject to the provisions of this Contract, the Contractor shall have the following rights:
- (a) subject to the provisions of Article 12, the right to carry out CBM Operations in the Contract Area along with other licensee/lessee engaged in coal mining or other mineral operations;
 - (b) the right to use, free of charge, such quantities of CBM produced from any Field(s) as are reasonably required for conducting CBM Operations in the Contract Area in accordance with generally accepted modern CBM/oilfields and petroleum industry practices;
 - (c) the right to lay pipelines, build roads, construct bridges, installations, ferries, radio telephones and related communication and infrastructure facilities and exercise other ancillary rights as may be reasonably necessary for the conduct of CBM Operations subject to such approvals as may be required and the applicable laws in force from time to time for the regulation and control thereof; and
 - (d) such other rights as are specified in this Contract.
- 8.2 The Government reserves the right to itself, to grant to the CBM License, on such terms and conditions as the Government may specify for this purpose or to grant to others the right to prospect for and mine minerals or substances other than CBM which will include Natural Gas of various types such as biogenic and thermogenic origin 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 CBM or coal which will include Natural Gas of various types such as biogenic and thermogenic origin, the Contractor shall use its best efforts to avoid obstruction to or interference with such operations within the Contract Area and the third parties and/or the Government, as the case may be, shall use best efforts to ensure that operations carried out do not obstruct or unduly interfere with CBM Operations or mining of coal in the Contract Area. However, if mining of coal is in progress, CBM Operator shall sign an access agreement with the Government (it will include Ministry of Coal and Ministry of Petroleum & Natural Gas as party to the agreement); an interaction agreement with mining operator entitled to conduct coal operations, within sixty (60) days or such longer period as may be agreed to by Parties of signing of this Contract.
- 8.3 The Contractor having regard to modern CBM/oilfields and petroleum industry practices shall;
- (a) except as otherwise expressly provided in this Contract, conduct all CBM Operations at its sole risk, cost and expense and provide all funds necessary for the conduct of CBM Operations including funds for the purchase or lease of equipment, materials or supplies required for CBM Operations as well as for making payments to employees, agents and Sub-contractors;

- (b) conduct all CBM Operations within the Contract Area diligently, expeditiously, efficiently and in a safe and workmanlike manner;
- (c) ensure provision of all information, data, cores, samples, etc. which may be required to be furnished under the applicable laws or under this Contract;
- (d) ensure that all equipment, materials, supplies, plant and installations used by the Contractor, the Operator and Sub-contractors comply with generally accepted standards and are of proper construction and kept in good working order;
- (e) in the preparation and implementation of Work Programmes and in the conduct of CBM Operations, with such degree of diligence and prudence reasonably and ordinarily exercised by experienced parties engaged in a similar activity under similar circumstances and conditions;
- (f) establish and submit to the Steering Committee/the Government for approval appropriate criteria and procedure including tender procedure for the acquisition of goods and services as provided in Article 20.2 and for the purchase, lease or rental of machinery, equipment, assets and facilities required for CBM Operations based on economic consideration with the objective of ensuring cost and operational efficiency in the conduct of CBM Operations. Notwithstanding the provision provided herein, the procedure for acquisition of goods and services, as of the Effective Date, shall be as per Appendix-E of this Contract. The Appendix-E to this Contract can be modified or changed with the approval of the Steering Committee when circumstances so justify;
- (g) after the designation of a Field(s)/Development Area, pursuant to this Contract, forthwith proceed to take all necessary action for prompt and orderly development of the Field and the Development Area and for the production of CBM in accordance with the terms of this Contract;
- (h) appoint a technically competent and sufficiently experienced representative, and, in his absence, a suitably qualified replacement thereof, who shall be resident in India and who shall have full authority to take such steps as may be necessary to implement this Contract and whose name(s) shall, on appointment within ninety (90) days after commencement of the first Contract Year, be made known to the Government;
- (i) provide acceptable working conditions, living accommodation and access to medical attention and nursing care for all personnel employed in CBM Operations;
- (j) carry out such other obligations as are specified in this Contract, in particular, those specified in Article 14; and
- (k) be always mindful of the rights and interests of India in the conduct of CBM Operations;

ARTICLE 9

GOVERNMENT ASSISTANCE

- 9.1 Upon application in the prescribed manner, and subject to compliance with applicable laws and relevant procedures and subject to payment of any applicable costs and expenses by the Contractor, the Government will:
- (a) use its best endeavours to provide the right of ingress and egress from the Contract Area and any facilities used in CBM Operations, wherever located, and which may be within their control;
 - (b) use its good offices, when necessary, to assist Contractor in procurement of facilities required for execution of work programmes including necessary approvals, permits, consents, leases, authorisations, visas, work permits, licences, rights of way, easement, surface rights and security protection as may be required pursuant to this Contract and which may be available from resources within the Government's control as well as use its good offices to secure necessary approvals for activities and/or decisions which may be under control of the State Government; and
 - (c) in the event that onshore facilities are required outside the Contract Area for CBM Operations including, but not limited to, storage, loading and processing facilities, pipelines and offices, use its 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, at Contractor's cost, surface rights and easements as are required for the construction and operation of the said facilities by the Contractor.

ARTICLE 10

DEVELOPMENT AND PRODUCTION

- 10.1 After submission of the development plan pursuant to Articles 5.6 (d) and 5.12, and the approval therefor by the Government or the Steering Committee as the case may be, the Contractor shall proceed to the Development Phase (Phase-III).
- 10.2 The Development Phase shall begin after Pilot Assessment, Market Surveys and Commitments (Phase-II) and shall be for a period of _____ consecutive Contract Years during which period, the Contractor shall carry out Development Operations in accordance with the Development Plan, including but not limited to the purchase, storage of equipment and materials used in developing CBM accumulations, the drilling, completion and testing of Development Wells, the drilling and completion of Wells for dewatering, the laying of gathering lines, the installation of separators, tankage, pumps, other producing and injection facilities required to produce, process and transport CBM into main Gas storage or Gas processing facilities, including the laying of pipelines within or outside the Contract Area, storage and Delivery Point or Points, the installation of the said storage or Gas processing facilities required for the development and production of the said CBM accumulations and for the delivery of the CBM at the Delivery Point and also including incidental operations not specifically referred to herein as required for the most efficient and economic development and production of the said CBM accumulations in accordance with modern CBM/oilfields and petroleum industry practices.
- 10.3 Annual Work Programmes and Budgets for Development Operations shall be submitted to the Steering Committee as soon as possible after the approval of the Development Plan and thereafter not later than 31st December of each Year immediately following.
- 10.4 The Steering Committee, when considering the Annual Work Programme and Budget, may require the Contractor to prepare an estimate of Development Operations including potential production to be achieved before commencement of Commercial Production on a regular basis to be achieved through the implementation of the said Work Programme and Budget for each of the five (5) Years following the Year to which the Work Programme and Budget relate. If major changes in yearly estimates of Development Operations and estimated potential production are required, these shall be based on evidence necessitating such changes.
- 10.5 In case the Contractor is unable to fulfil the Development Operations within the Development Phase, on a written request from the Contractor of not less than ninety (90) days before the expiry of the Development Phase stating the reasons for failure to complete the Development Operations, the Government may consider extension of the Development Phase not exceeding one (1) year to complete the Development Operations and the period so extended for completing the work will be deducted from the Production Phase.
- 10.6 The Production Phase (Phase-IV) shall begin after completion of the Development Phase (Phase-III) and shall be for a period of _____ consecutive Contract Years, with provision for extension as provided in Article 11.5, during which period the Contractor

shall carry out regular Commercial Production from the Field(s) within the Contract Area including but not limited to operations and maintenance of all facilities therefor.

- 10.7 Not later than fifteenth (15th) of January of each Year commencing with the Year immediately following commencement of Commercial Production, the Contractor shall determine the “programme quantity” with the approval of the the Steering Committee. The “programme quantity” for any Year shall be the maximum quantity of CBM based on the Contractor’s estimates as approved by the Steering Committee which can be produced from the Field(s) consistent with sound modern CBM/oilfields and petroleum industry practices and minimising unit production cost, taking into account the capacity of the producing Wells, gathering lines, storage capacity and other production facilities available for use during the relevant Year, as well as transportation facilities up to the Delivery Point.
- 10.8 Any proposed modifications or revisions to the approved Development Plan or an Annual Work Programme shall, for good cause and if the circumstances so justify be submitted to the Steering Committee or the Government, as the case may be, provided that revision shall not be made so as to extend a designated Field/Development Area or to substantively change in respect of the approved Development Plan.
- 10.9 Notwithstanding any other provisions of this Contract to the contrary, the Contractor shall be free at any time during Phases I & II, subject to paying Royalty, Production Level Payments, and taxes, to produce and market such quantities of CBM as it deems appropriate with the approval of the Steering Committee or the Government, as the case may be. The Contractor is also entitled to enter into sales contracts with any party on such terms and conditions at its sole discretion reasonably exercised subject to Article 18 of this Contract.
- 10.10 The CBM pay zones are separate from other natural gas pay zones (both Biogenic and Thermogenic). In a Well, only CBM layer can be perforated unless specific permission is granted by the Government to the Contractor for whom License(s)/Lease(s) has/have been granted for CBM Operations. Such Contractor is prohibited from perforating, testing and production of other natural gas zones in special geological milieu.

ARTICLE 11

CBM MINING LEASE

- 11.1 After completion of Phase-II and on submission of a development plan pursuant to Article 5.6(d), the Contractor shall submit an application to the State Government(s) for a Lease in respect of the then producing and producible areas held by the Contractor in the Contract Area.
- 11.2 Where a part of a Reservoir in respect of which a Commercial Assessment Area extends beyond the Contract Area, such area may be included in the proposed Development Area and an application for a Lease can be made, on such terms and conditions as decided by the Central Government; provided that such area is :
- (a) not subject to a license or lease granted to any other person;
 - (b) not the subject of negotiations/bidding for a grant of a license or lease;
 - (c) available for licensing (i.e. is not an area over which CBM Operations are excluded); and
 - (d) not subject to litigation or arbitration.
- 11.3 The term of a Lease shall be a period of _____ years, which will be the combined period of Development Phase (Phase-III) and Production Phase (Phase-IV).
- 11.4 Where an application has been submitted by the Contractor pursuant to Articles 11.1 or 11.2 and has complied with the terms and conditions of the License and this Contract and is not in breach of any of the terms thereof, or the provisions of any law and subject to the normal Government clearances/approvals being obtained by the Contractor as applicable before grant/issue of Lease, the Central Government shall assist the Contractor in obtaining the Lease from the relevant State Government(s) over the Development Area as agreed, subject to Article 11.4, to enable the Contractor to carry out CBM Operations in the Development and Production areas in accordance with the approved Development Plan.
- 11.5 The Lease shall be granted for an initial period of twenty (20) years from the date of grant thereof and the Government agrees to extend the Lease for the full term of Development and Production Phase(s) as provided under this Contract subject to :-
- (a) cancellation in accordance with its terms or termination of this Contract in accordance with its terms;
 - (b) the terms of this Contract and other terms and conditions as set forth in such Lease shall be consistent with this Contract and the relevant legislation; and
 - (c) the Lease period may also be extended by mutual agreement between the Government and the Contractor for such period as may be agreed to after taking into account the balance recoverable CBM reserves and balance economic life of the Field/ Development Area after the expiry of the Production Phase.

ARTICLE 12

UNIT DEVELOPMENT

- 12.1 If a Reservoir in a Potential Commercial Assessment area is situated partly within the Contract Area and partly in an area over which other parties have a contract to conduct CBM operations, the Government may, for securing more effective recovery of CBM from such Reservoir, by notice in writing to the Contractor, require that the Contractor :
- (a) collaborate and agree with such other parties on the joint development of the Reservoir;
 - (b) submit such agreement between the Contractor and such other parties to the Government for approval; and
 - (c) prepare a plan with the approval of the Steering Committee for such joint development of the said Reservoir, within one hundred and twenty (120) days of the approval of the agreement referred to in (b) above.
- 12.2 If no plan is submitted within the period specified in Article 12.1 (c) or such longer period as the Government and the Contractor and the other parties referred to in Article 12.1 may agree, or, if such plan as submitted is not acceptable to the Government and the parties cannot agree on amendments to the proposed joint development plan, the Government may cause to be prepared, at the expense of the Contractor and such other parties a plan for such joint development consistent with modern CBM/oilfields and petroleum industry practices, which shall take into consideration any plans and presentations made by the Contractor and the aforementioned other parties.
- 12.3 If the parties are unable to agree on the proposed plan for joint development, the Government may call for a joint development plan from an independent agency, which agency, may make such a proposal after taking into account the position of the parties in this regard. Such a development plan, if approved by the Government, shall be binding on the parties, notwithstanding their disagreement with the plan. However, Contractor may in case of any disagreement on the issue of joint development or the proposed joint development plan, prepared in accordance with Article 12.2 or within thirty (30) days of the plan approved as aforesaid in this Article, notify the Government that it elects to surrender its rights in the Commercial Assessment Area in lieu of participation in a joint development.
- 12.4 The provisions of Article 12.1 and 12.2 shall apply mutatis mutandis to assessment of a Reservoir located partly within the Contract Area, which although not equivalent to Commercial Assessment Area if developed alone, would be a Commercial Assessment Area if developed together with that part of the Reservoir which extends outside the Contract Area to areas subject to contract for CBM operation by other parties.

