

DRAFT

MODEL REVENUE SHARING CONTRACT
(MRSC)

BETWEEN

THE GOVERNMENT OF INDIA

AND

XYZ

WITH RESPECT TO CONTRACT AREA

IDENTIFIED AS

BLOCK: _____

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MODEL REVENUE SHARING CONTRACT

FOR OFFSHORE AREAS

This Contract made on this _____ day of _____ between:

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

AND

XYZ, a company incorporated under the laws of _____ (hereinafter referred to as “XYZ” or “Contractor”) having its registered office at _____ which expression shall include its successors and such assigns as are permitted under Article 26 hereof, of the SECOND PART;

WITNESSETH:

WHEREAS

- (1) By virtue of Article 297 of The Constitution of India, Petroleum in its natural state in the territorial waters, exclusive economic zone, and the continental shelf of India is vested in the Union of India;
- (2) The Oilfields (Regulation and Development) Act, 1948 (53 of 1948) (hereinafter referred to as “the Act”) and the Petroleum and Natural Gas Rules, 1959, made thereunder (hereinafter referred to as “the Rules”) make provisions, inter alia, for the regulation of Petroleum Operations and grant of Licenses and Leases for exploration, development and production of Petroleum in India;
- (3) The Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976) provides for the grant of a license by the Government to explore and exploit the resources of the continental shelf and exclusive economic zone and any Petroleum Operation under this Contract shall be carried out under a license granted by the Central Government;
- (4) The above Acts and Rules provide for the grant of License and Lease in respect of any land or mineral underlying the ocean, within the territorial waters, the continental shelf and exclusive economic zone of India by the Central Government;
- (5) Rule 5 of the Rules provides for an agreement between the Government and the Licensee or Lessee containing additional terms and conditions with respect to the License or Lease.
- (6) The Government desires that all types of Petroleum resources which may exist in the territorial waters (ultra-deep, deep or shallow water), exclusive economic zone, the continental shelf of India, be discovered and exploited in accordance with Good International Petroleum Industry Practices (GIPIP) with utmost expedition in the overall interests of India;

- (7) The Government has formulated and approved a new exploration and licensing policy named 'Hydrocarbon Exploration and Licensing Policy' ("**HELP**") vide Resolution dated 30.03.2016, whereby it has been determined to provide a uniform license to enable E&P operators to explore and extract all hydrocarbon resources including conventional and unconventional oil and gas resources including CBM, Shale Gas/Oil, Tight Gas, Gas Hydrates and any other resource to be identified in future which fall within the definition of 'Petroleum' and "Natural Gas" under PNG Rules, 1959;
- (8) The Government , pursuant to HELP, invited companies to submit competitive bids to obtain the right to undertake exploration, discovery and commercial production of Petroleum resources within India, which would also be governed by applicable laws and the policies governing Petroleum Operations within India formulated by the Government;
- (9) XYZ [Name of Company(ies)] has / have committed that it has / they have, or will acquire and make available, the necessary financial and technical resources and the technical and industrial competence and experience necessary for proper discharge and / or performance of all obligations required to be performed under this Contract in accordance with Good International Petroleum Industry Practices (GIPIP) and will provide guarantees as required in Article 27 for the due performance of its obligations hereunder; and
- (10) As a result of discussions between representatives of the Government and XYZ on the bid submitted by XYZ, the Government has agreed to enter into this Contract with XYZ with respect to the Contract Area identified as Block _____ and detailed in Appendix A and Appendix B (hereinafter referred to as "the Block") on the terms and conditions herein set forth.

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

FOR ONLAND AREAS

This Contract made on this _____ day of _____ between:

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

AND

XYZ, a company incorporated under the laws of _____ (hereinafter referred to as “XYZ” or “Contractor”) having its registered office at _____ which expression shall include its successors and such assigns as are permitted under Article 26 hereof, of the SECOND PART;

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, made thereunder (hereinafter referred to as “the Rules”) make provisions, inter alia, for the regulation of Petroleum Operations and grant of Licenses and Leases for exploration, development and production of Petroleum in India.
- (2) The Rules provide for the grant of Licenses and Leases in respect of land vested in a State Government by that State Government with the previous approval of the Central Government.
- (3) Rule 5 of the Rules provides for an agreement between the Government and the Licensee or Lessee containing additional terms and conditions with respect to the License or Lease.
- (4) The Government desires that all types of Petroleum resources which may exist in India, whether within territorial waters (ultra-deep, deep or shallow water), exclusive economic zone, the continental shelf of India, or onland, be discovered and exploited in accordance Good International Petroleum Industry Practices (GIPIP) with utmost expedition in the overall interests of India;
- (5) The Government has formulated and approved a new exploration and licensing policy named ‘Hydrocarbon Exploration and Licensing Policy’ (“HELP”) vide Resolution dated 30.03.2016, whereby it has been determined to provide a uniform license to enable E&P operators to explore and extract all hydrocarbon resources including conventional and unconventional oil and gas resources including CBM, Shale Gas/Oil, Tight Gas, Gas Hydrates and any other resource to be identified in future which fall within the definition of ‘Petroleum’ and “Natural Gas” under PNG Rules, 1959;

- (6) The Government , pursuant to HELP, invited companies to submit competitive bids to obtain the right to undertake exploration, discovery and commercial production of Petroleum resources within India, which would also be governed by applicable laws and the policies governing Petroleum Operations within India formulated by the Government;

- (7) XYZ has / have committed that it has / they have, or will acquire and make available, the necessary financial and technical resources and the technical and industrial competence and experience necessary for proper discharge and / or performance of all obligations required to be performed under this Contract in accordance with Good International Petroleum Industry Practices (GIPIP) and will provide guarantees as required in Article 27 for the due performance of its obligations hereunder; and

- (8) As a result of discussions between representatives of the Government and XYZ on the bid submitted by XYZ, the Government has agreed to enter into this Contract with XYZ with respect to the Contract Area identified as Block _____ and detailed in Appendix A and Appendix B (hereinafter referred to as “the Block”) on the terms and conditions herein set forth.

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

ARTICLE 1
DEFINITIONS

- 1.1. In this Contract, unless the context requires otherwise, the following terms shall have the meaning ascribed to them hereunder:
- 1.1.1. “Act” means Oilfields (Regulation and Development) Act, 1948 as amended from time to time.
- 1.1.2. “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.
- 1.1.3. “Appendix” means an Appendix attached to this Contract and made a part thereof.
- 1.1.4. “Appraisal” means an activity to establish commerciality of a Discovery which may include acquisition, processing and interpretation of G&G data, drilling of Appraisal Wells, extended well testing or any stimulation activity.
- 1.1.5. “Appraisal Programme” means a programme, as formulated in accordance with Article 10 and carried out, following a Discovery in the Contract Area for the purpose of Appraisal of the Discovery and delineating the Reservoirs to which the Discovery relates in terms of thickness and lateral extent and determining the characteristics thereof and the quantity of recoverable Petroleum therein.
- 1.1.6. “Appraisal Well” means a Well drilled pursuant to an Appraisal Programme.
- 1.1.7. “Arm’s Length Sales” means sales made freely in the open market, in freely convertible currencies, between willing and unrelated sellers and buyers and in which such buyers and sellers have no contractual or other relationship, directly or indirectly, or any common or joint interest as is reasonably likely to influence selling prices and shall, inter alia, exclude sales (whether direct or indirect, through brokers or otherwise) involving Affiliates, sales between Companies which are Parties to this Contract, sales between governments and government-owned entities, counter trades, restricted or distress sales, sales involving barter arrangements and generally any transactions motivated in whole or in part by considerations other than normal commercial practices.

- 1.1.8. "Article" means an article of this Contract and the term "Articles" means more than one Article.
- 1.1.9. "Associated Natural Gas" or "ANG" means Natural Gas produced in association with Crude Oil either as free gas or in solution, if such Crude Oil can by itself be commercially produced.
- 1.1.10. "Barrel" means a quantity or unit equal to 158.9074 litres (forty two (42) United States gallons) liquid measure, at a temperature of sixty (60) degrees Fahrenheit (15.56 degrees Celsius) and under one atmosphere pressure (14.70 psia).
- 1.1.11. "Basement" means any igneous or metamorphic rock, or rocks or any stratum of such nature, in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Petroleum in commercial quantities and which reflects the maximum depth at which any such accumulation can be reasonably expected in accordance with the knowledge generally accepted in the international petroleum industry.
- 1.1.12. "Bid" means the complete bid submitted in relation to the Block by the Contractor pursuant to the NIO that inter alia comprised of the financial proposal on Revenue Share that has been accepted by the Government and pursuant to which this Contract is being entered into.
- 1.1.13. "Block" shall have the meaning given to the term in Recital 10 of this Contract.
- 1.1.14. "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.
- 1.1.15. "Business Day" means any of the Calendar Days, which is not a holiday.
- 1.1.16. "Calendar Day" means any of the seven (7) days of a week.
- 1.1.17. "Month" or "Calendar Month" means any of the twelve (12) months of the Calendar Year.
- 1.1.18. "Calendar Year" means a period of twelve (12) consecutive Months according to the Gregorian calendar, commencing with the first (1st) day of January and ending with the thirty-first (31st) day of December.
- 1.1.19. "Coal Bed Methane (CBM)" means Natural Gas (mainly Methane) contained in coal or bituminous lignite beds under Reservoir condition and extracted therefrom during Petroleum Operations.
- 1.1.20. "Commercial Production" means production of Petroleum from the Contract Area (excluding production for testing purposes) and delivery of the same at the relevant Delivery Point under

a programme of regular production and sale.

- 1.1.21. “Committed Work Programme” means the Work Programme specified by the Contractor in its Bid that is reproduced in Article 5
- 1.1.22. “Company” for the purpose of this Contract means a company which is a Party to this Contract and, where more than one Company is Party to the Contract, the term “Companies” shall mean all such Companies collectively, including their respective successors and permitted assigns under Article 26.
- 1.1.23. “Subsequent Work Programme” means the Work Programme specified by the Central Government in NIO which has to be compulsorily undertaken for Subsequent Exploration Phase that are reproduced in Article 5
- 1.1.24. “Condensate” means those low vapour pressure hydrocarbons with API gravity between 50° API and 120° API, that are obtained from Natural Gas through condensation or extraction and refers solely to those hydrocarbons that are liquid at normal surface temperature and pressure conditions; provided that in the event Condensate is produced from a Development Area and is segregated at the Delivery Point or transported to the Delivery Point after segregation, then the provisions of this Contract shall apply to such Condensate as if it were Crude Oil.
- 1.1.25. “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.
- 1.1.26. “Contract Area” means, on the Effective Date, the area described in Appendix A and delineated on the map attached as Appendix B or any portion of the said area remaining after relinquishment or surrender from time to time pursuant to the terms of this Contract (including any additional area as provided under Article 11.1.4).
- 1.1.27. “Contract Year” means a period of twelve (12) consecutive months counted from the Effective Date or from the anniversary of the Effective Date.
- 1.1.28. “Contractor” means the Company (ies).
- 1.1.29. “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 sample.
- 1.1.30. “Crude Oil” or “Oil” or “Crude” means all kinds of hydrocarbons and bitumen, both in solid and in liquid form, in their natural state or obtained from Natural Gas by condensation or extraction, including distillate and Condensate when commingled with the heavier

hydrocarbons and delivered as a blend at the Delivery Point but excluding Natural Gas.