ARTICLE 13

MEASUREMENT OF CBM

- 13.1 The volume and quantity of CBM produced and saved from a Field/ Contract Area shall be measured by methods and appliances generally accepted and customarily used in modern CBM/oilfields and petroleum industry practices and approved by the Government.
- 13.2 The Government or its authorised representative may, at all reasonable times, inspect and test the appliances used for measuring the volume and determining the quantity of CBM, provided that any such inspection or testing shall be carried out in such a manner so as not to unduly interfere with CBM Operations.
- 13.3 Before commencement of production in a Field/Development Area, the Government and Contractor shall mutually agree on :
- a) methods to be employed for the measurement of volumes of CBM production;
 - b) the point(s) at which CBM production shall be measured and valued at the well head, the Royalty to State Government and Production Level Payments (PLP) to Government allocated 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 and resolution thereof.
- 13.4 The Contractor shall undertake to measure the volume and quantity of the CBM produced and saved from a Field/Development Area at the agreed measurement point consistent with modern CBM/oilfields and petroleum industry practices, with the frequency and according to procedures agreed pursuant to Article 13.3. The Contractor shall not make any alteration in the agreed method or procedures for measurement or to any of the approved appliances used for that purpose without the written consent of the Government.
- 13.5 The Contractor shall give the Government timely notice of its intention to conduct measuring operations or any agreed alteration for such operations and the Government shall have the right to be present at and supervise, either directly or through authorised representatives, such operations.

ARTICLE 14

PROTECTION OF THE ENVIRONMENT

- 14.1 The Government and the Contractor recognise that CBM Operations will cause some impact on the environment in the Contract Area. Accordingly, in performance of the Contract, the Contractor shall conduct its CBM 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 CBM Operations;
 - (b) take necessary and adequate steps to :
 - (i) prevent Environmental Damage and, where some adverse impact on the environment is unavoidable, to minimise such damage and the consequent effects thereof on property and people;
 - (ii) ensure adequate compensation for injury to persons or damage to property caused by the effect of CBM Operations; and
 - (c) comply with the requirements of applicable laws and the requirements of the Government from time to time.
- 14.2 If the Contractor fails to comply with the provisions of paragraph (b)(i) of Article 14.1 or contravenes any relevant law, and such failure or contravention results in any Environmental Damage, the Contractor shall forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof within thirty (30) days.
- 14.3 If the Government in accordance with the laws has good reason to believe that any works or installations erected by the Contractor, Sub-contractor or any operations conducted by the Contractor, Sub-contractor are endangering or may endanger persons or any property of any person, or are causing or may cause pollution, or are harming or may harm fauna or flora or the environment to a degree which the Government deems unacceptable, the Government may require the Contractor to take remedial measures within such reasonable period as may be determined by the Government and to repair any damage to the environment. If the Government deems it necessary, it may also require the Contractor or Subcontractor to discontinue CBM Operations in whole or in part until the Contractor or Subcontractor has taken such remedial measures or has repaired any damage caused to the satisfaction of the Government.
- 14.4 The measures and methods to be used by the Contractor for the purpose of complying with the terms of paragraph (b)(i) of Article 14.1 shall be determined in timely consultation with the Government upon the commencement of CBM Operations or whenever there is a significant change in the scope or method of conducting CBM Operations and shall take into account the international standards applicable in similar circumstances and the relevant environmental impact study carried out in accordance with Article 14.5 below.

The Contractor shall notify the Government, in writing of the measures and methods finally determined by the Contractor and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.

Prior to initiation of operations under this Contract, the Contractor shall undertake appropriate work, in consultation with the appropriate Government agency to establish an environmental base line for the proposed area of operations within the Contract Area. This base line will be used by the appropriate Government agency and the Contractor to develop an agreement regarding the status of the environmental conditions of the proposed area of operations prior to the start of activity to explore for or produce CBM within the Contract Area.

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

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

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

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

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

- a) proposed access cutting;
- b) clearing and timber salvage;
- c) wildlife and habitat protection;
- d) fuel storage and handling;

- e) use of explosives;
- f) camps and staging;
- g) liquid and solid waste disposal;
- h) cultural and archaeological sites;
- i) selection of drilling sites;
- j) terrain stabilisation;
- k) protection of freshwater horizons;
- l) blow-out prevention plan;
- m) flaring during completion and testing CBM Wells;
- n) abandonment of Wells;
- o) rig dismantling and site completion;
- p) reclamation for abandonment;
- q) noise control;
- r) debris disposal, and;
- s) protection of natural drainage and water flow.

14.5.4 Subject to the provisions of all applicable laws and notifications on protection of environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal is submitted by the Contractor, the Government shall complete the assessment of the project within a period of ninety (90) days from the receipt of the requisite documents and data from the project authorities and completion of public hearing. The decision of the Government on the proposal of the Contractor for environmental clearance shall be conveyed within thirty (30) days thereafter. However, wherever forest land is involved; the Contractor/user agency shall have to obtain approval of the Central Government through the State Government concerned, under the Forest (Conservation) Act, 1980. The decision of the Central Government on such proposal of the Contractor/user agency shall be taken within sixty (60) days from the date of receipt of proposal of the Contractor/user agency from the State Government. The State Government is required to convey its recommendations on the proposal complete in all respect to the Central Government or otherwise within ninety (90) days from the date of receipt of the same from the applicant.

14.6 The Contractor shall ensure that :

- (a) CBM Operations are conducted in an environmentally acceptable and safe manner consistent with modern CBM/oilfields and petroleum industry practices and that such CBM Operations are properly monitored;
- (b) the pertinent completed environmental impact studies are made available to its employees and to its Subcontractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out the CBM Operations; and
- (c) the contracts entered into between the Contractor and its Subcontractors relating to its CBM Operations shall include the provisions stipulated herein and any established measures and methods for the implementation of the Company's(ies') obligations in relation to the environment under this Contract.

14.7 The Contractor shall, prior to conducting any drilling activities, prepare and submit for review by the Government contingency plans for dealing with fires, accidents and emergencies, in rush discharge of water, blow-outs, designed to achieve rapid and effective

emergency response. The plans referred to above shall be discussed with the Government and other agencies and concerns expressed shall be taken into account.

- 14.7.1 In the event of an emergency, accident, fire, in rush discharge of water, blow-out arising from CBM Operations affecting the environment, the Contractor shall forthwith notify the Government and other concerned agencies and shall promptly implement the relevant contingency plan and perform such Site Restoration activities as may be necessary in accordance with modern CBM/oilfields and petroleum industry practices.
- 14.7.2 In the event of any other emergency or accident arising from the CBM Operations affecting the environment, the Contractor shall take such action as may be prudent and necessary in accordance with modern CBM/oilfields and petroleum industry practices in such circumstances.
- 14.8 In the event that the Contractor fail(s) to comply with any of the terms contained in Article 14.7 within a period specified by the Government or under law, the Government, after giving the Contractor reasonable notice in the circumstances, may take any action which may be necessary to ensure compliance with such terms and to recover from the Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with such interest as may be determined in accordance with Section 1.7.3 of Appendix C of this Contract.
- 14.9 On expiry or termination of this Contract or relinquishment of part of the Contract Area, the Contractor shall:
- (a) subject to Article 24, remove all equipment and installations from the relinquishment 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 modern CBM/oilfields and petroleum industry practices and take all other actions necessary to prevent hazards to human life or to the property of others or the environment.
- 14.10 The Contractor shall prepare a proposal for the Site Restoration including an abandonment plan and requirement of funds for this and any annual contribution in accordance with the scheme framed by the Government, if any, to the Site Restoration fund. This will be submitted along with the Annual Work Programme for the consideration and approval of the Steering Committee.
- 14.11 In this Article, a reference to Government includes the State Government.
- 14.12 Where the Contract Area is partly located on areas forming part of certain national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas, passage through these areas shall generally not be permitted. However, if there is no passage, other than through these areas, to reach a particular point beyond these areas, permission of the concerned authorities shall be obtained.
- 14.13 The obligation and liability of the Contractor for the environment hereunder shall be limited to damage to the environment which occurs on or after the Effective Date.

ARTICLE 15

FEES, RENTALS, LEVIES, TAXES, ROYALTY, PRODUCTION LEVEL PAYMENTS (PLP), COMMERCIAL BONUS ETC.

15.1 Payments of fees, rentals, levies, taxes, Commercial Bonus shall be as under:

- (a) statutory levies and taxes to be paid to the Government as per prevailing statutory laws and rules;
- (b) a fixed one time lump sum Commercial Bonus of United States Dollar zero point three million (US\$0.3 million) is payable by Foreign Companies and an equivalent amount in Indian Rupees by Indian Companies after Commercial Assessment of the CBM reserves, at the end of Pilot Assessment and Market Surveys and Commitment Phase (Phase-II). It shall be paid on the date of submission of the application for a Lease;
- (c) Royalty at the rate of ten percent (10%) ad-valorem sale value at the well-head shall be paid by Company (ies) (Lessee) to State Government(s) on the production of CBM. The Royalty due to State Government(s) shall be payable latest by the end of the succeeding Month. The State Government(s), if it/they desire(s), may have the option to take in kind CBM in lieu of Royalty payments due to it / them; and
- (d) The Contractor shall pay monthly, to the Government, Production Level Payments (PLP) on CBM production produced and saved in accordance with the provisions of this Article. The Contractor shall pay PLP based on average of daily CBM produced and saved during the month in the Contract Area. The monthly average of daily CBM produced and saved in the Contract Area shall be calculated corrected to 3 decimal places as per formula given below:
$$Z = X + [(Y-X) * (b-0.5)/1.5]$$
- (e) When the monthly average of daily CBM produced and saved in the Contract Area is up to half a Million Standard Cubic Metre per Day (0.500 MMSCMD), Government shall be entitled to take and receive [___] percent (___%) PLP of the total CBM produced and saved during the Month from the Contract Area.
- (f) When the monthly average of daily CBM produced and saved in the Contract Area is equal to or more than two Million Standard Cubic Metre per Day (2.000 MMSCMD), Government shall be entitled to take and receive [___] percent (___%) PLP of the total CBM produced and saved during the Month from the Contract Area.
- (g) When the monthly average of daily CBM produced and saved in the Contract Area is more than half a Million Standard Cubic Metre per Day (0.500 MMSCMD) but is less than two Million Standard Cubic Metre per Day (2.000 MMSCMD), Government shall be entitled to take and receive Z% of the total CBM produced and saved during the Month from the Contract Area. The Government's share Z% shall be calculated by interpolation as under:
$$Z=X + [(Y-X) * (b-0.5)/1.5]$$

Where,

"X" denotes Government's share corresponding to the lowest tranche i.e. up to half a Million Standard Cubic Metre per Day (0.500 MMSCMD)

"Y" denotes Government's share corresponding to the highest tranche i.e. equal to or more than two Million Standard Cubic Metre per Day (2.000 MMSCMD)

"b" denotes monthly average of daily CBM produced and saved from Contract Area, corrected to three decimal places in between 0.500 MMSCMD and 2.000 MMSCMD.

- (h) In calculating average monthly rate, total gross production of CBM from the Contract Area in a Month shall be divided by the total number of days on which CBM was produced during the Month.
- (i) The total PLP due from the Contractor for a Month shall be paid to the Government not later than the end of the succeeding Month.
- (j) Payments due to the Government shall be deposited with "Pay and Account officer, MoP&NG" or its successor, Shastri Bhavan, New Delhi.

15.2 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 a Company on its profits and gains from the business of CBM Operations in lieu of (and not in addition to) corresponding allowances provided for under the heading "Profit and Gains of Business or Profession" in the Income Tax Act, 1961. Any other allowance, which are not specified herein, shall be treated in accordance with the provisions of Income Tax Act, 1961.

15.3 Contractor shall be eligible for benefits available under Section 80 IB of the Income Tax Act, 1961 as applicable from time to time.

15.4 Subject to the provision 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, other than Drilling Operations, and Production Operations will be allowable as per the provisions of the Income Tax Act, 1961. The expenses so incurred are subject to the following :

- (a) where any expenditures is not solely incurred on CBM 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.

- 15.4.1 Contractor shall be entitled for income tax purpose only, to deduct all its unsuccessful Exploration Costs in contract areas covered by other contracts from the aggregate value of CBM allocable to the Contractor from any Field(s) in the Contract Area in the manner as follows :
- (a) unsuccessful Exploration Costs incurred in contract areas other than the Contract Area where Potential Commercial Assessment has been made up to the date of commencement of Commercial Production shall be aggregated and Company (ies) shall be entitled to deduct such costs at the rate of one hundred percent (100%) per annum; and
 - (b) unsuccessful Exploration Costs incurred in contract areas other than the Contract Area where Potential Commercial Assessment has been made, after the commencement of Commercial Production, shall be deductible at the rate of one hundred percent (100%) per annum of such costs beginning from the Year such costs are incurred.
- 15.4.2 All allowable expenditure incurred prior to the Year in which Commercial Production commences shall be aggregated and the assessed loss for that Year as well as the assessed loss, if any, incurred in the assessment Year relevant to the Year in which Commercial Production commences, or in any subsequent assessment Year, shall be carried forward to succeeding assessment Years and set off as provided in the Income Tax Act, 1961.
- 15.4.3 The profits and gains of the business of a Company consisting of CBM Operations shall, for the purpose of levy of income tax under the Income Tax Act, 1961, be computed on the basis of the value, determined in accordance with Article 18, of its Participating Interest share of CBM produced and saved and sold, or otherwise disposed of, from each Field and any other gains or receipts from CBM 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.
- 15.5 Contractor, their employees, persons providing any materials, supplies, services or facilities or supplying any ship, aircraft, machinery, equipment or plant (whether by way of sale or hire) to the Contractor for CBM 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.
- 15.6 For the purpose of Article 15.5 and Section 42 of the Income Tax Act, 1961 :
- 15.6.1 The following terms used in section 42 of the Income Tax Act, 1961, shall have the meanings corresponding to the terms used in this Contract and defined in Article 1 as follows :
- (a) “agreement” means this Contract as defined in Article 1;
 - (b) “commercial production” shall have the meaning assigned in Article 1.
- 15.6.2 The terms “assessing officer”, “assessed loss”, and “assessment year” shall have the meaning as defined in the Income Tax Act, 1961.

- 15.6.3 The other terms used herein defined in Article 1 shall have the meaning therein assigned.
- 15.7 Contractor shall be liable to the Government or State Government(s) for payment of application fees, security deposit, Licence fees, surface rent, Lease fees, dead rent and other statutory charges and fees as prescribed under the Rules, as amended from time to time, the cost of which shall be borne by the Contractor.
- 15.8 Machinery, plant, equipment, materials and supplies imported by the Contractor and its Sub-contractors solely and exclusively for use in CBM Operations under this Contract or similar contracts with Government where customs duty has been exempted by the Government shall be exempted from customs duties, export duties or other charges on re-exportation of the said items in accordance with applicable legislation.
- 15.9 The Government shall have the right to inspect the records and documents of the physical item or items for which an exemption has been provided pursuant Article 15.8 to determine that such item or items are being or have been imported solely and exclusively for the purpose for which the exemption was granted. The Government shall also be entitled to inspect such physical items wherever located to ensure that such items are being used for the purpose herein specified and any item not being so used shall immediately become liable to payment of the applicable customs duties.
- 15.10 Subject to Articles 16.3 and 24.7, the Contractor and its Sub-contractors may sell or otherwise transfer in India all imported items which are no longer required for CBM Operations, subject to applicable laws including rules, regulations, procedures, notifications etc. governing customs duties and sale or disposal of such items.
- 15.11 Any sales tax, or tax of similar nature payable on the sale(s) of CBM under this Contract shall be borne/reimbursed by the buyer(s).
- 15.12 Subject to the provisions herein above provided, Contractor shall be liable for payments of :
- (a) annual rental charges and License fees under the Rules;
 - (b) charges payable by specified industries or in connection with CBM Operations under applicable legislations;
 - (c) payments for purchase, lease or rental of land or land rights in connection with CBM Operations;
 - (d) taxes, fees or charges for specific services rendered on request or to the public generally;
 - (e) customs duties, except for those items subject to exemption as provided in Article 16, applicable at the rates specified from time to time; and
 - (f) stamp duties, registration fees, license fees, taxes such as taxes on property or assets (not calculated by reference to income or otherwise exempted) or other levies, fees or charges of a non-discriminatory nature and generally applicable in India or in the State where CBM Operations are being conducted.

15.13 If any change in or to any Indian law, rule or regulation dealing with income tax or other corporate tax, export/import tax, excise, customs duty or any other levies, duties or taxes imposed on CBM or dependent upon the value of CBM results in a material change to the expected economic benefits accruing to any of the Parties after the Effective Date of the Contract, the Parties shall consult promptly in good faith to make necessary revisions and adjustments to the Contract in order to maintain such expected economic benefits to each of the Parties, provided, however that the expected economic benefits to the Parties shall not be reduced as a result of the operation of this Article.

ARTICLE 16

CUSTOMS DUTIES

- 16.1 The 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 CBM Operations and who may claim exemptions hereunder.
- 16.2 In order to qualify for the exemption from customs duties as provided for in Article 16.1, 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 solely and exclusively for use in carrying out CBM Operations and shall be approved by a representative of the Government to be eligible for such exemption pursuant to the terms of the Contract and relevant customs notifications, rules procedure.
- 16.3 The Government shall have the right to inspect the records and documents of the physical items or items for which an exemption is or has been provided under Article 16.1.

ARTICLE 17

CURRENCY AND EXCHANGE CONTROL PROVISIONS

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

17.4 Foreign Companies shall have full rights of control over movement of funds out of bank accounts established for the purpose of CBM Operations but shall provide to the Reserve Bank of India or any designated financial body, Monthly bank statements with an explanation of each deposit or payment from the account and shall supply each Quarter, in a form acceptable to the Reserve Bank, or such designated body, full particulars of foreign exchange transactions pursuant to this Contract in order to facilitate monitoring of such accounts. Such particulars shall include :

- a) details of deposits of proceeds of sales of CBM, such as quantity of CBM sold, date of sale and unit price;
- b) the repayment of principal of loans made to the Contractor in foreign currency for purposes of CBM Operations;
- c) payments of interest, charges, fees and expenses in respect of loans referred to in clause (b) above;
- d) payments in foreign currency to persons not resident in India for the supply of capital goods required for the purpose of CBM Operations;
- e) payments in foreign currency to persons not resident in India for the supply of goods and services, other than capital goods, required for CBM Operations (including services of foreign employees and consultants);
- f) amounts remitted to India or paid elsewhere at the request of the Government to meet obligations under the Contract; and
- g) retention or disbursements to Affiliates in foreign currency representing the excess of net profits, depreciation and amortisation over the payments made under clauses (b) through (f) above.

The Government shall have the right to verify any statement and reports submitted by the Contractor pursuant to this Article and the Contractor shall promptly respond to any query made by the Reserve Bank of India or the designated financial body to the reasonable satisfaction of the Reserve Bank of India or such designated body.

17.5 A constituent Party, other than a Foreign Company, shall be governed by the relevant currency and foreign exchange laws and related administrative instructions and procedures issued thereunder.

ARTICLE 18

SALE OF CBM

- 18.1 Subject to Article 18.2, the Indian domestic market shall have the first call on the utilisation of CBM pursuant to CBM Operations and produced from Field/Development Area. Accordingly, any proposal by the Contractor relating to Commercial Assessment and production of CBM from a Field/Development Area shall be made in the context of the Government's policy for the utilisation of CBM/Natural Gas. The Contractor shall have the freedom to sell CBM at Arms Length Prices in the domestic market pursuant to this Article.
- 18.2 Contractor shall have the right to use CBM produced from a Field/Development Area for the purpose of CBM Operations including power generation for CBM Operations.
- 18.3 For the purpose of sales in the domestic market pursuant to this Article 18, the Delivery Point shall, unless otherwise provided herein or agreed, be the outlet flange of the facilities downstream of any facilities and operations established to extract products from CBM.
- 18.4 If the production of CBM exceeds the requirements of the domestic market, the Contractor shall have the freedom to export the excess CBM produced.
- 18.5 Valuation of CBM
- 18.5.1 The Contractor shall endeavour to sell all CBM produced and saved from the Field/Development Area at Arms-Length Prices to the benefit of Parties to the Contract.
- 18.5.2 Notwithstanding Article 18.5.1, CBM produced from the Field/ Development Area shall be valued for the purpose of this Contract as follows:
- (a) CBM which is used as per Article 18.2 or flared with the approval of the Government or re-injected shall be ascribed a zero value;
 - (b) CBM which is sold to the Government or to the State Government(s) in lieu of either Production Level Payments (PLP) or Royalty shall be valued at the prices actually obtained; and
[Explanation : However, it is clarified that this provision would apply only when the sale is made to the Government or the Government nominee under the provisions of the Contract]
 - (c) CBM which is sold or disposed of otherwise than in accordance with paragraphs (a) or (b) above shall be valued on the basis of competitive Arms Length Sales in the region for similar sales under similar conditions.

18.6 The formula or the basis on which the CBM prices shall be determined pursuant to Article 18.5.2 (c) shall be approved by the Government prior to the sale of the CBM to consumers/ buyers within sixty (60) Business Days from the receipt of proposal or from the date of receipt of clarification/additional information, where asked for by the Government. Such approval(s) from the Government shall be required to be obtained by the Contractor on one time basis prior to execution of such sale/purchase agreement(s) for the CBM and subsequent modification(s), if any, in this regard. For granting this approval, the Government shall take into account the prevailing policy, if any, on pricing of CBM including any linkages with traded liquid fuels, and it may delegate or assign this function to a regulatory authority as and when such an authority is in existence and in place.

ARTICLE 19

EMPLOYMENT, TRAINING AND TRANSFER OF TECHNOLOGY

- 19.1 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 CBM Operations in a safe, cost effective and efficient manner, the Contractor shall, to the maximum extent possible, employ, and require the Operator and Subcontractors to employ, citizens of India having appropriate qualifications and experience, taking into account experience required in the level and nature of the CBM Operations.
- 19.2 The Operator shall offer a mutually agreed number of Indian nationals the opportunity for on-the-job training and practical experience in CBM Operations during the Exploration, Pilot, Assessment and Development Phase. Not later than six (6) months after approval of the Development Plan, the Contractor shall, in consultation with the Government, establish and implement training programmes for staff positions in each phase and level of CBM Operations including skilled, technical, executive and management positions, with a view to ensuring employment of Indian national personnel and gradual and progressive reduction of foreign personnel.
- 19.3 Pursuant to Article 19.2, Foreign Companies shall associate and involve mutually agreed number of Indian nationals employed by the Contractor in the technological aspects utilised/involved in the CBM Operations. Such aspects may include:
- a) seismic data, processing and interpretations;
 - b) analysis of geological data for basin evaluation mainly with respect to assessment of CBM resource potential;
 - c) laboratory core analysis;
 - d) Reservoir simulation and modelling;
 - e) geochemistry, including analytical methods, CBM generation, modelling;
 - f) stimulation of Wells, fracturing and cavitation;
 - g) production engineering including optimisation methods for surface facilities;
 - h) reservoir engineering and management including dewatering and gas (N₂ and CO₂) injection;
 - i) enhanced CBM recovery techniques;
 - j) gas production technology;
 - k) pipeline technology;
 - l) Well design and drilling technology;

- 19.4 The Contractor or any other Party to this Contract shall not be obliged to disclose by virtue of this Article 19 any data, process or information, whether owned by itself, any of its Affiliates or a third party, of a proprietary nature developed prior to or after the Effective Date of this Contract.
- 19.5 At the request of the Government, the Foreign Companies shall separately endeavour to negotiate, in good faith, technical assistance agreements with the Government setting forth the terms by which each Foreign Company constituting the Contractor may render technical assistance and make available commercially proven technical information of a proprietary nature for use in India by the Government. The issues to be addressed in negotiating such technical assistance agreements shall include, but not limited to, licensing issues, royalty conditions, confidentiality restrictions, liabilities, costs and method of payment.