- 1.1.31. “Deepwater Area” (for Deepwater blocks/areas) means area falling beyond four hundred (400) metre isobath till fifteen hundred (1500) metre isobath, provided, however, that for the purposes of this Contract, the Contract Area as on Effective Date, as described in the Appendix A and Appendix B shall be deemed to be Deepwater Area falling beyond four hundred (400) metre isobath till fifteen hundred (1500) metre isobath.
- 1.1.32. “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 Petroleum reaches the outlet flange of the delivery facility, either offshore or onshore and different Delivery Point(s) may be established for purposes of sales.
- 1.1.33. “Development Area” means part of the Contract Area which encompasses one or more existing and/or new Discovery (ies), as per the Field development plan that has been finalized pursuant to TAR associated therewith being approved by the management committee and any additional area that may be required for proper development of such Discovery (ies) .Such an area would be contiguous and established as such in accordance with the provisions of the Contract.
- 1.1.34. “Development Phase” means the period identified in Article 10.10 during which Development Operations shall be carried out by the Contractor.
- 1.1.35. “Development Operations” means operations conducted in accordance with the Field Development Plan and shall include, but not be limited to the procurement, shipment or storage of equipment and materials used in developing Petroleum accumulations, the drilling, completion and testing of Development Wells for production, the drilling and completion of Wells for injection, dewatering, the laying of gathering lines, the installation of offshore platforms and installations, the installation of separators, tankages, pumps, artificial lift, gas storage facility and other producing and injection facilities required to produce, process and transport Petroleum into main Oil storage or Gas processing facilities or gas storage facilities, either onshore or offshore, including the laying of pipelines within or outside the Contract Area, storage at Delivery Point(s), the installation of said storage or Gas processing facilities or gas storage facilities, the installation of export and loading facilities and other facilities required for the development and production of the said Petroleum accumulations and for the delivery of Crude Oil and/ or Gas at the Delivery Point and also including incidental operations not specifically referred to herein but required for the most efficient and economic development and production of the said Petroleum accumulations in accordance with Good International Petroleum Industry Practices (GIPIP).
- 1.1.36. “Development Well” means a Well drilled, deepened or completed after the date that the Field Development Plan has been finalized pursuant to the TAR associated therewith being

approved by the Management Committee, for the purposes of producing Petroleum, increasing production, sustaining production or accelerating extraction of Petroleum including production Wells, injection Wells and dry Wells.

- 1.1.37. “DGH” or “Directorate General of Hydrocarbons” shall mean the organisation known as Directorate General of Hydrocarbons, presently under the administrative control of Ministry of Petroleum and Natural Gas, Government of India, and shall include any successor authority thereof.
- 1.1.38. “Discovery” means the finding, during Petroleum Operations, of a deposit or several deposits of Petroleum in the same well not previously known to have existed, which can be demonstrated as recoverable at the surface, by testing methods which are in adherence to Good International Petroleum Industry Practices (GIPIP). Discoveries within the same pool shall not be treated as separate discoveries.
- 1.1.39. “Discovery Area” means that part of the Contract Area which the Contractor determines and identifies to be the “Discovery Area” about which, based upon Discovery and the results obtained from a Well or Wells drilled or any other geological and geophysical studies, the Contractor is of the opinion that Petroleum exists and is likely to be produced in commercial quantities and which is identified as the “Discovery Area” in the Appraisal Programme pursuant to Article 4 and Article 10 of this Contract.
- 1.1.40. “Effective Date” means the later of the date 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 Central Government or State Government(s) or submission of bank guarantee as the case may be.
- 1.1.41. “Environmental Damage” means soil erosion, removal of vegetation, destruction of wildlife, pollution of groundwater or surface water, land contamination, air pollution, noise pollution, bush fire, disruption to water supplies to natural drainage or natural flow of rivers or streams, damage to archaeological, palaeontological and cultural sites and shall include any damage or injury to, or destruction of, soil or water in their physical aspects together with vegetation associated therewith, aquatic or terrestrial mammals, fish, avifauna or any plant or animal life whether in the sea or in any other water or on, in or under land.
- 1.1.42. “Excess ANG” shall have the meaning set forth in Article 10.5.
- 1.1.43. “Exploration Operations” means operations conducted in the Contract Area pursuant to this Contract in searching for Petroleum and in the course of an Appraisal Programme and shall include but not be limited to aerial, geological, geophysical, geochemical, palaeontological, palynological, topographical and seismic surveys, analysis, studies and their interpretation, investigations relating to the subsurface geology including drilling of Exploration Wells and Appraisal Wells, testing and other related activities such as surveying, drill site preparation

and all work necessarily connected therewith that is conducted in connection with Petroleum exploration.

- 1.1.44. "Initial Exploration phase" shall mean the Exploration Period determined under Article 3.2 of this Contract.
- 1.1.45. "Subsequent Exploration phase" shall mean the Exploration Period determined under Article 3.2 of this Contract.
- 1.1.46. "Exploration Period" means the period mentioned in Article 3 during which Exploration Operations may be carried out by the Contractor as provided in Article 3 hereof and includes the period covered by Initial Exploration Phase and Subsequent Exploration Phase.
- 1.1.47. "Exploration Well" means a Well drilled for the purpose of searching for undiscovered Petroleum accumulations on any geological entity (be it of structural, stratigraphic, facies or pressure nature) to at least a depth or stratigraphic level specified in the Work Programme.
- 1.1.48. "Field" means an Oil Field or a Gas Field or combination of both as the case may be.
- 1.1.49. "Field Development Plan" or "FDP" means the comprehensive plan formulated by the Contractor in relation to the development of a Discovery (ies), in accordance with Article 10.7.
- 1.1.50. "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.
- 1.1.51. "Foreign Company" means a Company within the meaning of Section 2(42) of the Companies Act, 2013.
- 1.1.52. "Government share of Revenue at LRP" means ___% of Revenue offered by the contractor at the Lower Revenue Point or LRP in response to the Notice Inviting Offer (NIO).
- 1.1.53. "Government share of Revenue at HRP" means ___ % of Revenue offered by the contractor at the Higher Revenue Point or HRP in response to the Notice Inviting Offer (NIO).
- 1.1.54. "Gas" means Natural Gas, including that generated in-situ and retained in shale and associated fine grained rock matrix including carbonate stringers, adsorbed onto organic particles, or within fractures in shales of source rock origin and obtained there from through boreholes.
- 1.1.55. "Gas Field" means, within the Contract Area, a Reservoir of Natural Gas or a group of Reservoirs of Natural Gas within a common geological structure or feature.
- 1.1.56. "Gas Hydrate" means an occurrence of hydrocarbon in which molecules of natural gas, typically methane, are trapped in ice molecules.

- 1.1.57. "Government" or "Central Government" means Government of India unless otherwise stated.
- 1.1.58. "Government's share of Revenue Share" means the amounts determined to be payable to the Government for each month under Article 15 of this Contract.
- 1.1.59. "HPHT" or "High Pressure High Temperature" means a well having an undisturbed bottom hole temperature of greater than 300°F and a pore pressure of at least 0.8 psi/ft. or requiring a BOP with a rating in excess of 10000 psi.
- 1.1.60. "HRP" or "Higher Revenue Point" means value notified as being the HRP/Higher Revenue Point in the NIO, for the Block
- 1.1.61. "Lease" means a petroleum mining lease issued pursuant to the Rules.
- 1.1.62. "Lenders" means the financing institutions, banks, multilateral funding agencies and similar bodies undertaking lending business or their trustees/ agents including their successors and assignees, who have agreed to guarantee or provide finance to the Contractor under any of the financing documents for meeting costs of implementing the Contract
- 1.1.63. "Lessee" means the Contractor to whom a Lease is issued under the Rules for the purpose of carrying out Petroleum Operations in the Development Area.
- 1.1.64. "LIBOR" means the London Inter-Bank Offer Rate for six-month maturates of United States Dollars as quoted by the International Swaps and Derivative Association or such other bank being a BBA LIBOR contributor panel bank as the Parties may agree.
- 1.1.65. "License" means a petroleum exploration license referred to in the Rules.
- 1.1.66. "Licensee" means the Contractor to whom a License is issued under the Rules for the purpose of carrying out Petroleum Operations in the Contract Area.
- 1.1.67. "Liquidated Damages" or "LDs" shall have the meaning ascribed to the term in Article 5.5.
- 1.1.68. "LRP" or "Lower Revenue Point" means the value notified as being the LRP/Lower Revenue Point in the NIO, for the Block
- 1.1.69. "Management Committee" means the committee constituted pursuant to Article 6 hereof.
- 1.1.70. "Member" means such Parties that are comprising the Contractor in the event the Contractor is a consortium comprising of more than one Party.

- 1.1.71. “Modern Oil Field and Petroleum Industry Practices” or “Good International Petroleum Industry Practices (GIPIP)” shall mean guidelines recommended by DGH for carrying out petroleum operations efficiently, safely, prudently and in an environmentally sustainable manner. This shall also include any other guidelines and notifications as and when issued by the Government in pursuant of the same.
- 1.1.72. “Month” means Calendar Month.
- 1.1.73. “Natural Gas” means wet gas, dry gas, all other gaseous hydrocarbons, and all substances contained therein, including sulphur, carbon dioxide and nitrogen but excluding extraction of helium, which are produced from Oil or Gas or CBM Wells, excluding those condensed or extracted liquid hydrocarbons that are liquid at normal temperature and pressure conditions, and including the residue gas remaining after the condensation or extraction of liquid hydrocarbons from gas.
- 1.1.74. “Non Associated Natural Gas” or “NANG” means Natural Gas which is produced either without association of Crude Oil or in association with such quantities of Crude Oil which by itself cannot be commercially produced.
- 1.1.75. “Non-Defaulting Member” shall have the meaning specified in Article 28.3.
- 1.1.76. “NIO” or “Notice Inviting Offers” means the notice inviting offers issued by the Government of India dated _____, pursuant to which Contractor had submitted their Bid for the Block.
- 1.1.77. “Oil Field” means, within the Contract Area, an Oil Reservoir or a group of Oil Reservoirs within a common geological structure or feature.
- 1.1.78. “Operator” means one of the Parties comprising the Contractor, appointed as the Operator pursuant to Article 7.
- 1.1.79. “Operating Agreement” means the Joint Operating Agreement entered by the constituents of the Contractor in accordance with Article 7, with respect to conduct of Petroleum Operations.
- 1.1.80. “Operating Committee” means the Committee established by that name in the Operating Agreement pursuant to Article 7.
- 1.1.81. “Parent Company” – A Company is a Parent Company of another company if it can exercise voting rights directly or indirectly or through its Affiliate(s) to control management and operations by influencing or electing the Board of Directors of that other company.

- 1.1.82. "Participating Interest" means, in respect of each Party constituting the Contractor, the undivided share expressed as a percentage of such Party's participation in the rights and obligations under this Contract.
- 1.1.83. "Parties" means the parties signatory to this Contract including their successors and permitted assigns under this Contract and the term "Party" means any of the Parties.
- 1.1.84. "Petroleum" means naturally occurring hydrocarbons in a free state, whether in the form of natural gas and/or in a liquid, viscous and/or solid and/or Condensate form and/or extracted through any unconventional means or sources such as CBM, shale gas, shale oil, tight gas, and gas hydrates, but does not include helium occurring in association with petroleum, or coal, or shale, or any substance which may be extracted from coal, shale or other rock by application of heat or by a chemical Process. For the purpose of this definition, "shale oil" means crude oil / condensate generated in-situ and retained in shale and associated fine grained rock matrix including carbonate stringers and within fractures in shales of source rock origin and obtained there from through boreholes.
- 1.1.85. "Petroleum Operations" means, as the context may require, Exploration Operations, Development Operations or Production Operations or any combination of two or more of such operations, including construction, operation and maintenance of all necessary facilities, plugging and abandonment of Wells, safety, environmental protection, transportation, storage, sale or disposition of Petroleum to the Delivery Point, Site Restoration and any or all other incidental operations or activities as may be necessary.
- 1.1.86. "Petroleum Produced and Saved" means gross Petroleum produced minus impurities such as water or solids produced along with Petroleum, Petroleum recycled to the reservoir, Petroleum used in Petroleum Operations or flared or otherwise unavoidably lost under the provisions of the Contract.
- 1.1.87. "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.
- 1.1.88. "Production Operations" means all operations conducted for the purpose of producing Petroleum from the Development Area after the commencement of production from the Development Area including the operation and maintenance of all necessary facilities therefore.
- 1.1.89. "Program Quantity" shall have the meaning specified in Article 10.11.
- 1.1.90. "Reservoir" means a naturally occurring accumulation of Petroleum including a geological

unit limited by rock characteristics by structural or stratigraphic boundaries or coal or lignite of any rank which contains Petroleum (whether in association or independent of water or any other minerals) or a combination of these.

1.1.91. “Retention Period” shall have the meaning specified in Article 10.6.

1.1.92. “Revenue” shall have meaning as defined in Article 15.1.¹

1.1.93. “Revenue Share” shall mean Government’s share of Revenue

1.1.94. “Royalty” means the royalty payable by the Contractor to the Government under the applicable laws in force from time to time.^{2 3}

1.1.95. “Rules” means the Petroleum and Natural Gas Rules, 1959 and any amendments made thereto from time to time.