ARTICLE 20

LOCAL GOODS AND SERVICES

- 20.1 In the conduct of CBM Operations, the Contractor shall :
- a) give preference to the purchase and use of goods manufactured, produced or supplied in India provided that such goods are available on terms equal to or better than imported goods with respect to timing of delivery, quality and quantity required, price and other terms;
 - b) employ Indian Sub-contractors having the required skills or expertise, to the maximum extent possible, in so far 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 Sub-contractors are available, preference shall be given to non Indian Sub-contractors who utilise Indian goods to the maximum extent possible subject, however, to the proviso in clause (a) above;
 - c) co-operate with domestic companies in India to enable them to develop skills and technology to service the CBM industry; and
 - d) ensure that provisions in terms of clauses (a) to (c) above are contained in contracts between the Contractor and its Sub-contractors.
- 20.2 The Contractor shall establish and adopt appropriate procedures, including tender procedures, for the acquisition of goods and services which shall ensure that suppliers and Sub-contractors 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 exceptions to bidding in cases of emergency.
- 20.3 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, which shall, in particular, contain the information specified in Section 9 of Appendix-C of the Contract.
- 20.4 In this Article “goods” mean equipment, materials and supplies.

ARTICLE 21

INSURANCE AND INDEMNIFICATION

21.1 The Contractor shall, during the term of this Contract, obtain insurance coverage for and in relation to CBM Operations for such amounts and against such risks as are customarily or prudently insured in accordance with modern CBM/oilfields and petroleum industry practices and shall furnish to the Government certificates evidencing that such coverage is in effect. Such insurance policies shall include the Government as additionally insured and shall waive subrogation against the Government. The said insurance shall, without prejudice to the generality of the foregoing cover :

- a) loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with CBM Operations; provided, however, that if for any reason the Contractor fail(s) 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 including in rush of water in the course of or as a result of CBM Operations;
- c) loss of property or damage or bodily injury suffered by any third party in the course of or as a result of CBM Operations for which the Contractor or his constituents, Sub-contractors may be liable;
- d) any claim for which the Government may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of or as a result of CBM Operations for which the Contractor or its Sub-contractor(s) is liable to indemnify the Government, or the State Government(s); and
- e) the Contractor's and/or the Operator's liability to its employees engaged in CBM Operations.

21.2 The Contractor shall require its Sub-contractor(s) to obtain and maintain insurance against the risks referred to in Article 21.1 relating mutatis mutandis to such Sub-contractor(s).

21.3 Indemnity

Subject to Article 4.8, the Contractor shall indemnify, defend and hold the Government, and the State Government(s) harmless against all claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons caused by or resulting from any CBM Operations conducted by or on behalf of the Contractor.

ARTICLE 22

RECORDS, REPORTS, ACCOUNTS AND AUDIT

- 22.1 The Contractor shall prepare and maintain at its office in India accurate and current books, records, reports and accounts of its activities for and in connection with CBM Operations so as to present a fair, clear and accurate record of all its activities, expenditures and receipts.
- 22.2 Based on generally accepted and recognised accounting principles and modern CBM/oilfields and petroleum industry practices, records, books, accounts and accounting procedures in respect of CBM Operations shall be maintained in India on behalf of the Contractor by one of the Parties comprising the Contractor, specifically designated for this purpose its business office in India, in accordance with the Accounting Procedure.
- 22.3 The audit of annual 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 Steering Committee.
- 22.4 Accounts, together with the auditor's report thereon, shall be submitted to the Parties for approval not later than the thirtieth (30th) September following the Year. A copy thereof shall also be furnished to the Government.
- 22.5 The Government shall have the right to audit the records of the Contractor including the cost records in respect of CBM Operations as provided in the Accounting Procedure.
- 22.6 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.
- 22.7 For the purpose of any audit conducted under Article 22.5, the Operator or 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 23

INFORMATION, DATA, CONFIDENTIALITY, INSPECTION AND SECURITY

- 23.1 The Contractor shall, promptly after they become available, provide the Government with all data obtained as a result of CBM Operations under the Contract including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, samples of cores and cuttings and production data as well as all interpretations and evaluation prepared in respect of CBM Operations (hereinafter referred to as “Data”). Data shall be the property of the Government or any agency as nominated by the Government, provided, however, that the Contractor shall have the right to make use of such Data, free of cost, for the purpose of CBM Operations under this Contract as provided herein.
- 23.2 Contractor may, for use in CBM Operations, retain copies or samples of material or information constituting the Data and, with the approval of the Government, original material, except that where such material capable of reproduction and copies have been supplied to the Government, Contractor may, subject to the right of inspection by the Government, 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 Government.
- 23.3 Contractor shall keep the Government currently advised of all developments taking place during the course of CBM Operations and shall furnish the Government with full and accurate information and progress reports relating to CBM Operations (on a monthly, quarterly, yearly or other periodic basis) as 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 CBM Operations as provided in Appendix-C. Contractor shall meet with the Government at a mutually convenient location to present the results of all engineering and drilling operations as soon as such Data becomes available to the Contractor.
- 23.4 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.
- 23.5 The obligation specified in Article 23.4 shall not operate so as to prevent disclosure :
- (a) to Affiliates and Sub-contractors, for the purpose of CBM Operations;
 - (b) to employees, professional consultants, advisers, data processing centres and laboratories, where required, for the performance of functions in connection with CBM Operations for any Party comprising the Contractor;
 - (c) to banks or other financial institutions, in connection with CBM Operations;
 - (d) to bonafide intending assignees or transferees of a Participating Interest of a Party comprising the Contractor or in connection with a sale of stock or shares of a Party comprising the Contractor;
 - (e) to the extent required by any applicable law or in connection with any legal proceedings or by the regulations of any stock exchange upon which the shares of a Party comprising Contractor are quoted;

- (f) to Government departments for, or in connection with, the preparation by or on behalf of the Government of statistical reports with respect to CBM Operations, or in connection with administration of this Contract or any relevant law or for any purpose connected with CBM Operations;
- (g) by a Party with respect to any Data or information which, without disclosure by such Party, is generally known to the public.

23.6 Any Data, information or reports disclosed by the Parties comprising the Contractor to any other person pursuant to Article 23.5 (a) to (d) shall be disclosed on the terms that such Data, information or reports shall be treated as confidential by the recipient. Prompt notice of disclosures made by Companies pursuant to Article 23.5 shall be given to the Steering Committee/Government.

23.7 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 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 CBM Contractor and the other Party.

23.8 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 and shall deliver to the Government copies or originals of all Data and information in its possession with respect to the said area. The Government shall, however, have the right to freely use the said Data and information thereafter.

Explanatory Note : Pursuant to this Article 23 and notwithstanding any provisions in the Contract to the contrary, the Government shall have the right to disclose and freely use all data and information at its sole discretion except for data of proprietary nature such as interpretation reports to any party on or after three (3) years from acquisition of such data in order to promote exploration and production activities in the country.

23.9 The Government at all reasonable times, or through its duly authorised representatives, shall be entitled to inspect CBM Operations and to inspect all assets, books, records, reports, accounts, contracts, samples and Data kept by the Contractor or the Operator in respect of CBM 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 the Contractor shall afford such representatives reasonable use of all facilities and privileges afforded to its own personnel in the field including the use of office space and housing for a period not exceeding thirty (30) mandays in a Year and thereafter at the cost of the Government. The said representatives shall be entitled to make a reasonable number of surveys, measurements, drawings, tests and copies of documents, take samples, and make reasonable use of the equipment and instruments of the Contractor provided that such functions shall not unduly interfere with the Contractor's CBM Operations.

23.10 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, indicating, inter alia, the name of the survey to be conducted, approximate extent of the area to be covered, the duration of the survey and the commencement date.

ARTICLE 24

TITLE TO CBM, DATA AND ASSETS

- 24.1 The Government is the sole owner of CBM underlying the Contract Area and shall remain the sole owner of CBM produced pursuant to the provisions of this Contract except as regards that part of CBM the title whereof has passed to the Contractor or any other person in accordance with the provisions of this Contract.
- 24.2 Title to CBM to which the Contractor is entitled under this Contract, and title to CBM sold by the Companies shall pass to the relevant buyer party at the Delivery Point. The Contractor shall be responsible for all costs and risks prior to and including at the Delivery Point and each buyer party shall be responsible for all costs and risks associated with such buyer party's share at and after the Delivery Point.
- 24.3 Title to all Data specified in Article 23 shall be vested in the Government and the Contractor shall have the right to use thereof as therein provided.
- 24.4 Assets purchased by the Contractor for use in CBM Operations shall be owned by the Parties comprising the Contractor in proportion to their Participating Interest provided that the Government shall have the right to require vesting of full title and ownership in it, free of charge and encumbrances, of any or all assets, whether fixed or movable, acquired and owned by the Contractor for use in CBM Operations inside or outside the Contract Area, such right to be exercisable at the Government's option upon expiry or earlier termination of the Contract.
- 24.5 Contractor shall be responsible for proper maintenance, insurance and safety of all assets acquired for CBM Operations and for keeping them in good repair, order and working conditions at all times, and the costs thereof shall be chargeable as Contract Costs in accordance with Appendix-C.
- 24.6 So long as this Contract remains in force, the Contractor shall, free of any charge for the purpose of carrying out CBM Operations hereunder, have the exclusive use of assets acquired for CBM Operations and related activities.
- 24.7 Equipment and assets no longer required for CBM Operations during the term of the Contract shall be sold, exchanged or otherwise disposed of by the Contractor, provided, however, that the proceeds of sale shall be credited to CBM Operations as provided in Appendix-C, provided that prior written consent of the Steering Committee shall be obtained for each transaction in excess of US \$50,000 (Fifty Thousand United States Dollars) or such other value as may be agreed from time to time by the Steering Committee. The consent of the Steering Committee shall not be unreasonably withheld.

ARTICLE 25

ASSIGNMENT OF PARTICIPATING INTEREST

- 25.1 Subject to the terms of this Article and other terms of this Contract, a Company may assign, or transfer, a part or in whole 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 financial capability and technical competence where relevant to the satisfaction of Government 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 assignor or transferor and the prospective 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.
- 25.2 In case of any change in the status of a Company or its shareholding resulting in a change in:
- a) the control of the Company; or
 - b) its relationship with the company(ies) providing the guarantee under Articles 26.1 (a) and 26.1 (b);
- the Company shall seek the consent of the Government for assigning the Participating Interest under the changed circumstances and the provisions of this Article 25 shall apply, mutatis mutandis, to be obtaining of such consent. For the purpose of this Article 25.2, control has the same meaning as in Article 1.3.
- 25.3 An application for consent to assign or transfer shall be accompanied by all relevant information concerning the proposed assignment or transfer including detailed information on the proposed assignee or transferee including its shareholding and corporate structure, as was earlier required at the time of submission of bids by Companies (the terms of the proposed assignment or transfer) and the unconditional undertaking referred to in Article 25.1 (a).
- 25.4 The applicant shall also submit such information relating to the prospective assignee or transferee of the assignment or transfer as the Government may reasonably require to enable proper consideration and disposal of the application.

- 25.5 No assignment or transfer shall be effective until the consent of the Government is received in writing or deemed to have been received. Consent may be given by the Government on such terms and conditions as it may deem fit under the circumstance. Provided that such terms and conditions may not increase the obligations of the constituent Parties comprising the Contractor. Upon assignment or transfer of its interest in this Contract, the assignor or transferor shall be released and discharged from its obligations hereunder only to the extent that such obligations are assumed by the assignee or transferee with the consent of the Government.
- 25.6 In the event that the Government does not respond to a request for assignment or transfer by a Company within one hundred and twenty (120) days of such a request or receipt of all information referred to in Article 25.2 above, as may be the case, consent shall be deemed to have been given by the Government.
- 25.7 An assignment or transfer shall not be made where the Participating Interest to be retained by the assignor or the percentage interest of assignee shall be less than ten percent (10%) of the total Participating Interest of all the constituents of the Contractor comprising the Contractor, except where the Government, on the recommendations of the Steering Committee may, in special circumstances, so permit.
- 25.8 Nothing contained in this Article 25, shall prevent a Party comprising the Contractor from mortgaging, pledging, charging or otherwise encumbering at its own costs all or part of its Participating Interest for the purposes of security relating to the financing of CBM Operations to the extent required for performing its obligations under the Contract, subject to Steering Committee's approval provided that:
- (i) such Party shall remain solely liable for all its obligations relating to its Participating Interest to the exclusion of the other participants thereto;
 - (ii) the encumbrance shall be expressly subordinated to the rights of the other Parties under this Contract. The obligations occurring with respect to the said encumbrance shall be the sole responsibility of the original Party and shall in no manner compromise the rights of other Parties to the Contract;
 - (iii) such Party has given reasonable notice of such encumbrance and furnishes to all other Parties (including, for the avoidance of doubt, the Government) a certified copy of the executed instrument(s) evidencing the encumbrance; and
 - (iv) keeping in view the national interest of India, prior consent of the Government shall be required (which consent shall not be unreasonably withheld) of the list of potential lenders with whom such Party can consider hypothecation;
 - (v) the Party creating the charge shall ensure that such charge shall not in any way affect the interest of other Parties or result in interference with joint operations. In the event of any claims or liabilities imposed on other Parties because of the creation of such charges, the Party getting created the charge on its Participating Interest shall indemnify the other Parties;
 - (vi) in case of foreclosure or default by a borrowing Party, the mortgagee shall not be deemed to have acquired a right to carry on either by itself or through an agent, the CBM Operations, without the written consent of the Government.

- 25.8.1 The Parties acknowledge that to obtain financing a Party (“Borrower”) will be required to secure for a permitted chargee the right to receive a copy of any such notice on any such permitted chargee in accordance with the provisions of Article 34 at the same time as such notice is served on the Borrower. For the purposes of Article 34, the address for service of notices of the permitted chargee shall be that specified in the instrument or instruments referred to in Article 25.8 (iii).
- 25.8.2 The financing arrangement referred to above, shall be subject to the rights of Government as contained in Article 25.1 of Contract and the pre-emptive rights of the Parties as may be contained in the Operating Agreement. Any Party which wishes to exercise the said pre-emptive rights will explicitly assume the obligation on the same terms and conditions as the borrower.
- 25.9 Subject to Article 25.7, nothing in this Article 25 shall prevent a Party comprising the Contractor from assigning or transferring a part or all of its Participating Interest to an Affiliate, with the unanimous approval of the Steering Committee, provided that :
- a) the assignee provides an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article 26.2, in a form provided at Appendix-F;
 - b) the assignee provides a parent company financial and performance guarantee issued by the guarantor which furnished the guarantee pursuant to Article 26 in respect of the assignor Party’s obligations under this Contract in favour of the Government, of the performance of such Affiliate assignee of its obligations under this Contract;
 - c) the prospective Affiliate is not a company incorporated in a country with which the Government, for policy reason, has restricted trade or business; and
 - d) the assignment will not adversely affect the performance or obligations under this Contract or be contrary to the interest of India.

ARTICLE 26

FINANCIAL AND PERFORMANCE GUARANTEES

- 26.1 Subject to Article 26.1 (d), each of the Companies constituting the Contractor shall produce and deliver to the Government on the Effective Date of this Contract:
- (a) an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article 26.2 in a form and substance acceptable to the Government as set out in Appendix-F;
 - (b) a financial and performance guarantee in favour of the Government from a parent company acceptable to the Government, in the form and substance set out in Appendix-D1, or, where there is no such parent company, the financial and performance guarantee from the Company itself in the form and substance set out in Appendix-D2;
 - (c) a legal opinion from its legal advisors, in a form satisfactory to the Government, to the effect that the aforesaid guarantees have been duly signed and delivered on behalf of the guarantors with due authority and is legally valid and enforceable and binding upon them; and
- 26.2 The amount of the guarantee referred to in Article 26.1 (a) above shall be an amount equal to a Company's Participating Interest share and shall be thirty five percent (35%) of the total estimated annual expenditure in respect of the Work Programme to be undertaken by the Contractor in the Contract Area during each Year of a Phase up to Phase-II, and subject to Article 26.3.
- 26.3 The guarantee shall provide that :
- (a) the amount referred to in Article 26.2 shall be automatically adjusted at the end of each Year for an amount equal to a Company's participating share of thirty five percent (35%) of the total estimated expenditure in respect of the Work Programme to be undertaken for the following Year of the relevant Phase till Phase-II. The guarantee shall be renewed at the end of each Year positively thirty (30) days before the expiry of the guarantee period; and
 - (b) after the completion and due performance of the Minimum Work Programme of Phase-I or Phase-II, as the case may be, the guarantee will be released in favour of the Company on presentation of a certificate from the Government to the bank that the obligation of the Contractor has been fulfilled and the guarantee may be released, subject to Article 26.4. Such certificate shall be provided within thirty (30) days from the completion of the Minimum Work Programme and fulfilment of obligations under the Contract to the satisfaction of the Government.
- 26.4 If the Contractor elect(s) to proceed to the Phase-II, a subsequent bank guarantee for the succeeding Phase-II in terms of Articles 26.1(a) and 26.2 shall be delivered to the Government with the notice of such election and if such guarantee is not so delivered, the provisions of Article 26.5 shall apply.

- 26.5 If any of the documents referred to in Article 26.1 is not delivered within the period specified herein, this Contract may be cancelled by the Government upon ninety (90) days written notice of its intention to do so.
- 26.6 Notwithstanding any change in the composition or shareholding of the parent company furnishing the guarantees herein, it shall, under no circumstances, be absolved of its obligations contained in the guarantees provided pursuant to Article 26.1(b).

ARTICLE 27

TERM AND TERMINATION OF CONTRACT

- 27.1 The term of this Contract shall be for the period of the License and any Lease granted thereunder, unless the Contract is terminated earlier in accordance with its terms and shall be deemed to have been terminated, if for any reason, the Contractor cease(s) to hold such a License or Lease.
- 27.2 Subject to the provisions of Articles 5, 14, 27.6 and without prejudice to the provisions of Article 27.7 or any other provisions of this Contract, Contractor shall have the right to terminate this Contract:
- (a) with respect to any part of the Contract Area other than a Field/ Development Area then producing, or that prior thereto had produced CBM, upon giving ninety (90) days written notice of its intention to do so; and
 - (b) with respect to any Development Area in which CBM is being produced, or that prior thereto had produced CBM, upon giving at least one hundred and eighty (180) days written notice of its intention to do so.
 - (c) in accordance with the provisions of Article 4.6.
- 27.3 This Contract may, subject to the provisions herein below and Article 27, be terminated by the Government upon giving ninety (90) days written notice to the other Party(ies) of its intention to do so in the following circumstances, namely, that the Company or a Party comprising the Contractor (the “Defaulting Party”):
- (a) has knowingly submitted any false statement to the Government in any manner which was a material consideration in the award/execution of this Contract; or
 - (b) has intentionally and knowingly extracted or authorised the extraction of any mineral, other than CBM, not authorised to be extracted by this 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 modern CBM/oilfields and petroleum industry practices which, when so extracted, were immediately notified to the Government, the State Government(s); or
 - (c) is adjudged bankrupt by a competent court or enters into any agreement or scheme of composition with its creditors or takes advantage of any law for the benefit of debtors; 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/transferred any Participating Interest in the Contract without the prior consent of the Government as provided in Article 25; or

- (f) has failed to make any monetary payment required by law or under this Contract by the due date; or
- (g) has failed to comply with or has contravened the provisions of this Contract in a material particular; or
- (h) has failed to comply with any final determination or award made by a sole expert or arbitrators subject to Article 30; or
- (i) has failed to observe and comply with any of the terms and conditions of the Licence or Lease or the provisions of the Act or Rules in force thereunder, subject, however to Article 28; or
- (j) on notice of cancellation as provided in Article 26.5.

PROVIDED THAT

Where the Contractor comprises two or more Parties, the Government shall not exercise its rights of termination pursuant to Article 27.3, on the occurrence, in relation to one or more, but not all, of the Parties comprising the Contractor, of an event entitling the Government to terminate the Contract;

- (a) if any other Party or Parties constituting the Contractor, (the non-Defaulting Party or Parties) satisfies the Government that it, or they, is/are willing and would be able to carry out the obligations of the constituent of the Contractor (Defaulting Party);
- (b) where the non-Defaulting Party or Parties with the consent of the Government has/have acquired the Participating Interest of the Defaulting Party pursuant to the provisions of the Operating Agreement and has/have procured and delivered to the Government a guarantee or guarantees as referred to in Article 26.1 in respect of the Participating Interest of the Defaulting Party acquired by the non-Defaulting Party or Parties.

27.4 This Contract may also be terminated by the Government on giving the requisite notice specified above if the events specified in Article 27.3 (c) and (d) occur with respect to a company which has given a financial and performance guarantee pursuant to Article 26 subject however to Article 27.5.

27.5 If the circumstance or circumstances that give rise to the right of termination under Article 27.3 (f) or (g) or (i) are remedied (whether by the Defaulting Company or by any other Party or Parties in its behalf) within the ninety (90) days period or such extended period as may be granted by the Government, following the notice of the Government's intention to terminate the Contract as aforesaid, such termination shall not become effective.

27.6 On termination of this Contract, for any reason whatsoever, the rights and obligation 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.

27.7 In the event of termination pursuant to Articles 27.2, 27.3 & 27.4 :

- (a) the Government may require the Contractor, for a period not exceeding one hundred and eighty (180) days from the date of termination, to continue, for the account and at the cost of the Government, CBM production activities until the right to continue such production has been transferred to another entity;
- (b) a Foreign Company which is a constituent of the Contractor, shall be required to remove and export all its property subject to Article 24 and the provisions hereof provided that in the event that ownership of any property is in doubt, or disputed, such property shall not be exported unless and until the doubt or dispute has been settled in favour of the Foreign Company.

27.8 Within ninety (90) days after the termination of this Contract, pursuant to Articles 27.2, 27.3 & 27.4, or such longer period as the Government may agree, the Contractor shall comply with Article 14.9 and take any reasonable necessary action as directed by the Government to avoid Environmental Damage or hazards to human life or to the property of others.

ARTICLE 28

FORCE MAJEURE

- 28.1 Any non-performance or delay in performance by any Party hereto of any of its obligations under the 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 moneys 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.
- 28.2 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 foreseeable by, and not brought about at the instance of the Party claiming to be affected 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 phenomenon or calamities, earthquakes, typhoons, fires, wars declared or undeclared, hostilities, invasions, blockades, riots, strikes, insurrection and civil disturbances, but shall not include non-availability of funds.
- 28.3 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.
- 28.4 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.
- 28.5 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.

- 28.6 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 or this Contract, may be extended by such additional period as may be agreed between the Parties.
- 28.7 Notwithstanding anything contained hereinabove, if an event of Force Majeure occurs and is likely to continue for a period in excess of thirty (30) 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 29

APPLICABLE LAW AND LANGUAGE OF THE CONTRACT

- 29.1 This Contract shall be governed and interpreted in accordance with the laws of India.
- 29.2 Nothing in this Contract shall entitle the Contractor to exercise the rights, privileges and powers conferred upon it by this Contract in a manner which will contravene the laws of India.
- 29.3 The English language shall be the language of this Contract and shall be used in arbitral proceedings. All communications, hearing or visual materials or documents relating to this Contract shall be written or prepared in English.
- 29.4 The laws will include amendments or extension or re-enactment, etc.