1.1.96. “Self-sufficiency” means, in relation to any Year, the total availability of Crude Oil and Condensate and/or Natural Gas from all Petroleum production activities in India meets the total national demand, as determined by Government.

¹ Legal Note: The definition of Revenue is needed since the PSC is now being shifted and changed to a revenue sharing contract. Hence, in the absence of a clear indication of what constitutes Revenue there will always be a dispute over what is being shared with the Government. Since Government is the owner of the petroleum and is appointing the operator to undertake the Petroleum Operation, the Operator is acting as a contractor and will be holding and dealing with the petroleum in a fiduciary capacity with the Government. The Supreme Court has clearly stated that oil and natural gas are natural assets and are not private property therefore when the regime is shifted from a production sharing to a revenue sharing, all revenue that is earned on account of the petroleum or the petroleum operations, or the right vested by the government in relation to the petroleum operations would be revenue required to be shared with the government since the government is the owner of the petroleum and the custodian of the right to undertake petroleum operations and thereby the authority granting the said right. Failure to capture or account for all revenue generated from Petroleum and Petroleum Operations would be liable to the misinterpreted as causing a loss of public monies. This situation does not arise in a production sharing structure since the nature of the risk being taken and shared are different than under a revenue sharing arrangement. The comments received do not seem to have been made in awareness of the change in legal regime and legal obligations associated with revenue sharing while dealing with a public asset such as oil and petroleum.

The comments suggesting shifting to the concept of petroleum saved and sold, instead of petroleum produced and saved, are in effect requiring a policy decision to be taken under which the contractor is being exempted from his fiduciary obligation of handling a public asset vested with the government during its production stage and instead requiring the obligation to be imputed only in relation to the extent of oil actually saved and sold. The nature of such a policy decision cannot be taken by the executive alone, and will have to be guided by the law as laid down by Supreme Court in various judgments which clearly impose the character of public ownership and the vesting of the same with the Government in oil and natural gas at each stage of its production and not merely once it has been saved and sold. In order to make this policy decision, the Government would need to make amendments to existing statutory law or enact a comprehensive statutory framework codifying the various rights and obligations relating to petroleum operations at each distinct stage of operation, and such a decision cannot be taken by executive discussion which has now been curtailed in the Supreme Court decision in *Reliance Natural Resources Ltd. v Reliance Industries Industries*, (2010) 7 SCC 1 and *Centre for Public Interest Litigation and Ors v UOI*, AIR 2012 SC 3725. The comments of the operators are out of sync with the legal framework as has evolved over the last five years.

² Legal Note: Since Royalty Rates vary only an indicative list can be provided as part of the information package provided to the bidders at the time of the HELP bidding round.

³ Legal Note: The present definition of royalty is flexible enough to cover any deferred payment structures that may be provided in respect thereof, hence no change in definition is needed.

- 1.1.97. "Site Restoration" shall mean all activities required to return a site to its state as of the Effective Date pursuant to the Contractor's environmental impact study and approved by the Government or to render a site compatible with its intended after-use (to the extent reasonable) after cessation or decommissioning of Petroleum Operations in relation thereto and shall include, where appropriate, proper abandonment or decommissioning of Wells or other facilities, removal of equipment, structures and debris, establishment of compatible contours and drainage, replacement of top soil, re-vegetation, slope stabilisation, in-filling of excavations or any other appropriate actions in the circumstances and will include Government notifications/guidelines, if any.⁴
- 1.1.98. "Statement" or "Statements" refers to the statements required to be furnished in accordance with Article 15 of this Contract.
- 1.1.99. "State Government" means any government of a state of the Union of India, which has control over the Contract Area for the purpose of grant of Licenses / Leases. In case the Contract Area covers more than one state, the State Government shall include all such governments of those states.
- 1.1.100. "Subcontractor" means any company or person contracted by the Contractor or Operator to provide goods or services with respect to Petroleum Operations.
- 1.1.101. "Technical Assessment Report" or "TAR" shall mean the part A of FDP specified in Article 10.7 which shall be submitted generally in the form provided in Appendix D to this Contract.
- 1.1.102. "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.
- 1.1.103. "Ultra-Deepwater Area" means area which has a water depth of more than fifteen hundred (1500) metre.
- 1.1.104. "Ultra-Deepwater Blocks" means an area in which more than 30% of the area is Ultra Deepwater Area, provided, however, that for the purposes of this contract, the contract area

⁴ Legal Note: The CII comment is covered in Article 6.5 as the site restoration plan is to be submitted to the management committee.

as on Effective Date, as described in the Appendix A and Appendix B shall be deemed to be Ultra Deepwater Block falling beyond fifteen hundred (1500) metre isobath.

1.1.105. “US \$” or “USD” or “US Dollar” or “United States Dollar” means the currency of the United States of America.

1.1.106. “Well” means a borehole, made by drilling in the course of Petroleum Operations, but does not include a seismic shot hole.

1.1.107. “Work Programme” means either any one or both of the Committed Work Programme or Subsequent Work Programme as applicable, in accordance with Article 5, for the purpose of carrying out Petroleum Operations.

1.1.108. “Year” means a Financial Year.

ARTICLE 2⁵
PARTICIPATING INTERESTS

2.1 The Contractor shall be exclusively responsible for Petroleum Operations in the Contract Area. The Contractor shall bear the complete risk in carrying out the Petroleum Operations, and shall be solely responsible to the Government for the execution and management of the Petroleum Operations in accordance with this Contract.

2.2 The initial Participating Interest of the Members comprising the Contractor shall be as follows:

X Company _____: (%)

Y Company _____: (%)

Z Company _____: (%)

2.3 In case the Contractor comprises of more than one Member as identified in sub-clause 2.2 above, then the following additional provisions shall apply:

(a) The Contractor shall appoint any one of the Members constituting the Contractor as the Operator under Article 7 of this Contract, to represent them in communicating and liaising with the Government in relation to the Contract and performance thereof.

(b) Notwithstanding the provisions in Para (a) of this sub-clause 2.3, the appointment of the Operator shall in no way limit, restrict or discharge the other Members comprising the Contractor from their obligations, responsibilities and liabilities as Members comprising the Contractor holding Participating Interest under this Contract, and such appointment shall not prevent the Government from directly communicating, liaising with and/or enforcing such obligations, responsibilities and liabilities against the Members comprising the Contractor to the extent of their individual Participating Interest.

(c) The liability of the Members comprising the Contractor under this Contract shall be to the extent of their individual Participating Interest.

(d) The Contractor is liable, regardless of fault, in respect of financial losses incurred as a result of pollution and waste from the Petroleum Operations, and the cost of reasonable measures to avert or limit such damage or such loss, including damage or loss as a result of such measures.⁶

⁵ Legal Note: The old article 2.2 was highly specific to the production sharing arrangement wherein the participating interest reflected a right in relation to cost petroleum, profit petroleum and incidental income. In a revenue sharing model in which the Government and the Operator are sharing revenue, the participating interest is essentially reflecting the interest of the relevant Contractor in the rights and obligations of the contractor which is already covered in the definition of participating interest. A clause equivalent to the PSC Clause 2.2 is not relevant in the revenue sharing contract.

⁶Legal Note: This reflects the position under existing Indian law which imposes strict liability for such nature of environmental pollution caused.

- (e) If damage has been caused as described in Para (d) of sub-clause 2.3 and it is not possible to identify who caused the damage, the Members comprising the Contractor shall be liable to the extent of their individual Participating Interest insofar as the damage may be believed to have been caused by any Petroleum Operations^{7 8}

⁷ The initial liability assessment and imposition of liability shall be undertaken by the Central Government based on these principles. The Contractor shall be free to dispute the same and if disputed the same shall be settled through arbitration, and if not disputed the same shall be as imposed by the Government and not disputed by the Contractor. Please note unlike what AOGO and CII are stating, this is not an onerous new provision but is reflecting the position under Indian environmental law today. If during petroleum operations, there is an oil spill there is strict liability on the PSC Operator and the consortium that was awarded the relevant PSC. BG should be aware as an existing operator that presently under Indian law it has already undertaken strict liability for pollution damage caused by its operations under the PSC. This is not a new provision, and is reflecting Indian law regarding environmental. The relevant commentator/ operators should also note that this strict liability will be in addition to any direction for compensation and restitution that may be ordered by the National Green Tribunal under Section 15 read with Section 17 of the National Green Tribunal Act, 2010. It should also be noted that the principle of no fault liability has been statutorily recognized under Section 17 of the National Green Tribunal Act, 2010.

⁸Legal Note:

ARTICLE 3
LICENSE AND EXPLORATION PERIOD

- 3.1 The Contractor shall have the right to explore for Petroleum within the Contract Area. The Contractor shall be granted the License to explore the Contract Area in accordance with the provisions of this Contract.
- 3.2 Except as otherwise provided in Articles 3.3 and 3.4, the Exploration Period shall begin on the Effective Date, shall consist of two phases – Initial Exploration Phase and Subsequent Exploration Phase and shall be for a duration not exceeding the time period as given in the table below. The initial exploration phase shall consist of the first three consecutive contract years with a provision to proceed to the subsequent exploration phase of maximum three consecutive years subject to provisions contained in article 3.3

	Onland (including CBM) , shallow water, Deepwater, ultra-deepwater Blocks
Exploration Period	6 years
Initial Exploration Phase	3 years
Subsequent Exploration Phase	3 years

- 3.3 Provided that the contractor has completed Committed Work Programme or has paid LD as per Article 5.5, the contractor shall have an option , exercisable by giving a written notice to the government at least Ninety (90) days prior to the expiry of initial exploration phase :
- a) To proceed to the Subsequent Exploration Phase for an year or multiple thereof with maximum period of three years by committing drilling of one well per year in the contract area (in case of Onland/Shallow water blocks) and one well for first 2 years or more than 1 well for all 3 years in Contract Area (in case of Deepwater and Ultra Deepwater blocks), three pilot wells per year (in case of CBM blocks). Successful test wells can be carried forward to Subsequent Exploration Phase and can be set off against the committed number of Pilot Wells. The contractor has to pay requisite guarantees for the Subsequent Work Programme committed as provided for in Article 27 **and/or**
 - b) to relinquish the entire Contract Area except for any Discovery Area and any Development Area and to conduct Development Operations and Production Operations in relation to any Commercial Discovery in accordance with the terms of this Contract, and the Contractor shall have no further obligation in respect of the Committed Work Programme or Subsequent Work Programme, as the case may be, under Article 5.

If neither of the options provided for in paragraphs (a) and (b) hereof is exercised by the Contractor, this Contract shall terminate at the end of Initial Exploration Phase and the License shall be automatically cancelled.

- 3.4 (a) At the end of the Initial Exploration Phase, if the Committed Work Programme is not completed or the Contractor intends to execute work programme in addition to the Committed Work Programme, then the time for completion of the said Work Programme shall be extended for a period necessary to enable completion thereof but not exceeding twelve (12) Months, provided that the Contractor notifies the MC of such an extension not later than thirty (30) days before the expiry of the Initial Exploration Phase;
- 3.4. (b) At the end of the Subsequent Exploration Phase, if the Subsequent Work Programme is not completed or the Contractor intends to execute work programme in addition to the Subsequent Work Programme, then the time for completion of the said Work Programme shall be extended for a period necessary to enable completion thereof but not exceeding twelve (12) Months, provided that the Contractor notifies the MC of such an extension not later than thirty (30) days before the expiry of the Subsequent Exploration Phase
- 3.5 DGH is empowered to condone delays up to a period of 30 days for giving notice for entering into the next phase, for reasons to be recorded. However, such condonation shall not be construed to mean an extension of exploration phase.
- 3.6 If this Contract is terminated in accordance with its terms, the License shall stand automatically cancelled.