ARTICLE 30

SOLE EXPERT, CONCILIATION AND ARBITRATION

- 30.1 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.
- 30.2 Matters which, by the terms of this Contract, the Parties have agreed to refer to a sole expert and any other matter which the Parties may agree to so refer, may be referred to a sole expert who shall be an independent and impartial person of international standing with relevant qualifications and experience, appointed by agreement between the Parties and who shall not, by virtue of nationality, personal connection or commercial interest, have a conflict between his/her own interest and his/her duty as a sole expert. In the event that the Parties fail or are unable to agree on a sole expert within thirty (30) days or such longer period as may be mutually agreed by Parties, the sole expert shall be appointed by a body or an institution or an agency or a person, mutually agreed by Parties. In case, there is no agreement on the body or an institution or an agency or a person for appointing sole expert or such institution or agency or body fails to appoint a sole expert within thirty (30) days or such longer period as may be mutually agreed by Parties, the matter shall be referred to arbitration. Any sole expert appointed shall be acting as an expert and not as an arbitrator and the decision of the sole expert on matters referred to him/her shall be final and binding on the Parties and shall not be subject to arbitration.
- 30.3 Subject to the provisions of this Contract, the Parties hereby agree that any controversy, difference, disagreement or claim for damages, compensation or otherwise (hereinafter in this Article referred to as a “dispute”) arising between the Parties, which cannot be settled amicably within ninety (90) days after the dispute arises, may, except for those referred to in Article 30.2, which may be referred to a sole expert, be submitted to conciliation or an arbitral tribunal for final decision as hereinafter provided.
- 30.4 The arbitral tribunal shall consist of three arbitrators. Each Party to the dispute shall appoint one arbitrator and the Party or Parties shall so advise the other Parties. The two arbitrators appointed by the Parties shall appoint the third arbitrator.
- 30.5 Any Party may, after appointing an arbitrator, request the other Party(ies) in writing to appoint the second arbitrator. If such other Party fails to appoint an arbitrator within thirty (30) days of receipt of the written request to do so, such arbitrator may, at the request of the first Party, be appointed in accordance with Arbitration and Conciliation Act, 1996.
- 30.6 If the two arbitrators appointed by or on behalf of the Parties fail to agree on the appointment of the third arbitrator within thirty (30) days of the appointment of the second arbitrator and if the Parties do not otherwise agree, at the request of either Party, the third arbitrator shall be appointed in accordance with Arbitration and Conciliation Act, 1996.
- 30.7 If any of the arbitrators fails or is unable to act, his successor shall be appointed by the Party

or person who originally appointed such arbitrator in the manner set out in this Article as if he was the first appointment.

- 30.8 The decision of the arbitral tribunal shall be pronounced within four (4) months unless otherwise extended by the Parties, and, in the case of difference among the arbitrators, the decision of the majority, shall be final and binding on the Parties.
- 30.9 The arbitration agreement contained in this Article 30 shall be governed by the Arbitration and Conciliation Act, 1996 (Arbitration Act). Arbitration proceedings shall be conducted in accordance with the rules for arbitration provided in Arbitration Act.
- 30.10 The right to arbitrate disputes under this Contract shall survive expiry or the termination of this Contract.
- 30.11 Prior to submitting a dispute to arbitration, the Parties may by mutual agreement submit the matter for conciliation in accordance with Part III of the Arbitration and Conciliation Act, 1996. No arbitration proceedings shall be instituted while conciliation proceedings are pending provided that a Party may initiate arbitration proceedings in the event that dispute has not been resolved by conciliation within sixty (60) days of the date of agreement by the Parties to submit such dispute to conciliation.
- 30.12 The venue of the sole expert, conciliation or arbitration proceedings pursuant to this Article, unless the Parties agree otherwise, shall be New Delhi, India and shall be conducted in the English language. Insofar as practicable, the Parties shall continue to implement the terms of this Contract notwithstanding the initiation of arbitral proceedings before a sole expert, conciliator or arbitral tribunal and any pending claim or dispute.
- 30.13 The fees and expenses of a sole expert or conciliator appointed by the Parties shall be borne equally by the Parties. The cost and expenses of arbitrator appointed by a Party in accordance with the provision of this Article shall be borne by the respective Party and the cost and expenses of third arbitrator and other incidental expenditure in relation to arbitration and liability thereof shall be at the discretion of the arbitrators.
- 30.14 Notwithstanding anything contrary contained herein above, in the event of dispute among the Government Company(ies) and with the Government, such disputes shall be settled in accordance with guidelines issued on the subject by the Government from time to time.

ARTICLE 31

CHANGE OF STATUS OF CONTRACTOR

- 31.1 Party(ies) comprising the Contractor shall notify the Government of any material change in its/their status, shareholding or relationship of that of any guarantor of that Company, in particular, where such change would have an impact on the performance of obligations under this Contract.

ARTICLE 32

ENTIRE AGREEMENT, AMENDMENTS, WAIVER AND MISCELLANEOUS

- 32.1 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 date of execution of this Contract.
- 32.2 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 the modification shall become effective.
- 32.3 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.
- 32.4 The provisions of this Contract shall inure to the benefit of and be binding upon the Parties and their permitted assigns and successors in interest.
- 32.5 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.
- 32.6 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.
- 32.7 Reference to any law or regulation having the force of law includes a reference to that law or regulation as from time to time may be amended, extended or re-enacted.
- 32.8 A reference in this Contract to the word “including” shall also mean “including but not limited to”.

ARTICLE 33

CERTIFICATES

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

ARTICLE 34

NOTICES

34.1 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 & Natural Gas,
Shastri Bhavan,
Dr. Rajendra Prasad Marg,
New Delhi-110001, INDIA.**

Fax No : 91-11-23383585

(b) _____
(Name of the XYZ Company with address)

Fax No. :

Telephone No. :

34.2 Notices when given in terms of Article 34.1 shall be effective when delivered, if offered at the address of the other Parties as under Article 34.1 during business hours on Business Days and, if received outside business hours, on the next following Business Day.

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

IN WITNESS WHEREOF, the representatives of the Parties to this Contract being duly authorised have hereunto set their hands and have executed these presents this ____ day ____ 200__.

Signed for and on
behalf of the
President of India

By _____

(Name)

In the presence of :

(Name)

Signed for and on behalf
of XYZ Company

By _____

(Name)

In the presence of :

(Name)

APPENDIX A

DESCRIPTION OF CONTRACT AREA

The area comprising approximately _____Sq. Kms., located in _____ Coalfield(s), in the State of _____, India, identified as Block _____ described herein and shown on the map attached as Appendix-B.

Longitude and latitude measurements commencing at point _____are _____and _____respectively.

APPENDIX B

MAP OF CONTRACT AREA

APPENDIX C

ACCOUNTING PROCEDURE TO THE CONTRACT

FOR EXPLORATION

AND PRODUCTION OF CBM

BETWEEN

THE GOVERNMENT OF INDIA

AND

WITH RESPECT TO CONTRACT AREA

IDENTIFIED AS BLOCK

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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 Company's(ies) production and income. More specifically the purpose of the Accounting Procedure is to :

- classify costs and expenditures;
- specify the manner in which the Company's(ies') accounts shall be prepared and approved; and
- address other accounting related matters.

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

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 provisions in the main body of the Contract, the provisions in the main body of the Contract shall prevail.

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

1.4.1 Within thirty (30) 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 Section 2 and shall be in accordance with generally accepted standards and recognised accounting systems and consistent with modern CBM/oilfields and petroleum industry practices and procedures for joint venture operations.

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

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

1.4.2 Notwithstanding the generality of the foregoing, the Contractor shall furnish to the Government regular Statements relating to the CBM Operations as follows:

- i) Production Statement (see Section 4 of this Accounting Procedure).
- ii) Value of Production and Pricing Statement (see Section 5 of this Accounting Procedure).
- iii) Statement of Costs, Expenditures and Receipts (see Section 6 of this Accounting Procedure).
- iv) Royalty and Production Level Payment Statement (see Section 7 of this Accounting Procedure).
- v) End of Year Statement (see Section 8 of this Accounting Procedure).
- vi) Local Procurement Statement (see Section 9 of Accounting Procedure).
- vii) Annual Budget Statement. (See Section 10 of Accounting Procedure).

1.4.3 All reports and Statements shall be prepared in accordance with the Contract and the laws of India and, where there are no relevant provisions in either of these, in accordance with modern CBM/oilfields and petroleum industry practices.

1.4.4 Each of the entities constituting the Contractor shall be responsible for maintaining its own accounting records in order to comply with all legal requirements and to support all returns or any other accounting reports required by any Government authority in relation to the CBM Operations. However, for the purpose of giving effect to this Accounting Procedure, the Contractor shall appoint, and notify the Government in writing thereof, one of the Parties constituting Contractor, who shall be responsible for maintaining, at its business office in India, on behalf of the Contractor, all the accounts of the CBM 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 Indian Rupees and United States Dollars, which shall be the controlling currency of accounts. Where necessary for clarification, the Contractor may also maintain accounts and records in other languages, currencies and units.

1.6 **Currency Exchange Rates**

1.6.1 For conversion purposes between United States Dollars and Indian Rupees or any other currency, the monthly average of the daily mean of the buying and selling rates of exchange as quoted by the Reserve Bank of India (or any other financial body as may be mutually

agreed by the Parties) for the Month in which the revenues, costs, expenditures, receipts or income are recorded shall be used. However, in the case of any single transaction in excess of the equivalent of fifty thousand (50,000) US Dollars, the conversion into US Dollars/ Indian Rupees shall be recorded on the basis of the average of the applicable exchange rates for the day on which the transaction occurred.

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

1.7 **Payments**

- 1.7.1 Subject to the foreign exchange laws and regulations prevailing from time to time, all payments between the Parties shall be made through a bank designated by each receiving Party.

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

- 1.7.3 Unless otherwise specified, or provided under laws or rules, including the Rules, all amounts due under this Contract by the Contractor to the Government during any month shall, for each day, such sums are overdue during such month, bear such interest compounded daily at the applicable LIBOR plus two (2) percentage points for any payment in US\$ and at the applicable Prime Lending Rate (PLR) plus two (2) percent for any payment due in Indian Rupees. Unless the Parties agree otherwise, the PLR for the relevant period shall be as adopted/declared by the State Bank of India.

1.8 **Arms Length Sales Transactions**

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

1.9 **Audit and Inspection rights of the Government**

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

- 1.9.2 The Government may undertake the conduct of the audit either through its own representatives or through a qualified firm of recognised Chartered Accountants, registered in India or a reputed consulting firm, appointed for the purpose by the Government and the cost of audit in case of Government auditor(s) shall be borne by the Government, whereas for outside auditor(s), this shall be borne by the Contractor as a General and Administrative Cost.
- 1.9.3 In conducting the audit, the Government or its auditors shall be entitled to examine and verify, at reasonable times, all charges and credits relating to Contractor's activities under the Contract and all books of account, accounting entries, material records and inventories, vouchers, payrolls, invoices and any other documents, correspondence and records considered necessary by the Government to audit and verify the charges and credits. The auditors shall also have the right, in connection with such audit, to visit and inspect, at reasonable times, all sites, plants, facilities, warehouses and offices of the Contractor directly or indirectly serving the CBM Operations, and to physically examine other property, facilities and stocks used in CBM Operations, wherever located and to question personnel associated with those operations. Where the Government requires verification of charges made by an Affiliate, the Government shall have the right to obtain an audit certificate from an internationally recognised firm of public accountants acceptable to both the Government and the Contractor, which may be the Contractor's statutory auditor.
- 1.9.4 Any audit exceptions shall be made by the Government in writing and notified to the Contractor within one hundred and twenty (120) days following completion of the audit in question.
- 1.9.5 The Contractor shall answer any notice of exception under Section 1.9.4 within one hundred and twenty (120) days of the receipt of such notice. Where the Contractor has, after the said one hundred and twenty (120) days, failed to answer a notice of exception, the exception shall prevail and deemed to have been agreed to by the Contractor.
- 1.9.6 All agreed adjustments resulting from an audit and all adjustments required by prevailing exceptions under Section 1.9.5 shall be promptly made in the Contractor's accounts and any consequential adjustments to the Government's entitlement to CBM shall be made within thirty (30) days therefrom.
- 1.9.7 Notwithstanding any reference to a Sole Expert or Arbitration in accordance with the provisions of the Contract, in case any amount is claimed as due to the Government resulting from the audit exception but not accepted or settled by the Contractor, then the Contractor shall deposit such claimed amount in a escrow account to be opened with a financial institution, failing mutually agreed agreement with State Bank of India within thirty (30) days from the date when the amount is disputed by the Contractor. The amount in escrow account along with any interest accumulated thereon shall be appropriated or adjusted in accordance with the decision or award of the Sole Expert or Arbitral Tribunal as may be or otherwise as mutually agreed to between the Parties.
- 1.10 **Revision of the Accounting Procedure**
- 1.10.1 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.

- 1.10.2 Following any Commercial Assessment in the Contract Area, the Parties shall meet in order to establish specific principles and procedures for identifying all costs, expenditures, receipts and income, on a Field/Development Area by Field/Development Area basis, it being understood that costs, expenditures, receipts and income which do not uniquely arise in respect of any one Field/Development Area shall be apportioned between Fields/Development Area 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 relating to CBM 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 Field in the event of more than one Commercial Assessment.

2.2 **Exploration Costs**

Exploration Costs are all direct and allocated indirect expenditures incurred in the search for CBM 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 analyses and studies and their interpretation.
- 2.2.2 Core hole drilling and 3/5 spot cluster drilling
- 2.2.3 Labour, materials, supplies and services used in drilling Wells with the object of finding CBM or in drilling during Pilot Assessment Phase provided that if such Wells are completed as producing Wells, the costs of completion thereof shall be classified as Development Costs.
- 2.2.4 Facilities used solely in support of the purposes described in Sections 2.2.1 , 2.2.2 and 2.2.3 above, including access roads, all separately identified.
- 2.2.5 Any Service Costs and General and Administrative Costs directly incurred on exploration activities and identifiable as such and a portion of the remaining Service Costs and General and Administrative Costs allocated to Exploration plus Pilot Assessment Operations including Market Confirmation 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 CBM 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 a Field/Development Area including expenditures incurred on account of:

- 2.3.1 Drilling Development Wells, whether these Wells are dry or producing and drilling Wells for dewatering or injection of water or Gas to enhance recovery of CBM.
- 2.3.2 Completing of Exploration Wells by way of installation of casing or equipment or otherwise for the purpose of bringing a Well into use as producing Well or as Well for dewatering or injection of Gas to enhance recovery of CBM.
- 2.3.3 Purchase, installation or construction of production, transport and storage facilities for production of CBM from a Field/Development Area such as pipelines, flow lines, production and treatment units, well head equipment, subsurface equipment, enhanced recovery systems, platforms, compressors and gathering stations and related facilities, access roads for production activities.
- 2.3.4 Engineering and design studies for facilities referred to in Section 2.3.3.
- 2.3.5 Any Service Costs and General and Administrative Costs directly incurred in Development Operations and identifiable as such and a portion of the remaining Service Costs and General and Administrative Costs allocated to development activities, determined by the proportionate share of total Contract costs (excluding General and Administrative Costs and Service Costs) represented by all other Development Costs.

2.4 **Production Costs**

Production Costs are expenditures incurred on Production Operations in respect of a Field/Development Area after the start of production from the Field/Development Area (which are other than Exploration and Development Costs). The balance of General and Administrative Costs and Service Costs not allocated to Exploration plus Pilot Assessment Costs including Market Confirmation or Development costs shall be allocated to Production costs.

2.5 **Service Costs**

Service Costs are direct and indirect expenditures incurred in support of CBM Operations in the Contract Area, including expenditures on warehouses, 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 CBM Operations hereunder shall be specified.

2.6 **General and Administrative Costs**

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

- 2.6.1 main office, field office and general administrative expenditures in India including supervisory, accounting and employee relations services;
- 2.6.2 an annual overhead charge for services rendered by the parent company or an Affiliate outside India to support and manage CBM Operations under the Contract, and for staff advice and assistance including financial, legal, accounting and employee relations services, but excluding any remuneration for services charged separately under this Accounting Procedure, provided that :-
 - (i) for the period from the Effective Date until the date on which the first Development Plan under the Contract is approved by the Government, this annual charge shall be the Contractor's verifiable expenditure up to 1% of the total Contract Costs but shall in no event be greater than one percent (1%) of the total Contract Costs incurred during the Year in or in connection with the Contract Area; and
 - (ii) from the date on which the first Development Plan is approved, the charge shall be at an amount or rate to be agreed on between the Parties and stated in the Development Plan.
- 2.6.3 All General and Administrative Costs shall be regularly allocated as specified in Sections 2.2.5, 2.3.5 and 2.4 to Exploration plus Pilot Assessment Costs including Market Confirmation, Development Costs and Production Costs respectively, and shall be separately shown under each of these cost categories.

SECTION 3

RECORDS AND INVENTORIES OF ASSETS

3.1 **Records**

- 3.1.1 The Contractor shall keep and maintain detailed records of property and assets in use for or in connection with CBM Operations under the Contract in exploration and production activities as per modern CBM/oilfields and petroleum industry practices. Such records shall include information on quantities, location and condition of such property and assets, and whether such property or assets are leased or owned.
- 3.1.2 The Contractor shall furnish particulars to the Government, by notice in writing as provided in the Contract, at six monthly intervals of all assets acquired by the Contractor to be used for or in connection with CBM Operations during the period immediately preceding the delivery of such notice.

3.2 **Inventories**

- 3.2.1 The Contractor shall :
- (a) not less than once every twelve (12) months with respect to movable assets; and
 - (b) not less than once every three (3) years with respect to immovable assets, take an inventory of the assets used for or in connection with CBM Operations in terms of the Contract and address and deliver such inventory to the Government together with a written statement of the principles upon which valuation of the assets mentioned in such inventory has been based.
- 3.2.2 The Contractor shall give the Government at least thirty (30) days notice in writing in the manner provided for in the Contract of its intention to take the inventory referred to in Section 3.2.1 and the Government shall have the right to be represented when such inventory is taken.
- 3.2.3 When an assignment of rights under the Contract takes place, a special inventory shall be taken by the Contractor at the request of the assignee provided that the cost of such inventory is borne by the assignee and paid to the Contractor.
- 3.2.4 In order to give effect to Article 24 of the Contract, the Contractor shall provide the Government with a comprehensive list of all relevant assets annually.

SECTION 4

PRODUCTION STATEMENT

- 4.1 From the date of first production of CBM from the Field/Development Area the Contractor shall submit a monthly Production Statement to Government showing the following information. This Statement shall also be furnished to the Government where production and / or sale of CBM has been approved during Phase I and Phase II pursuant to Article 10.9 of this Contract for the purposes of payment of Royalty to State Government(s) and Production Level Payments to Central Government.
 - 4.1.1 The quantity of CBM produced and saved.
 - 4.1.2 The quality, characteristics and composition of such CBM produced and saved.
 - 4.1.3 The quantities of CBM used for the purposes of carrying on drilling and production operations and pumping to field storage, as well as quantities re-injected.
 - 4.1.4 The quantities of CBM unavoidably lost.
 - 4.1.5 The quantities of CBM flared and vented.
 - 4.1.6 The number of days in the Month during which CBM was produced in each Field/ Development Area.
 - 4.1.7 The Contractor should report the average daily CBM production rate in MMSCMD for each Month.
- 4.2 All quantities shown in this Statement shall be expressed in volumetric terms (cubic meters of Gas) at mutually agreed standard temperature and pressure conditions.
- 4.3 The Government may direct in writing that the Contractor include other particulars relating to the production of CBM in its monthly Production Statement and the Contractor shall comply with such direction.
- 4.4 The Production Statement for each Month shall be submitted to Government not later than ten (10) days after the end of such Month.

SECTION 5

VALUE OF PRODUCTION AND PRICING STATEMENT

- 5.1 The Contractor shall, for the purposes of Article 18 of the Contract, prepare a Statement providing calculations of the value of CBM produced and saved during each Month. The Statement shall contain the following information :
 - 5.1.1 The quantities, prices and receipts realised therefor by the Contractor as a result of sales of CBM to third Parties (with any sales to Government being separately identified) made during the Month in question.
 - 5.1.2 The quantities, prices and receipts realised therefor by the Contractor as a result of sales of CBM made during the Month in question, other than to third Parties.
 - 5.1.3 The percentage volume of total sales of CBM made by the Contractor during the Month that are Arms Length Sales to third Parties.
- 5.2 The Statement required pursuant to Section 5.1 shall include a detailed breakdown of the calculation of the prices of CBM pursuant to the provisions of Article 18.
- 5.3 The Value of Production and Pricing Statement for each Month shall be submitted to Government not later than ten (10) days after the end of such Month.

SECTION 6

STATEMENT OF COSTS, EXPENDITURES AND RECEIPTS

- 6.1 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, Pilot Assessment including Market Confirmation 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 CBM and incidental income. If the Government is not satisfied with the degree of dis-aggregation within the categories, it shall be entitled to request a more detailed breakdown. The Statement shall show the following :
- 6.1.1 Actual costs, expenditures and receipts for the Quarter in question.
 - 6.1.2 Cumulative costs, expenditures and receipts for the Year in question.
 - 6.1.3 Latest forecast of cumulative costs, expenditures and receipts at the Year end.
 - 6.1.4 Variations between budget forecast as contained in the Development Plan and latest forecast and explanations thereof.
- 6.2 The Statement of Costs, Expenditures and Receipts of each Quarter shall be submitted to Government not later than twenty one (21) days after the end of such Quarter.

SECTION 7

ROYALTY AND PRODUCTION LEVEL PAYMENTS STATEMENT

- 7.1 The Contractor shall prepare, in relation to each Month, a Royalty and PLP Statement containing the following information.
 - 7.1.1 Quantity of CBM produced.
 - 7.1.2 Quantity of CBM sold.
 - 7.1.3 Net sales value of CBM sold during the Month.
 - 7.1.4 Transportation costs incurred for delivering for CBM at Delivery Point.
 - 7.1.5 Rate of Royalty
 - a) Royalty due to the State Government(s)
 - b) Royalty paid to the State Government(s)
 - 7.1.6 Rate and calculations of Production Level Payments
 - a) Production Level Payments (PLP) due to Central Government
 - b) Production Level Payments (PLP) paid to Central Government.
- 7.2 The Royalty and PLP Statements for each month as prepared above, shall be submitted to Government by the end of the succeeding Month.

SECTION 8

END OF YEAR STATEMENT

- 8.1 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 and Royalty and Production Level Payments Statements but shall be based on actual quantities of CBM 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.
- 8.2 The End of Year Statement for each Year shall be submitted to Government within sixty (60) days of the end of such Year.

SECTION 9

LOCAL PROCUREMENT STATEMENT

- 9.1 In furtherance to the obligations pursuant to Article 20 of the Contract for the Contractor to give preference to the procurement of Indian goods and services, the Contractor shall prepare in respect of each Year a local procurement statement, containing the following information :
- (a) The amount of expenditure incurred by the Contractor directly, or indirectly through its Subcontractor, on goods supplied, produced or manufactured in India.
 - (b) the amount of expenditure incurred by the Contractor directly, or indirectly through its Subcontractor(s), on services provided by Indian entities.
 - (c) the respective percentages that the expenditures recorded under items (a) and (b) above represent the Company's(ies') total expenditures;
 - (d) a detailed description of the procedures adopted during the Year to identify and purchase goods and services from Indian suppliers; and
 - (e) a detailed exposition of how the local purchases for the Year as recorded under items (a) and (b) above compared with the projected purchases included in the Budget Statement for that Year with explanations for any significant variations;
- 9.2 The local procurement statement shall be submitted to the Government within sixty (60) days after the end of each Year.

SECTION 10

ANNUAL BUDGET STATEMENT

- 10.1 The Contractor shall prepare a Budget Statement for each Year based on the then currently Approved Work Programme. This Statement shall distinguish between budgeted Exploration Costs, Pilot Assessment including Market Surveys and Commitments Costs, Development Costs and Production Costs and shall show the following:
 - 10.1.1 Forecast costs, expenditures and receipts for the Year in question.
 - 10.1.2 A schedule showing the most important individual items of total costs, expenditures and receipts for the said Year.
 - 10.1.3 Estimated amounts to be spent in the Year on procuring goods and services in India.
- 10.2 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-D1

**FORM OF PARENT COMPANY FINANCIAL
AND PERFORMANCE GUARANTEE**

(to be furnished pursuant to Article 26.1 (b) of the Contract)

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

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

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

NOW, THEREFORE this Deed hereby provides as follows:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Government that it will make available, or cause to be made available, to XYZ Company or any other directly or indirectly owned Affiliate of XYZ Company to which any part or all of XYZ Company's rights or interest under the Contract may subsequently be assigned ('Affiliate Assignee'), financial, technical and other resources required to ensure that XYZ Company or any Affiliate Assignee can carry out its obligations as set forth in the Contract.
2. The Guarantor further unconditionally and irrevocably guarantees to the Government the due and punctual compliance by XYZ Company or any Affiliate Assignee, of any obligations of XYZ Company or any Affiliate Assignee under the Contract.
3. The Guarantor hereby undertakes to the Government that if XYZ Company, or any Affiliate Assignee, shall, in any respect, fail to perform its obligations under the Contract or commit any breach of such obligations, then the Guarantor shall fulfil or cause to be fulfilled the said obligations in place of XYZ Company or any Affiliate Assignee, and will indemnify the Government against all losses, damages, costs, expenses or otherwise which may result directly from such failure to perform or breach on the part of XYZ Company.