ARTICLE 4
RELINQUISHMENT

- 4.1 For the purpose of this contract, any relinquishment in the contract area shall be in integer multiples of an area of 1'x 1' as specified in the National Data Repository (NDR)
- 4.2 On the completion of Committed Work Programme for Initial Exploration Phase as provided in Article 5.1 or on payment of Liquidated Damages for the unfinished Committed Work Programme as provided in Article 5.5, 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 Initial Exploration Phase, either:
- (i) to relinquish the entire Contract Area and the Contract shall stand terminated; **or**
 - (ii) to proceed to the Subsequent Exploration Phase while retaining the entire Contract Area or part thereof by committing to complete the Work Programme for Subsequent Exploration Phase as provided in Article 5.2 ; **or**
 - (iii) to retain Discovery Areas and Development Areas (as the case may be) and relinquish other parts of the Contract Area.
- 4.3 On the completion of Subsequent Work Programme for Subsequent Exploration Phase as provided in Article 5.2 or on payment of Liquidated Damages for the unfinished Subsequent Work Programme as provided in Article 5.5, 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 Subsequent Exploration Phase, either:
- (i) to relinquish the entire Contract Area and the Contract shall stand terminated; **or**
 - (ii) to retain Discovery Areas and Development Areas (as the case may be) and relinquish other parts of the Contract Area.⁹
- Provided however*, any Contract Area relinquished by the Contractor pursuant hereto shall be in multiple of Sectors.
- 4.4 On expiry or termination of this Contract or relinquishment of part of the Contract Area or decommissioning of Petroleum Operations, the Contractor shall: (a) subject to Article 25, 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 any specific guidelines, rules or regulations formulated by the Government in relation to Site Restoration and in the absence of any such specific guidelines, rules or regulations, by Good International Petroleum Industry

⁹ Legal Note: The AOGO comment seeking clarity that the Contract Area should also refer to the revised Contract Area after relinquishment is already addressed in the definition of Contract Area which includes the area remaining after relinquishment or surrender from time to time pursuant to the Contract and is hence not limited to only the Contract Area at the time of grant.

Practices (GIPIP) and take all other actions necessary to prevent hazards to human life or to the property of others or the environment.

- 4.5 As and when the Contract is terminated under the provisions of Article 28 or in accordance with any other provisions of this Contract, the entire Contract Area remaining with the Contractor shall be deemed to have been relinquished by the Contractor as on the date on which the Contract is terminated.
- 4.6 Relinquishment of all or part of the Contract Area or termination of the Contract shall not be construed as absolving the Contractor of any liability undertaken or incurred by the Contractor in respect of the Contract Area during the period between the Effective Date and the date of such relinquishment or termination.
- 4.7 Subject to Article 4.4 and Article 22.2, the liability of the Contractor shall be limited to any liability undertaken or incurred by or on behalf of the Contractor in respect of, relating to or connected with the Contract, and/or any claim arising out of or in relation to the act of negligence, misconduct, commission or omission in carrying out Petroleum Operations during the period between the Effective Date and the date of relinquishment of the Contract Area or termination or expiry of the Contract, as the case maybe.
- 4.8 If a Contractor fails to submit a Field Development Plan in relation to a Discovery of Petroleum, either individually or jointly, within the time period stipulated in Article 10, the Contractor shall relinquish (subject to provisions of Article 10.4) the Discovery Area and its rights to develop such Discovery.

ARTICLE 5
WORK PROGRAMME

- 5.1 During the currency of the Initial Exploration Phase, the Contractor shall complete the Work Programme committed by it in its Bid, which shall constitute the Committed Work Programme committed for Initial Exploration Phase.

[Committed Work Programme from NIO to be inserted here]

- 5.2 At the expiry of the Initial Exploration Phase, the Contractor may proceed to the Subsequent Exploration Phase, subject to submission of the requisite guarantees as provided for in Article 27.

During the currency of the Subsequent Exploration Phase, the Contractor shall complete the following Work Programme, which shall constitute the Subsequent Work Programme to be undertaken for Subsequent Exploration Phase.

[Subsequent Work Programme from NIO to be inserted here]

- 5.3 If the Contractor had obtained, before or after the award of a particular Block, 2D and/or 3D seismic data generated under a multi-client speculative survey model for that particular Block, then the same can be set off against the Committed Work Programme for that Block.
- 5.4 The Contractor shall have the right to formulate an additional Work Programme, within the stipulated period as specified in Article 3, to cover Petroleum Operations in addition to the Committed Work Programme and Subsequent Work Programme (as applicable), and shall submit the same to the Management Committee for its information. *Provided however* that the Contractor shall give priority to the undertaking the Committed Work Programme and Subsequent Work Programme.
- 5.5 Subject to Article 29, in the event that the Contractor fails to fulfill the said Committed Work Programme committed during the Initial Exploration Phase or the Subsequent Work Programme during Subsequent Exploration Phase, as the case may be, then each Member constituting the Contractor shall pay to the Government its Participating Interest share for an amount which shall be equivalent to Liquidated Damages as specified in Appendix I:

LD shall be payable for the quantum of Work programme that fall short of the Work programme as stated under Article 5.1 and 5.2. However, in case of Well(s) which have not been drilled to the depth specified in the Work Programme stated under article 5.1, the

Contractor shall pay LD for the entire Well, irrespective of the meterage left to be drilled. The contractor is allowed to swap 2D Acquisition, Processing and Interpretation data and 3D Acquisition, Processing and Interpretation data. The contractor is obliged to notify the MC of such swapping along with the, technical and logistical merits. The basis of conversion will be 1sq Km of 3D would be equivalent to 10 Line Kilometer (Km) of 2D. However, the contractor cannot swap 2D to 3D or 3D to 2D if he has already committed for full area 3D or 2D respectively.

In case of swapping of 2D and 3D Acquisition, Processing and Interpretation data, the LD will be levied as per work programmed originally committed.

- 5.6 Subject to Article 5.7 below, in case due to G&G, technical/operational, logistics, environmental and any other constraints intrinsic to the Contract Area, the Contractor is not able to carry out the Work Programme stated under Article 5.1 and 5.2, the Contractor shall submit a proposal for substitution of the shortfall of the Work Programme, within the period stipulated in Article 3, to the Government (acting through DGH) for consideration, which shall be decided by the Government (acting through DGH) in accordance with the prevailing policy notified from time to time in this regard.
- 5.7 In case of blocks overlapping with special economic zone (SEZ), reserve forest, naval exercise areas, Defense research and development organization (DRDO), danger zones, national parks, Urban areas, firing ranges of police/armed forces etc., DGH is empowered to exercise such powers of proportionate reduction in Committed Work Programme or Subsequent Work Programme, as the case may be, on the recommendations of MC as follows:
- a) If the contractor decides not to accept any reduction in area at any stage before the petroleum mining lease (PML) is granted, the contractor would be permitted to exit from the contract without payment of Liquidated Damages as specified in Article 5.5. In such cases, the proposal for relinquishment shall be submitted within three months of the communication received by the contractor for such reduction.
 - b) If the contractor continues exploration in the reduced area, then he will be allowed a proportional reduction in Committed Work Programme or Subsequent Work Programme, as the case may be, rounded off to the nearest integer with a minimum number of one.
 - c) PEL for area not made available will be cancelled and future PEL fee for future years would be reduced proportionately in all cases in 5.7(b) above.
 - d) In case the contractor does not exercise this option within three months but proposes to exit from the Contract later, an LD will be levied to the extent of unfinished Committed Work Programme or Subsequent Work programme, as the case may be, proportional to the reduced area.
 - e) If delay due to lack of statutory and other clearances is beyond two years in any of the blocks, then the contractor will be given a choice to choose between (a) and (b) above. In such cases

the application for such reduction /exiting should be made within three months of the expiry of the two year period from the date of application for clearance.

- 5.8 The Petroleum Operations in relation to CBM shall be conducted in accordance with the provisions of Appendix H to this Contract.

ARTICLE 6
MANAGEMENT COMMITTEE

- 6.1 There shall be constituted a committee to be called the Management Committee with functions as stated herein below.
- 6.2 The Management Committee shall comprise of:
- (a) two (2) representatives of the Government, of which one (1) representative shall be a representative of DGH; and
 - (b) two (2) representatives of the Contractor; *provided however*, if the Contractor comprises of two or more Members then each Member shall have one (1) representative on the Management Committee.
- The Parties shall nominate their representatives who would comprise the Management Committee, within thirty (30) days of the Effective Date.
- The parties shall also nominate alternate members, who will act as their representatives in absence of the nominated representatives.
- 6.3 Each Party may nominate alternate members with full authority to act in the absence and on behalf of the members nominated under Article 6.2 and may, at any time, nominate another member or alternate member to replace any member nominated earlier by notice to other members of the Management Committee.
- 6.4 One representative of the Government shall be designated as the Chairman of the Management Committee and the second representative of the Government shall be designated as the Deputy Chairman. DGH shall be designated as the Secretariat of the Committee.
- 6.5 The following matters shall be submitted by the Contractor to the Management Committee for approval:
- (a) Notification of discovery
 - (b) The TAR comprising Part A of FDP in particular: (i) estimation of in place volumes and recoverable reserves; and (ii) initial production profile for the life of the Field;
 - (c) Annual Program Quantity i.e. the annual projected production profile for the immediately following three years pursuant to Article 10.10;
 - (d) Determination of area within the Contract Area to be relinquished;
 - (e) Development Area demarcated by the Contractor in accordance with this Contract
 - (f) Methodology for measurement of Petroleum;
 - (g) Abandonment plan/ Site Restoration in accordance with applicable rules/regulations/guidelines of the Government
 - (h) Audited statement of petroleum production, revenue and computation of Share of Revenue.
- 6.6 In addition to the functions under Article 6.5 above, the Management Committee shall

monitor the following technical aspects:

- (a) Timelines given for Work Programme wherever applicable, additional Work Programme and Appraisal Programme;
- (b) Actual production levels in accordance with the year on year projections of production as provided by the Contractor pursuant to Article 10;
- (c) The health of the Reservoir (Reservoir performance) for proper and optimal exploitation of reserves;
- (d) Timelines for implementation of FDP.

- 6.7 Unless agreed otherwise by all the members of the Management Committee, the Secretary to the Management Committee shall initiate a meeting at least once every six (6) Months or more frequently depending on operational requirements. The Secretary to the Management Committee shall circulate the agenda for the meeting fifteen (15) days prior to such a meeting. The agenda of the meeting should contain the action taken report/ point on decisions taken between two meetings, and shall be finalized and circulated in consultation with the members of the Management Committee.
- 6.8 The quorum for a valid Management Committee meeting shall be the presence of at least one nominated member from each Party being present in person or being represented as per Article 6.3. If the quorum is not present the meeting shall be adjourned by one week and in the next meeting the members present in person or being represented as per Article 6.3 subject to the nominee of the Government being also present, shall constitute the quorum, and decisions taken by such quorum shall be final and binding on all the Parties including the absenting Parties notwithstanding the provisions of Article 6.9.
- 6.9 The Management Committee shall complete the process of providing any decision or undertaking any monitoring required (including approvals required under Article 6.5 above) within a maximum period of one hundred and twenty (120) days, including seeking any clarifications that it may require from the Contractor(s). The decisions of the Management Committee (other than those relating to monitoring functions under Article 6.6 above) shall be sought to be taken, in the first instance, unanimously. In case, unanimity is not achieved in the Management Committee within the stipulated one hundred and twenty (120) days or in relation to monitoring functions under Article 6.6 above, the decision of the Management Committee shall be the decision taken by the positive vote of: (i) the representative of the Contractor or the representatives of the Members having an aggregate Participating Interest of seventy percent (70%) or more (as applicable); and (ii) the representative of the Government. Where the decision could not be arrived in the Management Committee, the matter shall be referred by the Management Committee to the Government for decision, which decision shall be binding on all Parties to the Contract.
- 6.10 The Chairman or the Deputy Chairman, as may be the case, shall preside over the meetings of the Management Committee and, in their absence, any other member representing Government and present shall preside over the meetings. Secretary to the Management

Committee shall be responsible, inter alia, for preparation of the minutes of every meeting in the English language and provision to every member of the Management Committee with two (2) copies of the minutes approved by the Chairman within three (3) Business Days of the meeting.

- 6.11 The meetings of the Management Committee shall be held in India. All expenses of the members of the Management Committee attending meetings shall be borne by the respective Party.
- 6.12 The Management Committee, if it considers necessary, may appoint legal, financial or technical subcommittees comprised of such representatives as may be agreed by the Management Committee to consider any matter requiring approval or decision of the Government. Such sub-committee expenses shall be borne by the Contractor.

ARTICLE 7
OPERATORSHIP, JOINT OPERATING AGREEMENT AND OPERATING
COMMITTEE

7.1 If the Contractor is a single entity then the Contractor shall be the Operator for the purpose of carrying out Petroleum Operations pursuant to this Contract during the term of the Contract and the provisions of Article 7.4 below shall not be applicable.

XYZ, being one of the Members comprising the Contractor, shall be the Operator for the purpose of carrying out Petroleum Operation pursuant to this Contract during the term of the Contract. *Provided that*, in the event an assignment of Participating Interest in accordance with Article 26 results in increase in the number of constituents of the Contractor, then the provisions of Article 7.4 shall apply from the date of such increase.¹⁰

7.2 No change in the Operator shall be effected without the prior written consent of the Government and such consent shall not be unreasonably withheld. In the event the Contractor desires to change the Operator, it shall submit an application to the Government (acting through DGH) seeking Government's (acting through DGH) prior consent for the same. The Government (acting through DGH) shall accept or reject such application within a maximum period of one hundred and twenty (120) days from the date of receipt of the application ("**Approval Period**"). The Government (acting through DGH) shall ensure that the new operator meets the criteria that the earlier contractor had qualified for at the time of bidding. In the event the Government (acting through DGH) takes more days than the Approval Period ("**Extra Days**") for giving its consent, then the time period provided for obligations of Contractor/ Operator under this Contract shall stand extended by the number of Extra Days.

7.3 The functions required of the Contractor under this Contract shall be performed by the Operator on behalf of the Contractor subject to, and in accordance with, the terms and provisions of this Contract and generally accepted Good International Petroleum Industry Practices (GIPIP), provided, however, that this provision shall not be construed as relieving the Contractor (or Members thereof, if applicable) from any of its obligations or liability under the Contract.

7.4 In the event the Contractor comprises of Members, then a Joint Operating Agreement shall be executed between the Members, within forty five (45) days of the Effective Date or such longer period as may be agreed to by 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 XYZ, being one of the Members comprising the Contractor, as the Operator;

¹⁰ Legal Note: Under the Clause 7.1 of the PSC formulation, the Operator was being named in the PSC at the time of execution which consequently required an amendment to the PSC together with the approval of the government in the event of any change in Operator. The new formulation clearly identifies the Operator when it is read with Clause 7.1 and 7.4 and therefore once the approval for a change of Operator is undertaken there would not be a need for amending the contract. However, if the Government requires the Operator to be named herein, we will modify the provision accordingly.

- (b) The establishment of an Operating Committee comprising of an agreed number of representatives of the Members chaired by a representative of the Operator;
- (c) Functions of the said Operating Committee taking into account the provisions of the Contract, procedures for decision making, frequency and place of meetings;
- (d) Contribution to costs, default, sole risk, responsibilities relating to the preparation and implementation of the Work Programme, disposal of Petroleum and assignment as between the Parties to the Joint Operating Agreement.
- (e) In case, unanimity is not achieved on a decision in the Management Committee within the stipulated time, then the decision of the representative of the Contractor or the representatives of the Members having an aggregate Participating Interest of seventy percent (70%) or more (as applicable) shall be binding on all members of the contractor.

7.5 Operator shall provide to the Government a copy of the duly executed Joint Operating Agreement within thirty (30) days of its execution date or such longer period as may be agreed to by the Government.

ARTICLE 8
GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

- 8.1 Subject to the provisions of this Contract, the Contractor shall have the following rights:
- (a) subject to the provisions of Article 12, the exclusive right to carry out Petroleum Operations (of any type) within the Contract Area;
 - (b) the right to use, free of charge, such quantities of Petroleum produced as are reasonably required for conducting Petroleum Operations in the Contract Area in accordance with Good International Petroleum Industry Practices (GIPIP);
 - (c) the right to lay pipelines, build roads, construct bridges, ferries, aerodromes, landing fields, radio telephones and related communication and infrastructure facilities and exercise other ancillary rights as may be reasonably necessary for the conduct of Petroleum Operations subject to such approvals from relevant authorities as may be required and the applicable laws in force from time to time for the regulation and control thereof;
 - (d) the right to use all available technical data, seismic and well information, maps, samples etc. of the Contract Area as on the Effective Date, free of charge, subject to nominal copying/reproduction costs for further Petroleum Operations. The Contractor shall submit the list of all data required by them to Directorate General of Hydrocarbons (DGH) based on the list of data provided in the Basin docket for the block¹¹ pertaining to the Contract Area as soon as possible but not later than one hundred and eighty (180) days from the Effective Date and the same, if available and reproducible, shall be made available to the Contractor in the office of DGH within ninety (90) days from the submission of such request for data by the Contractor, provided the Effective Date of the Contract has commenced and the Contractor has furnished relevant guarantees under Article 27 of the Contract;
 - (e) such other rights as are specified in this Contract.
- 8.2 The Government reserves the right to itself, or to grant to others the right, to prospect for and mine minerals or substances other than Petroleum within the Contract Area; provided, however, that if after the Effective Date, others are issued rights, or the Government proceeds directly to prospect for and mine in the Contract Area any minerals or substances other than Petroleum, the Contractor shall use its best efforts to avoid obstruction to or interference with such operations within the Contract Area and the third parties and/or the Government, as the case may be, shall use best efforts to ensure that operations carried out do not obstruct or unduly interfere with Petroleum Operations in the Contract Area.
- 8.3 The Contractor shall, having due regard to Good International Petroleum Industry Practices (GIPIP):
- (a) except as otherwise expressly provided in this Contract, conduct all Petroleum Operations at its sole risk, cost and expense and provide all funds necessary for the

¹¹ Legal Note: This should not be changed since the reference is to the Basin docket relating to the block since at the time it was provided it was not the Contract Area.

conduct of Petroleum Operations including funds for the purchase or lease of equipment, materials or supplies required for Petroleum Operations as well as for making payments to employees, agents and Subcontractors;

- (b) Conduct all Petroleum Operations in relation to the Contract Area diligently, expeditiously, efficiently and in a safe and workmanlike manner pursuant to the Work Programme formulated in accordance with Contract;
- (c) Ensure provision of all information, data, samples etc. which may be required to 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 Subcontractors comply with generally accepted standards and are of proper construction and kept in safe and good working order;
- (e) In the preparation and implementation of Work Programmes and in the conduct of Petroleum Operations, follow Good International Petroleum Industry Practices (GIPIP) with such degree of diligence and prudence reasonably and ordinarily exercised by experienced parties engaged in a similar activity under similar circumstances and conditions. Any directions of DGH for maintaining reservoir health shall be followed by the contractor;
- (f) after the designation of a Development Area, pursuant to this Contract, forthwith proceed to take all necessary action for prompt and orderly development of the Development Area and for the production of Petroleum in accordance with the terms of this Contract;
- (g) appoint a technically competent and sufficiently experienced representative, and, in his absence, a suitably qualified replacement therefore, 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;
- (h) Provide acceptable working conditions, living accommodation and access to medical attention and nursing care for all personnel employed in Petroleum Operations;
- (i) Carry out such other obligations as are specified in this Contract, in particular those specified in Article 14; and
- (j) Be always mindful of the rights and interests of India in the conduct of Petroleum Operations.

8.4 The contractor shall abide by the information, data, and confidentiality, inspection and security guidelines as specified in Article 24 of this contract.

8.5 Subject to the terms and conditions of this Contract, the rights and obligations of the Parties comprising the Contractor shall include but not be limited to:

- (a) The obligation of the Contractor to pay the Government's share of Revenue to the Government;
- (b) The right of the Contractor to receive the Contractor's share of Revenue; and
- (C) The obligation to complete, at the Contractor's cost, the Bid Work Programme as provided in Article 5.1 within the time lines mentioned therein.

ARTICLE 9
GOVERNMENT ASSISTANCE

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

ARTICLE 10
DISCOVERY, DEVELOPMENT AND PRODUCTION

- 10.1 If and when a Discovery is made within the Contract Area, the Contractor shall notify the Management Committee of the same as per the prescribed format within seven (7) days from the establishment of the Discovery (**“Notification of Discovery” or “NOD”**). The Contractor shall promptly run tests after completion of drilling, as it may determine to be required under Good International Petroleum Industry Practices (GIPIP) in respect of such Discovery, to determine whether the Discovery is of potential commercial interest and merits Appraisal, and further submits the information in relation to the particulars of such Discovery in writing as per the prescribed format within one hundred and eighty (180) days from the initial NOD to the Management Committee (such information relating to potential commercial interest is hereinafter referred to as “PCI Notice”).
- The Contractor shall conduct a drill stem or production test, in open hole or through perforated casing, with regard to any Exploration Well, it shall notify the Government of the time of such test at least forty eight (48) hours prior to the proposed test, and the Government shall have the right to have a representative present during such test.
- 10.2 If, pursuant to Article 10.1 above, the Contractor informs the Management Committee that the Discovery merits appraisal either individually or jointly with another existing Discovery, it may submit an Appraisal Programme including demarcating the Discovery Area to the Management Committee no later than (i) six (6) Months from the date of submission of PCI Notice for onland, shallow water and deepwater blocks and (ii) twelve (12) Months from the date of submission of PCI Notice for Ultra Deepwater Blocks. The Appraisal Programme will also specify whether such Discovery would require to be jointly appraised with another existing Discovery (ies) that may be: (a) with in the same Contract Area, (b) falling in another Block held by the same Contractor, or (c) falling in an area which has been relinquished by the same Contractor but subsequently not given to another Contractor. Such Appraisal Programme shall be designed to achieve, an adequate and effective Appraisal of such Discovery and to, with reasonable precision, demarcate the boundaries of the area to be delineated as the Development Area.
- 10.3 If a Discovery is located in an area over which the Government has vested a third party with the right to conduct Petroleum Operations and if it could be efficiently developed with a Discovery made in the Contract Area, the Government may, for securing the more effective recovery of Petroleum, by notice in writing to the Contractor and the other third party require that the Contractor and such third parties collaborate and agree on joint development of such Discoveries, in accordance with Article 18 and Good International Petroleum Industry Practices (GIPIP).¹²
- 10.4. The Contractor shall complete the Appraisal pursuant to the Appraisal Programme as

¹² Legal Note: It is recommended that this clause not be deleted as it is necessary to clarify the issue in the discovery section and provide the cross link to Article 19.

formulated under Article 10.2 above and notify the Management Committee as to whether or not it intends to submit the Field Development Plan in relation to the Discovery (ies) within a period of thirty six (36) Months from the submission of Appraisal Programme by the Contractor under Article 10.2.

Provided further that the Government (acting through the DGH) can, based on the recommendation of the Management Committee, grant an extension of Appraisal period by six (6) months for onland blocks and by a period of twelve (12) months for shallow water, Deepwater blocks and Ultra Deep Water Blocks. In such circumstances, liquidated damages equal to a maximum of three times the fee payable for the annual petroleum exploration license for the Contract Area at the time of application for extension of the period for Appraisal, pro-rated for the period of extension sought would be payable by the Contractor to the Government once the extension is granted. *Provided further that*, in the event Contractor sought for and was granted extension of time for completion of Appraisal but thereafter has submitted the Field Development Plan earlier than the time period provided for the same under Article 10.7 herein below, then the extension given for completion of Appraisal will be set off against the time saved in FDP submission and the LD imposed for grant of extension for period of Appraisal would be reduced in proportion to the time saved vis-à-vis the time the extension sought by the Contractor and such reduction in LD shall be adjusted by the Contractor in the dues payable to the Central Government at a later stage. *Provided further that* in the case of group discoveries, if earlier discoveries are not viable but become viable with the subsequent discoveries, then the time line for completion of Appraisal and submission of FDP will be computed from the last discovery made during the Exploration Period.

- 10.5 In the event that a Discovery of Crude Oil contains ANG, the Contractor shall declare in the Field Development Plan under Article 10.4 above, whether (and by what amount) the estimated production of ANG is anticipated to exceed the quantities of ANG which will be used in the Petroleum Operations (as determined under Article 19.1) (such excess ANG being hereinafter referred to as “the Excess ANG”). Where the Contractor declares that the Excess ANG cannot be commercially exploited, or is unable to find a market for the Excess ANG the Government shall be entitled to elect to utilize such Excess ANG free of any cost/charge.