4. This guarantee shall take effect from the Effective Date and shall remain in full force and effect for the duration of the said Contract and thereafter until no sum remains payable by XYZ Company, or its Affiliate Assignee, under the Contract or as a result of any decision or award made by any expert or arbitral tribunal thereunder.
5. This guarantee shall not be affected by any change in the articles of association and bye-laws of XYZ Company or the Guarantor or in any instrument establishing the Company or Guarantor.
6. The liabilities of the Guarantor shall not be discharged or affected by (a) any time indulgence, waiver or consent given to XYZ Company; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which XYZ Company has agreed; (c) the enforcement or waiver of any terms of the Contract or of any security, other guarantee or indemnity; or (d) the dissolution, amalgamation, reconstruction or reorganisation of XYZ Company.
7. This guarantee shall be governed by and construed in accordance with the laws of India.

IN WITNESS WHEREOF the Guarantor, through its duly authorised representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the _____ day of _____ 200_.

APPENDIX-D2

FORM OF FINANCIAL AND PERFORMANCE GUARANTEE

(to be furnished pursuant to Article 26.1 (b) of the Contract)

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

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

NOW, THEREFORE this Deed hereby provides as follows:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Government that it will make available, or cause to be made available, financial, technical and other resources required to ensure that XYZ Company can carry out its obligations as set forth in the Contract.
2. The Guarantor further unconditionally and irrevocably guarantees to the Government the due and punctual compliance by it of any obligations under the Contract.
3. The Guarantor hereby undertakes to the Government that it shall fulfill or cause to be fulfilled all its obligations under the Contract, and if it fails to perform its obligations under the Contract or commits any breach of such obligations, then it shall indemnify the Government against all losses, damages, costs, expenses or otherwise which may result directly from such failure to perform or breach on its part.
4. This guarantee shall take effect from the Effective Date and shall remain in full force and effect for the duration of the said Contract and thereafter until no sum remains payable by XYZ Company, under the Contract or as a result of any decision or award made by any expert or arbitral tribunal thereunder.
5. This guarantee shall not be affected by any change in the articles of association and by-laws of XYZ Company or in any instrument establishing the Company.

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

IN WITNESS WHEREOF the Guarantor, through its duly authorised representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the _____ day of _____ 200__.

APPENDIX E

PROCEDURE FOR ACQUISITION OF GOODS AND SERVICES

I OBJECTIVES

The objectives of these procedures are to :

- (a) ensure that the goods and services acquired by the Operator for carrying out the CBM Operations are acquired at the optimum cost taking into consideration all relevant factors including price, quality, delivery time and the reliability of potential suppliers;
- (b) ensure that goods and services are delivered in a timely manner taking into consideration the consequences of delays in the acquisition of these goods and services on the project as a whole; and
- (c) ensure that the provisions of Article 20 of the Contract are implemented;

II PRINCIPLES

The principles upon which these procedures are based are

- (a) The Parties must be satisfied that the Operator is working to an agreed procedure for acquiring goods and services which is auditable and in accordance with the provisions of the Contract;
- (b) The Operator must have the ability to acquire goods and services expeditiously so that the project schedules in respect of Approved Work Programmes are maintained.

III PROCEDURES

The procedures to be adopted by the Operator for the acquisition of goods and services shall be as follows :-

	Procedure A	Procedure B	Procedure C
Applicable to Exploration, Pilot Assessment, Market Surveys and Commitments, Development and Production Operations (Phase I to Phase IV)	US\$ 50,000 to less than US\$ 100,000	US\$ 100,000 to less than US\$ 300,000	Equal to or more than US\$ 300,000

For Contracts valued at less than US\$ 50,000

The Operator will be at liberty to determine the preferred method of acquiring goods and services valued at less than US\$ 50,000 with the understanding that at least three (3) quotations from selected suppliers (including at least one (1) Indian supplier) will be obtained. For items valued at greater than US\$ 20,000, Operator is required to report to the Operating Committee if the quote accepted exceed the lowest quote by more than 20 per cent. Operator will promptly report to the Operating Committee the Operator's reasons for not selecting the lowest quote.

Procedure A :

Operator shall :

- (1) Provide the constituent of Contractor with a list of all the entities approved by the Operating Committee as per Appendix E (V) for the applicable category of the contract along with other entities, if any, from whom the Operator proposes to invite tender;
- (2) Add to such list the entities whom other Parties requests for adding within five (5) Business Days on receipt of such lists;
- (3) If and when any Party so requests, Operator shall evaluate any entity listed in (1) and (2) above to ensure that entity is qualified as based on the qualification criteria agreed in accordance with Appendix E (IV) to perform under the contract;
- (4) Complete the tendering process within a reasonable period of time;
- (5) Circulate to all constituent of Contractor a comparative bid analysis stating Operator's choice of the entity for award of contract. Provide also reasons for such choice in case entity chosen is not the lowest bidder;
- (6) Inform all the constituent of Contractor of the entities to whom the contract has been awarded; and
- (7) Upon the request of a Company, provide such Company with a copy of the final version of the contract awarded.

Procedure B :

- (1) Provide the Party with a list of all the entities approved by the Operating Committee as per Appendix E (V) for the applicable category of the contract, along with other entities, if any, from whom the Operator proposes to invite tender;
- (2) Add to such list the entities whom a Party requests for adding within five (5) Business Days on receipt of such list;

- (3) If and when any Party so requests, Operator shall evaluate any entity listed in (1) and (2) above to assure that entity is qualified as based on the qualification criteria agreed in accordance with Appendix E (IV), to perform under the contract;
- (4) Complete the tendering procedure within a reasonable period of time;
- (5) Circulate to all constituent of Contractor a comparative bid analysis stating Operator's choice of the entity for award of contract. Provide also reasons for such choice in case of entity chosen is not the lowest bidder. If the bid selected is not the lowest bid, obtain prior approval of the Operating Committee for award of contract;
- (6) Award the contract accordingly and inform all the members of Steering Committee of the entities to whom the contract has been awarded; and
- (7) Upon the request of a Party, provide such Company with a copy of the final version of the contract awarded.

Procedure C :

Operator shall :-

- (1) Publish invitations for parties to pre-qualify for the proposed contract in at least three (3) daily national Indian newspaper. Provide to Non-operating Companies, a list of responding parties and an analysis of their qualifications for the contract being contemplated to be awarded. Include those who qualify, as per the prequalification criteria approved as per Appendix E (IV) in the list of entities from whom Operator proposes to invite tender for the said contract;
- (2) Provide the members of Steering Committee with a total list of all the entities selected as (1) and all the entities approved by the Operating Committee as per Appendix E (V) for the applicable category of the contract, along with other entities, if any, from whom the Operator proposes to invite tender;
- (3) Add to such entities whom a Party requests for adding within five (5) Business Days on receipt of such list;
- (4) If and when any Party so requests, Operator shall evaluate any entity listed in (2) and (3) above to assure that entity is qualified as based on the qualification criteria agreed in accordance with Appendix E (IV) to perform under the contract;
- (5) Prepare and despatch the tender documents to the entities as finally listed and to Non-operators;
- (6) After the expiration of the period allowed for tendering, consider and analyse the details of all bids received;

- (7) Prepare and circulate to the constituents of Contractor a comparative bid analysis stating Operator's recommendation as to the entity to whom the Contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;
- (8) Obtaining the approval of the Operating Committee to the recommended bid. However, failing Operating Committee approval, any Company may refer the issue to the Steering Committee for decision; and
- (9) Award the contract accordingly and upon the request of a Company, provide such Company with a copy of the final version of the contract.

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

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

Operator shall :

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

APPENDIX F

**PERFORMA OF BANK GUARANTEE TO BE PROVIDED
PURSUANT TO ARTICLE 26**

1. In consideration of Government of India (hereinafter referred to as “Government”) having entered into a Contract for the Block dated (hereinafter called “Contract”, which expression shall include all the amendments agreed to between the Government and Contractor, thereto) with having its Registered Office at (hereinafter referred to as, which expression unless repugnant to the context or meaning thereof include all its successors, administrators, executors and assigns), which is a constituent of Company, and the Government have agreed that the Company shall furnish to Government a bank guarantee (**hereinafter referred to as Guarantee**) towards its obligations as provided in the Contract for US\$ (for Foreign Companies)/US\$ equivalent in Indian Rupees (for Indian Companies) for the performance of its obligations under the Contract.

2. We (name of the Bank) registered under the Law of and having its Registered Office at (hereinafter referred to as “the Bank”, which expression shall unless repugnant to the context or meaning thereof includes all its successors, administrators, executors and assigns) do hereby Guarantee and undertake to pay immediately on the first demand in writing and any all money(s) to the extent of Indian Rupee/US\$ (in figures) and (Indian Rupees/US\$ in words) without any demur, reservation, contest or protest and/or without any reference to the Company. Any such demand made by Government on the Bank by serving a written notice shall be conclusive and binding, without any proof, on the Bank as regards the amount due and payable, notwithstanding any dispute(s) pending before any Court, Tribunal, Arbitrator, Sole Expert, Conciliator or any other authority and/or any other matter or thing whatsoever, as liability under these presents being absolute and unequivocal. We agree that the Guarantee herein contained shall be irrevocable and shall continue to be enforceable until it is discharged by Government in writing. This Guarantee shall not be determined, discharged or affected by the liquidation, winding up, dissolution or insolvency of the Contractor and shall remain valid, binding and operative against the Bank.

3. The Bank also agree that Government at its option shall be entitled to enforce this Guarantee against the Bank as a principal debtor, in the first instance, without proceeding against the Company and notwithstanding any security or other Guarantee that Government may have in relation to the Company's liabilities.
4. The Bank further agree that Government shall have fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said Company or to extend time of performance by the said Company from time to time or to postpone for any time or from time to time exercise of any of the powers vested in Government against the said Company and to forebear or enforce any of the terms and conditions relating to the said agreement and we shall not be relieved from our liability by reason of any such variation, or extension being granted to the said Company or for any forbearance, act or omission on the part of Government or any indulgence by Government to the said Company or any such matter or thing whatsoever which under the law relating to sureties would, but for this provision, have effect of so relieving us.
5. The Bank further agree that the Guarantee herein contained shall remain in full force during the period that is taken for the performance of the Contract and all dues of Government under or by virtue of this Contract have been fully paid and its claim satisfied or discharged or till Government discharges this Guarantee in writing, whichever is earlier.
6. This Guarantee shall not be discharged by any change in our constitution, in the constitution of Company or that of the Contractor.
7. The Bank confirm that this Guarantee has been issued with observance of appropriate laws of the country of issue.
8. The Bank also agree that this Guarantee shall be governed and construed in accordance with Indian Laws and subject to the exclusive jurisdiction of Indian courts at Delhi, India.

9. Notwithstanding anything contained hereinabove, our liabilities under this Guarantee are limited to Indian Rupee/US\$ (in figure) Indian Rupee/US\$ (in words) and our Guarantee shall remain in force up to and including sixty (60) days after the expiry date/extended date. Any claim under this Guarantee must be received before the expiry of sixty (60) days or before the expiry of 60 days from the extended date, if any. If no such claim has been received by us within sixty (60) days after the said date/extended date the Government's right under this will cease. However, if such a claim has been received by us within and up to sixty (60) days after the said date/extended date, all the Government's rights under this Guarantee shall be valid and shall not cease until we have satisfied that claim.

In witness whereof, the Bank through its authorised officers has set its hand and stamp on this day of 200..... at

The seal of was hereto duly affixed by this day of 200..... in accordance with its bye-laws and this Guarantee was duly signed by and as required by the said bye-laws.

.....
Secretary

.....
President & Director

Witness :

APPENDIX G

ILLUSTRATION ON PRODUCTION LEVEL PAYMENTS (PLP)

Assuming that Contractor has offered 30% Production Level Payment (PLP) at the lowest tranche (i.e. upto 0.500 MMSCMD) and 80% PLP at the highest tranche (i.e. 2.000 MMSCMD or above) to the Government and monthly average of daily production is 1.500 MMSCMD.

Then the Government's share "Z" shall be calculated as below:

Formula:

$$Z = X + [(Y-X)*(b-0.5)/1.5]$$

If,

$$X = 30\%, Y = 80\%, \text{ and } b = 1.5 \text{ MMSCMD}$$

then,

$$Z = 30 + [(80-30)*(1.5-0.5)/1.5]$$

$$Z = 63.33\%$$