If the Government elects to utilize the Excess ANG:

- (a) The Contractor shall deliver such Excess ANG to the Government (or its nominee) free of any cost/charge, at the downstream flange of the Gas/oil separation facilities of the Contractor;
- (b) The Contractor shall, based on sound petroleum engineering practices, install such facilities as would facilitate, insofar as practicable, uninterrupted delivery of such Excess ANG to the Government or its nominee;
- (c) The cost of all facilities installed pursuant to Para (b) above shall be borne by the Government (or its nominee);

- (d) the Government or its nominee shall bear all costs including gathering, treating, processing and transporting costs beyond the downstream flange of the Gas/oil separation facilities; and
- (e) The delivery of such Excess ANG shall be subject to procedures to be agreed between the Government or its nominee and the Contractor prior to such delivery, such procedures to include matters relating to timing of off-take of such Excess ANG. Parties shall endeavor that such procedures do not restrict Oil production.

The Excess ANG which is not commercially exploited by the Contractor, or taken by the Government or its nominee, shall be returned to the subsurface structure or flared or otherwise disposed off as provided in the TAR approved by the Management Committee, subject always to the limitation that the flaring will be resorted to only for small quantities and as a last resort. In this regard, the Contractor shall follow the anti-flaring norms as notified by DGH.

- 10.6 When the Block in which the Discovery Area falls is an Ultra Deepwater Block or the Discovery Area falls in a Deepwater Area then , if, after completion of the Appraisal Programme, the Contractor has determined that even though the Discovery is a significant one, but presently the technology needed to exploit the Discovery is commercially unavailable in the market; then the Contractor shall submit a plan to the Management Committee (for onward submission to the Government) providing clear time bound milestones for acquiring the required technology. The Contractor, upon submission of such plan, shall retain the Discovery Area for the time period stated to complete the milestones in such plan for acquiring the technology (such time period being the “**Retention Period**”). The duration of the Retention Period shall be subject to the approval of the plan by the Government and shall not be for a period more than five (5) years from the completion of the Appraisal Programme pursuant to Article 10.4.

If no plan as mentioned above is submitted to the Management Committee by the Contractor, the Contractor shall relinquish the Discovery Area relating to such Discovery and the same shall be excluded from the Contract Area.

- 10.7 After the completion of the Appraisal Programme the Contractor shall formulate a Field Development Plan either individually or jointly for such Discovery (ies), subject always to the requirement that the areas demarcated for development in a Field Development Plan shall be in multiple of contiguous Sectors¹³.

The FDP shall comprise of three distinct parts, namely:

¹³ An area of [10' x 10'] is defined as sector for all types of hydrocarbons. One or more than one contiguous sector can be combined to form a block.

- (i) Part A which shall be the detailed technical assessment report (“TAR”) for the commercial development of the Field (“Part A FDP”). Only the Part A FDP, namely TAR, shall be subject to the approval of the Management Committee as specified in Article 6.5.
- (ii) Part B which shall provide the detailed work plan for commercial development of the Field (“Part B FDP”). The implementation of the timelines in the detailed work plan for commercial development of the Discoveries as provided in Part B FDP is open to monitoring by the Management Committee in accordance with Article 6; and
- (iii) Part C which will comprise of the estimated costs and budgets for the commercial production from the Field (“Part C FDP”) to demonstrate economic viability of the project. The information provided in Part C FDP (i.e. the budget and estimated capital expenditure) is only for the information and record of the Management Committee;

It is clarified that during the period between the completion of the Appraisal Programme and the approval of the FDP under this Contract, the Contractor shall have the right to carry out any Petroleum Operations in relation to the: (a) Contract Area, if the relevant Exploration Period has not expired; and (b) Discovery Area, if the relevant Exploration Period has expired.

The contents of the Field Development Plan shall be as specified in Appendix D.

- 10.8. The FDP shall be submitted to the Management Committee within: (a) three hundred and sixty five (365) days of notification as given in Article 10.4 in case of Petroleum other than CBM or (b) sixty (60) days or earlier before completion of Subsequent Exploration Phase in case of CBM as specified under Articles 3.2 and 5.2. The FDP shall:
- (i) relate to the development of Discovery or Discoveries in a cluster;
 - (ii) be designed to ensure the most efficient, beneficial and timely use of the Petroleum resources discovered;
 - (iii) be prepared in accordance with sound engineering, economic, safety and environmental principles recognized in the Good International Petroleum Industry Practices (GIPIP); and
 - (iv) be prepared in accordance with any Rules / Guidelines notified by the Government.

The contractor will be granted an extension in submission of field development plan (FDP) by 3 months for on-land blocks and 6 months for offshore blocks, provided the MC is satisfied about the justification cited by the contractor for such an extension. The Contractor will be levied Liquidated Damages equal to maximum of three times Annual Petroleum Exploration License (PEL) fee applicable for contract area at the time of application prorated for the period of extension sought (w.r.t base period of six months for on-land blocks and twelve months for offshore blocks in all such cases. In other words, LD payable for extension will be in proportion to period of extension sought with respect to the applicable base period as per above scale.

The FDP (including the TAR) shall be approved within a period of one hundred and twenty (120) days from its submission to the Management Committee.

Upon submission of a FDP, the Management Committee shall notify the Government (acting through DGH), which shall issue a short statement for public information that a FDP in relation to the Block has been received.

- 10.9 In relation to TAR for a Discovery of Non Associated Natural Gas, the Contractor will have the obligation to tie-up the market(s) for sale of Non-associated Natural Gas within twenty four (24) Months, from the date of approval of the TAR by the Management Committee.
- 10.10 The Development Phase shall begin after approval of the TAR (which shall be done within a period of 120 days from its submission to the Management Committee, as provided in Article 10.7 above) and continue till commencement of Commercial Production, unless terminated earlier in accordance with Article 10.13 or Article 10.14. The Contractor shall carry out Development Operations in accordance with the FDP, including but not limited to the purchase, storage of equipment and materials used in developing petroleum accumulations, the drilling, completion and testing of Development Wells, the laying of gathering lines, the installation of separators, tankage, pumps, other producing and injection facilities required to produce, process and transport petroleum into storage or 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 processing facilities required for the development and production of the said petroleum accumulations and for the delivery of the petroleum at the Delivery Point and also including incidental operation, not specifically referred to herein as required for the most efficient and economic development and production of the said petroleum accumulations in accordance with Good International Petroleum Industry Practices (GIPIP).
- 10.11 No later than the fifteenth (15th) of January each Year from the start of commercial production, on an annual basis the Management Committee shall require the Contractor to prepare an estimate of potential production to be achieved for each of the following three (3) Years ("Program Quantity") along with appropriate supporting information as may be requested by Management Committee for approval and monitoring of such Program Quantity by the Management Committee.

The Programme Quantity for any Year shall be the maximum quantity of Petroleum based on Contractor's estimates, as approved by the Management Committee, which can be produced from a Development Area consistent with Good International Petroleum Industry Practices (GIPIP) taking into account the capacity of the producing Wells, gathering lines, separators, storage capacity and other production facilities available for use during the relevant Year, as well as the transportation facilities up to the Delivery Point.

- 10.12 The Contractor can submit a revision to the FDP in respect of Development and Production

Operations, for good cause and if the circumstances so justify, for the approval of the Management Committee

However, any shortfall in the FDP commitments in terms of number of wells to be drilled and creation of infrastructure as observed by the Management Committee will be considered as material breach of the Contract.

- 10.13 In the event the Contractor does not commence Development Operations as per the FDP commitments in terms of number of wells to be drilled and creation of infrastructure in such Discovery(ies), Subject to Article 29, within one (1) year from the date of the following two conditions having been completed: (a) the approval of the TAR having been received, and (b) the Contractor submitting its application for the petroleum mining lease, the approval of the TAR having been received; then the Contractor shall be liable to pay a penalty equal to one time fixed payment of USD 100,000 and USD 250 per day over and above the fixed payment, till the date it commences Development Operations. However, if the Contractor does not commence Development Operations in such Discovery (ies) within two (2) year from the date of the above two conditions ((a)&(b)) having been completed, it shall relinquish its right to develop such Discovery(ies) and the area relating to such Discovery(ies) shall be excluded from the Contract Area.
- 10.14 In the event the Contractor does not commence Commercial Production, Subject to Article 29, within: (a) three (3) years in case of onland Blocks or (b) five (5) years in case of shallow water Blocks or (c) seven (7) years in case of Blocks falling in Deepwater Areas, Ultra Deepwater Blocks from the date of the approval of the TAR , then the Contractor shall be liable to pay a penalty equal to one time fixed payment of USD 500,000 and USD 2000 per day over and above the fixed payment, till the date it commences Commercial Production. However, if the Contractor does not commence Commercial Production within: (a) Five (5) years in case of onland Blocks or (b) Seven (7) years in case of shallow water Blocks or (c) Nine (9) years in case of Blocks falling in Deepwater Areas, Ultra Deepwater Blocks from the date of the approval of the TAR the Contractor shall relinquish its right to develop such Discovery(ies) and the area relating to such Discovery(ies) shall be excluded from the Contract Area. In case the production ceases for a period of more than one year at any instance after the commencement of production, then Government may terminate the contract subject to Article 29 of this contract.
- 10.15 Notwithstanding any other provisions of this Contract to the contrary, the Contractor shall be free at any time during Exploration Period subject to paying Royalty, Government's Revenue Share and taxes, to produce and market such quantities of Petroleum as it deems appropriate after giving seven (7) days advance written notice to the Government of its intention to market such quantities of Petroleum. The Contractor is also entitled to enter into sales contracts with any person (including any party) on such terms and conditions at its sole discretion reasonably exercised subject to Article 19 of this Contract.
- 10.16 In the event the area encompassing the Discovery extends beyond the Development Area

designated in the Field Development Plan, either within the original Contract Area but subsequently relinquished or, outside the original Contract Area, then the Contractor shall notify the Management Committee of the same and the Management Committee may make recommendations to the Government concerning enlargement of the Development Area, provided the same was not awarded to any other company by the Government or is not held by any other party or not on offer by the Government and no application for a License or Lease is pending with the Government. However, in case the area is held by any other party or on offer by the Government or application for License or Lease is pending with the Government, the Management Committee shall notify the same to the Government for further action on the matter. Government may consider such request for extension at its sole discretion and on terms and conditions, which it may consider fit.

10.17 DGH is empowered to condone delays up to a period of 30 days, for reasons to be recorded.

10.18 The Contractor is limited by the Petroleum that is available in its clearly defined and demarcated Development area.

ARTICLE 11
PETROLEUM EXPLORATION LICENSE AND LEASE

11.1 Petroleum Exploration License and Lease

11.1.1 The Contractor shall submit an application for grant of License in respect of the Contract Area, as early as possible, but not later than thirty (30) Calendar Days from the date of execution of this Contract.

11.1.2 The License shall stand extended till the grant of Lease, the application for which shall be made by the Contractor under Article 11.1.3 of the Contract:

(a) in relation to such part of the Contract Area for which such application for Lease has been submitted and is pending approval.

(b) in relation to such part of the Contract Area for which a Field Development Plan has been submitted by the Contractor but the application for Lease is yet to be submitted.

The Contractor shall have the right to conduct Petroleum Operations within such areas till the grant of Lease.

11.1.3 (a) The application for the Lease along with application fee, in respect of the proposed Development Area in respect of Offshore Blocks shall be submitted to the Government within thirty (30) days from the approval of TAR pursuant to Article 10.

(b) The application for the Lease along with application fee, in respect of the proposed Development Area located in onshore area shall be submitted to the relevant State Government within thirty (30) days from the submission of the FDP pursuant to Article 10.

11.1.4 Where a Discovery extends beyond the Development Area designated in the Field Development Plan, subject to Article 10, such area may be included in the proposed Development Area, in relation to which application for a Lease is made, on such terms and conditions as decided by the 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 License or Lease; and

(c) available for licensing (i.e. is not an area over which Petroleum Operations are excluded; and in relation to onshore areas, the land comprising the area is not subject to any litigation or arbitration).

11.1.5 Where a Field Development Plan has been finalized pursuant to the approval of the TAR by the Management Committee and the Contractor 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 Government clearances/approvals being obtained by the Contractor as applicable before grant/issue of the Lease to enable the Contractor to carry out Petroleum Operations in the Development Area in accordance with the Development Plan subject to Article 11.1.6

a) the Government shall grant to the Contractor a Lease in case of offshore area, or

b) the Government will assist the Contractor in obtaining the Lease from the relevant State Government(s) over the Development Area as agreed in case of onshore area

- 11.1.6 The Lease shall be granted for an initial period of twenty (20) years from the date of grant thereof subject to:
- a. cancellation in accordance with its terms, or for termination of this Contract in accordance with its terms;
 - b. the Lease period may also be extended by mutual agreement between the Government and the Contractors for such period as may be agreed after taking into account the balance recoverable reserve and balance economic life of the Field/Development Area from the expiry of the initial period. *Provided that* such extension would be for a period up to five (5) years or beyond as may be mutually agreed or as per extant Government policies/guidelines.
 - c. the terms of this Contract and other terms and conditions as set forth in such Lease be consistent with this Contract.

The contractor must submit a request for such an extension no later than 5 years before the expiry of the existing contract. The Government reserves the right to approve the request for extension no later than 4 years before the expiry of the existing contract. If not approved within the stipulated time, such a request would be deemed to be rejected.

11.2 Right to undertake Exploration for the duration of the Contract

The Contractor shall have the right to explore for Petroleum (of any type) within the Contract Area for the entire duration of this Contract, subject to compliance with applicable laws (including obtaining required Lease in respect thereof).

ARTICLE 12
UNIT DEVELOPMENT

- 12.1 If a Reservoir in a Discovery Area is situated partly within the Contract Area and partly in an area in India over which other parties have a contract to conduct Petroleum Operations and both parts of the Reservoir can be more efficiently developed together on a commercial basis, on receiving information in writing from any party to these contracts or any information on this from any bonafide source, such information to be submitted prior to submission of FDP, the Government may, for securing the more effective recovery of Petroleum from such Reservoir, by notice in writing to the Contractor, require that the Contractor collaborates and agrees with such other parties on the joint development of the Reservoir, and notify the Government in writing of its intent of such joint development within one hundred (100) days of the receipt of the information by the Government as provided above. *Provided that* the Government can issue such notice to a Contractor only till such time as the Contractor has not submitted an FDP under Article 10. In the event, the contractor, post FDP submission, discovers that its Discovery extends beyond the block boundary, it shall promptly notify the government of the same within 15 days of such discovery.
- 12.2 If the parties are unable to agree to collaborate and/or notify the Government on the proposed plan for joint development of the Reservoir as provided in Article 12.1 above, the Government may call for a joint development plan from an independent agency (at the cost of the parties), which agency may make such a proposal after taking into account the position of the parties in this regard. Such a joint development plan, if approved by Government, shall be binding on the parties, notwithstanding their disagreement with the plan. However, the Contractor may in case of any disagreement on the issue of joint development or the proposed joint development plan, prepared in accordance with Article 12.2 or within forty five (45) Business Days of the plan approval as aforesaid in this Article, notify the Government that it elects to surrender its rights in the Reservoir/Discovery in lieu of participation in a joint development.
- 12.3 If a proposed joint development plan is agreed and adopted by the parties, or adopted following determination by the Government, the plan as finally adopted shall be the approved joint development plan and the Contractor shall comply with the terms of the said development plan.
- 12.4 In the event the Contractor determines that the Reservoir in its Contract Area is extending into the contract area already being developed by another entity authorized by the Government (such contract area into which the Reservoir extends hereinafter referred to as “**Other Contract Area**”, and such other block hereinafter referred to as “**Other Block**”, and such other entity hereinafter referred to as “**Other Contractor**”), then the Contractor shall submit an application for joint development of the Reservoir (“**Joint Development Application**”) to the Government (acting through DGH) providing: (i) details of the Reservoir, (ii) details relating to the area falling in the Other Block, (iii) all such other data and information that the Contractor may determine to be relevant. The Contractor shall provide a copy of the Joint Development Application to the Other Contractor prior to or at

the time of its submission to the Government.

The Government (acting through DGH) shall carry out preliminary evaluation on the basis of available data for the Contract Area and the Other Contract Area. In the event the Government (acting through DGH) believes that the Reservoir is common, then the Government will direct the Managing Committees of the Block and Other Block to carry out a hydrocarbon balancing study and submit a proposal for joint development of the Reservoir by the Contractor and Other Contractor.

In the event the Contractor and Other Contractor are not able to come to a consensus, the Government (acting through DGH), at the cost of the Contractor and Other Contractor, shall 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 Contractor and Other Contractor in this regard. Such a joint development plan, if approved by Government, shall be binding on the Contractor and Other Contractor, notwithstanding their disagreement with the plan. However, the Contractor and the Other Contractor may in case of any disagreement on the issue of joint development or the proposed joint development plan, prepared in accordance with Article 12.4 or within forty five (45) Business Days of the plan approval as aforesaid in this Article, notify the Government that they elect to surrender their rights in the Reservoir in lieu of participation in a joint development.

ARTICLE 13
MEASUREMENT OF PETROLEUM

- 13.1 Petroleum used for internal consumption, Petroleum Operations, flared, saved and sold from the Contract Area shall be measured for volume, weight and quality by methods and appliances as laid down by DGH adopted by the Management Committee.
- 13.2 The Government may, at all reasonable times, inspect and test the appliances used for measuring the volume and determining the quality of Petroleum, provided that any such inspection or testing shall be carried out in such a manner so as not to unduly interfere with Petroleum Operations and may at any time be at variance with Article 13.3(b).
- 13.3 Before commencement of production from the Contract Area, the Parties shall, subject to Article 13.7, mutually agree on:
- (a) the point or points at which Petroleum shall be measured which shall include: (i) measurement at the Well Head; and (ii) measurement at the identified Delivery Points, *provided that* the measurement at the Well Head shall only be for the purposes of information and record and shall be submitted to the Government on a Monthly basis;
 - (b) the frequency of inspections and testing of measurement appliances and relevant procedures relating thereto;
 - (c) the consequences of a determination of an error in measurement;
 - (d) reconciliation mechanism between Petroleum Produced and Saved and Petroleum sold; and
 - (e) methods to be employed for measurement of volume, weight and quality.
- 13.4 The Contractor shall undertake to measure the volume and quality of the Petroleum Produced and Saved from the Contract Area at the agreed measurement point consistent with Good International Petroleum Industry Practices (GIPIP) with the frequency and according to procedures agreed pursuant to Article 13.3. The Contractor shall not make any alteration in the agreed method or procedures for measurement or to any of the approved appliances used for that purpose without the written consent of the Management Committee.
- 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 authorized representatives, such operations.
- 13.6 The Contractor shall keep all the records of analysis and measurement of hydrocarbons calibrations and proving of measurement system and make available to Government or its authorized agency such records on request or at the end of every quarter.
- 13.7 Notwithstanding herein above, the Government may issue directions to the Contractor on the methodology of measurement, the equipment used for the measurement and the point of measurement of petroleum and the Contractor shall be bound by such directions.

ARTICLE 14
PROTECTION OF THE ENVIRONMENT

- 14.1 The Government and the Contractor recognize that Petroleum Operations will cause some impact on the environment in the Contract Area. Accordingly, in performance of the Contract, the Contractor shall conduct its Petroleum Operations in compliance with all applicable laws and notifications on protection of environment and obtain the clearances required in accordance with applicable rules, regulations, notifications or orders (as applicable), including the Environment Act 2006, the Environment Impact Assessment Notification issued by the Ministry of Environment and Forest, Government of India with due regard to concerns with respect to protection of the environment and conservation of natural resources and shall in particular:
- (a) employ Good International Petroleum Industry Practices (GIPIP) and standards including advanced techniques, practices and methods of operation for the prevention of Environmental Damage in conducting its Petroleum Operations;
 - (b) take necessary and adequate steps to:
 - (i) prevent Environmental Damage and, where some adverse impact on the environment is unavoidable, to minimize such damage and the consequential effects thereof on property and people;
 - (ii) ensure adequate compensation for injury to persons or damage to property caused by the effect of Petroleum Operations;
 - (c) comply with the requirements of applicable laws and the reasonable requirements of the Government from time to time, and
 - (d) shall ensure that:
 - (i) Petroleum Operations are conducted in an environmentally acceptable and safe manner consistent with Good International Petroleum Industry Practices (GIPIP) and that such Petroleum Operations are properly monitored;
 - (ii) the pertinent completed environmental impact studies are made available to its employees and to its contractors and Subcontractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out the Petroleum Operations; and
 - (iii) the contracts entered into between the Contractor and its contractors and Subcontractors relating to its Petroleum Operations shall include the provisions stipulated herein and any established measures and methods for the implementation of the Contractor's obligations in relation to the environment under this Contract.
- 14.2 If the Contractor fails to comply with the provisions of Article 14.1.b. ((i) and/or (ii)) and/or contravenes any relevant law, and such failure or contravention results in any Environmental Damage, the Contractor shall forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.
- 14.3 If the Government in accordance with the laws has good reason to believe that any works or installations erected by the Contractor or any operations conducted by the Contractor are

endangering or may endanger persons or any property of any person, or are causing or may cause pollution, or are harming or may harm fauna or flora or the environment to a degree which the Government deems unacceptable, the Government may require the Contractor to take remedial measures within such reasonable period as may be determined by the Government and to repair any such damage. If the Government deems it necessary, it may also require the Contractor to discontinue Petroleum Operations in whole or in part until the Contractor has taken such remedial measures or has repaired any damage caused.

- 14.4 The measures and methods to be used by the Contractor for the purpose of complying with the terms of Article 14.1.b.(i) shall be determined in timely consultation with the Government upon the commencement of Petroleum Operations or whenever there is a significant change in the scope or method of conducting Petroleum Operations and shall take into account the international standards applicable in similar circumstances and any environmental impact study (if any) shall be carried out in accordance with applicable Environment Impact Assessment Notification as applicable from time to time. The Contractor shall notify the Government, in writing, of the measures and methods finally determined by the Contractor and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.
- 14.5. 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 accord environmental clearance in accordance with the relevant notifications, rules, regulations and orders concerning Environmental Impact Assessment issued by the Ministry of Environment and Forests from time to time. However, wherever forest land is involved, the Contractor shall have to obtain approval of the Central Government through the State Government concerned under the Forest (Conservation) Act, 1980 and Rules made thereunder. In the event the Government or the State Government takes more than the time period stipulated under the applicable laws for providing such clearances, or where no specific time period is provided for grant of such clearance, more than 120 (one hundred and twenty) days (“**Approval Period**”), then the days taken by the Government or State Government in addition to the Approval Period to grant such approval (“**Extra Days**”) shall be taken into account in determining all time periods provided for discharge of obligations of the Contractor under the Contract and such time periods, if already determined, shall stand extended by the number of Extra Days.
- 14.6 The Contractor shall, prior to conducting any drilling activities, prepare and submit for review by the Government contingency plans for dealing with Oil spills, fires, accidents, blow outs and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with the Government and concerns expressed shall be taken into account.
- 14.6.1 In the event of an emergency, accident, Oil spill or fire or accident arising from Petroleum Operations affecting the environment, the Contractor shall forthwith notify the Government and shall promptly implement the relevant contingency plan and perform such Site Restoration as may be necessary in accordance with Good International Petroleum Industry

Practices (GIPIP).

- 14.7 In the event that the Contractor fails to comply with any of the terms contained in Article 14.6 within a period specified by the Government, the Government, after giving the Contractor reasonable notice in the circumstances, may take any action which may be necessary to ensure compliance with such terms and to recover from the Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with interest compounded on daily basis at LIBOR plus 2 percentage from the date of commencement of obligation of the Contractor.
- 14.8 The Contractor shall prepare a proposal for the restoration of site including abandonment plan and requirement of funds for this and the annual contribution and such proposal shall be submitted for the consideration and approval of the Management Committee. The annual contribution at% of actual audited expenditure for year shall be made by the Contractor from in the Site Restoration fund account, which will be created and maintained, in accordance with the Site Restoration Fund Scheme-1999, as amended by the Government from time to time or any other scheme notified by the Government. For this purpose, the annual contribution to Scheme shall be calculated based on unit of production method i.e. Reserve to Production Ratio, or any other guideline/direction issued by the Government in this regard. The activity of site restoration will be done as per applicable rules / standards / notifications / guidelines. Unless stated otherwise in the applicable rules / standards / notifications / guidelines the Contractor shall create the Site Restoration Fund and commence its annual contribution from the year in which Petroleum is Produced and Saved from Production Operations. For the purpose of this contract, the word profit petroleum mentioned in the Site Restoration Fund Scheme - 1999 may be read as Revenue.
- 14.9 In this Article, a reference to Government includes the State Government.
- 14.10 Where the Contract Area is partly located in areas forming part of certain national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas passage through these areas shall generally not be permitted. However, if there is no passage, other than through these areas to reach a particular point beyond these areas, permission of the appropriate authorities shall be obtained.
- 14.11 The obligations and liability of the Contractor for the environment hereunder shall be limited to damage to the environment which:
- (a) occurs after the Effective Date; and
 - (b) results from an act or omission of the Contractor.
- 14.12 The contractor shall complete site restoration within 6 months from date of termination/ relinquishment of contract whichever is earlier. Failure to complete site restoration shall hold the contractor liable for damages equivalent to the cost of restoration as estimated by DGH.

ARTICLE 15
REVENUE SHARE

- 15.1 “Revenue” for the purposes of determining the Government’s share of Revenue under this Contract shall be:
- (i) all amounts that are accruing to the Contractor, net of taxes on sales, on account of the Petroleum Produced and Saved from the Contract Area, including the stock in hand, during a Month after the Effective Date; LESS
 - (ii) Royalty for that Month
- 15.2 The Contractor shall pay the Government on a monthly basis (in accordance with Article 15.5 below), the Government’s Share of Revenue from the Revenue for such Month (as determined in accordance with Article 15.1) from the Contract Area, in accordance with the provisions of this Article 15.
- 15.3 The Government’s share of Revenue for a Month, *when the average daily Revenue as reduced by Royalty for the relevant Month is less than or equal to LRP*, shall be X% of Revenue as determined in Article 15.1.
- 15.4 The Government’s share of Revenue for a Month, *when the average daily Revenue as reduced by Royalty for the relevant Month is equal to or more than the HRP* shall be Y% of Revenue as determined in Article 15.1.
- 15.5 The Government’s share of Revenue for a Month, *when the average daily Revenue as reduced by Royalty for the relevant Month is more than the LRP and less than the HRP*, shall be determined as under:

$$\text{Government's share of Revenue} = X + [(Y-X) \times (R-LRP) / (HRP - LRP)]$$

Where:

“**Z**” = % of Government share of Revenue at any level, which *is more than the LRP and less than the HRP*

“**X**” = % of Government share of Revenue at LRP level.

“**Y**” = % of Government share of Revenue at HRP level;

“**R**” = Average daily Revenue determined as per article 15.1

“**HRP**” = the meaning ascribed to it in Article 1.1.61 of this Contract

“**LRP**” = the meaning ascribed to it in Article 1.1.69 of this Contract

- 15.6 The Government's share of Revenue for a month shall be paid by the Contractor to the Government latest by the end of succeeding Month. In the event of any failure to pay Government's share of revenue within the due date, the contractor shall pay interest compounded on daily basis for the entire period of delay at applicable LIBOR plus two (2) percentage points. . If the contractor fails to pay Govt. share of revenue within 30 days after the due date, it will be considered as a material breach of contract.
- 15.7 The Contractor shall remit Royalty and Government Share of Revenue in Indian National Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency the Reserve Bank of India Reference Rate of Exchange for the transaction day on which the revenues receipts or income are recorded shall be used.

ARTICLE 16
TAXES, ROYALTIES, RENTALS, DUTIES ETC

- 16.1 Companies and operations under this Contract shall be subject to all fiscal legislation in India except where, pursuant to any authority granted under any applicable law, they are exempted wholly or partly from the application of the provisions of a particular law or as otherwise provided herein.
- 16.2 All expenditures incurred by the contractor on exploration, development and production shall be allowed as deduction u/s 42 of Income Tax Act or under equivalent provisions in subsequent acts/ laws for the purpose of computation of Taxable income.
- An illustrative list of fiscal laws, rules and notifications governing petroleum operations is given in Appendix J:
- In the event of any inconsistency as between laws, rules, notifications specified in Appendix J and any enactment and or any rule prescribed or notification issued thereunder, the relevant act or rule or notification, as the case may be, shall apply.
- 16.3 The Contractor (Lessee) shall be required to pay Royalty to the State Government(s) (Lessor) (in case of onshore areas) and to the Central Government (in case of offshore areas), at the rates specified in Appendix-K of this contract, of the value of the Petroleum receivable by the contractor.
- 16.4 Cess under OIDB Act shall not be applicable on crude oil production from these blocks.

ARTICLE 17
DOMESTIC SUPPLY, SALE, DISPOSAL AND EXPORT OF NATURAL GAS,
CRUDE OIL AND CONDENSATE

- 17.1 Until such time as the total availability of Crude Oil and Condensate and/or Natural Gas from all Petroleum production activities in India meets the total national demand as determined by the Government, each Member of the Contractor, shall sell in the domestic market in India all of the Company's entitlement to Crude Oil and Condensate and/or Natural Gas from the Contract Area.
- 17.2 If India attains Self-sufficiency in Natural Gas and/or Crude Oil and Condensate, during any year, the Government shall advise the Contractor accordingly by a written notice. In such an event, domestic sale obligation shall be suspended for such period as may be specified by the Government, and the Contractor/ each Member thereof (if any) shall have the right to lift and export its Participating Interest share of Crude Oil and Condensate and/or Natural Gas during the said period, subject to any other extant policy guidelines of the Government applicable from time to time.
- 17.3 If Self-sufficiency ceases to exist, the position shall revert to domestic sale obligation as outlined in Article 17.1.
- 17.4 Each Company comprising the Contractor shall, throughout the term of this Contract, have the right to separately take in kind and dispose of all its share from its Participating Interest and shall have the obligation to lift the said Petroleum on a current basis and in such quantities so as not to cause a restriction of production or inconvenience to the other Company (ies).
- 17.5 The Contractor has to ensure a fully transparent and competitive process for sale of crude oil, condensate and natural gas with the objective that the best possible price is realized, to the benefit of all parties to this Contract, without any restrictive commercial practices following the principles of arm's length sales. An advertisement / Notice Inviting Tender (NIT) / e-Tender should be notified widely by the Contractor, in at least one local language daily newspaper and one English language national daily newspaper and other suitable electronic media, mentioning inter-alia the quality and quantity of petroleum available for sale. Detailed information on the evaluation criteria to be used along with broad salient features of Sale Agreement to be executed by the buyer shall also be made known and sufficient time is to be allowed to ensure maximum participation of all likely buyers in this process. The information regarding the final agreement reached by the buyer shall be hosted on the Contractor's / Operator's website and also communicated to DGH / Government.
- 17.6 Sale of Petroleum to any affiliate of the Contractor is permitted, provided that, an Affiliate of the Contractor can participate in the transparent bidding process and would be allowed to be the purchaser only in the event its bid price at which it would be purchasing the Petroleum is higher than all other bidders or entities to which the Contractor may be selling the Petroleum

17.7 For the purpose of implementing the provisions of this Article, a Crude Oil lifting procedure, Crude Oil sales agreement, sale of Natural Gas, and Gas sale and purchase agreement; based on generally acceptable international terms shall be agreed upon by the Contractor with buyer(s) no later than six (6) Months or such shorter period as may be mutually agreed between the Contractor and buyer(s) under intimation to the Government prior to the commencement of production in a Field. Such lifting procedure/sale of Natural Gas shall be made available to all the Parties to this Contract.

ARTICLE 18
JOINT DEVELOPMENT OF COMMON INFRASTRUCTURE

- 18.1 The Contractor and other party(ies) having rights over any other block, whether such block lies adjacent to the Contract Area or not, can mutually agree to:
- (i) terms and conditions of using for their respective Petroleum Operations any infrastructure(s) already existing in relation to any Block or Contract Area; or
 - (ii) develop common infrastructure(s) in accordance with the terms and conditions mutually agreed to between the Contractor and the other party (ies).
- 18.2 Any agreement on joint development of infrastructure pursuant to Article 18.1 shall be submitted to the Government, for its information and records, within seven (7) days of execution of such agreement.

ARTICLE 19
VALUATION OF PETROLEUM

- 19.1 The Contractor shall have the right to use Petroleum produced from the Contract Area for the purpose of Petroleum Operations including reinjection for pressure maintenance in Oil Fields, gas lifting and captive power generation required for Petroleum Operations. *Provided that* the Contractor shall submit at the end of each month the records relating to the quantity of Petroleum used for the purposes of Petroleum Operations to the Management Committee for its information and records.
- 19.2 For the purpose of this Contract, the value of Petroleum shall be determined in terms of United States Dollars based on the pricing methodology provide herein.

a) Valuation of Petroleum (other than Natural Gas)

The Contractor will be free to sell the Petroleum exclusively in domestic market, subject to Article 17, through a transparent bidding process on Arm's Length Sales basis.

Government's share of Revenue shall be calculated based on the actual price arrived through transparent bidding on Arm's Length basis.

However, in case of sales to affiliate, subject to Article 17, Government's share of Revenue shall be calculated based on the higher of the price arrived through bidding and the price of Indian Basket of Crude Oil (currently comprising of Sour Grade (Oman & Dubai Average) and Sweet Grade (Brent Dated) of Crude Oil processed in Indian refineries) as calculated by Petroleum Planning and Analysis Cell (PPAC) on a monthly basis.

b) Valuation of Natural Gas.

The Contractor will have freedom for pricing and sale of gas produced from Contract Area on Arm's Length Sales basis. .

Government's share of Revenue shall be calculated based on the actual price arrived through transparent bidding on Arm's Length basis.

However, in case of sales to affiliate, subject to Article 17, Government's share of Revenue shall be calculated based on the higher of the price arrived through bidding and the price calculated as per the Domestic Natural Gas Pricing Guidelines in vogue at relevant point of time.

ARTICLE 20
EMPLOYMENT, TRAINING AND TRANSFER OF TECHNOLOGY

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

ARTICLE 21
LOCAL GOODS AND SERVICES

21.1 In the conduct of Petroleum Operations, the Contractor shall:

- (a) give preference to the purchase and use of goods manufactured, produced or supplied in India provided that such goods are available on terms equal to or better than imported goods with respect to timing of delivery, quality and quantity required, price and other terms;
- (b) employ Indian Subcontractors having the required skills or expertise, to the maximum extent possible, insofar as their services are available on comparable standards with those obtained elsewhere and at competitive prices and on competitive terms; provided that where no such Subcontractors are available, preference shall be given to non-Indian Subcontractors who utilize Indian goods to the maximum extent possible, subject, however, to the proviso in Para (a) above; and
- (c) ensure that provisions in terms of Para (a) and (b) above are contained in contracts between the Operator and its Subcontractors.

21.2 Within sixty (60) days after the end of each Year, the Contractor shall provide the Government with a report outlining its achievements in utilizing Indian resources during that Year.

21.3 In this Article “goods” means equipment, materials and supplies.

ARTICLE 22
INSURANCE AND INDEMNIFICATION

22.1 Insurance

22.1.1 The Contractor shall, during the term of this Contract, maintain and obtain insurance coverage for and in relation to Petroleum Operations for such amounts and against such risks as are customarily or prudently insured in the international petroleum industry in accordance with Good International Petroleum Industry Practices (GIPIP), and shall within two (2) Months of the date of policy or renewal furnish to the Government (acting through DGH), certificates evidencing that such coverage is in effect. Such insurance policies shall include the Government as additional insured and shall waive subrogation against the Government. The said insurance shall, without prejudice to the generality of the foregoing, cover:

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

22.1.2 The Contractor shall require its Subcontractors to obtain and maintain insurance against the risks referred to in Article 22.1.1 relating mutatis mutandis to such Subcontractors.

22.2 Indemnity

Subject to Article 4.7, the Contractor shall indemnify, defend and hold the Government, and the State Government harmless against all claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons caused by or resulting from any Petroleum Operations conducted by or on behalf of the Contractor.

ARTICLE 23
RECORDS, REPORTS, ACCOUNTS AND REVENUE AUDIT

23.1 The contractor shall maintain in original at an office in India adequate verifiable records of production and sales transactions which shall be used for valuation of petroleum for computing Government share of Revenue for currency of the contract. The Financial statements shall be prepared both in USD and INR using RBI reference rate. The Quantitative statements shall be prepared in barrels & MMT for crude oil and condensates and in MMBtu and MMSCM for Natural Gas.

For the purpose of this Contract, the Contractor shall maintain a separate bank account in a Scheduled Commercial Bank.

23.2 The Contractor shall prepare, maintain and submit to the Government monthly statements of Revenue, Production, and computation of Royalty and Government's Share of Revenue, in the prescribed format (s) by 7th day of the following month.

23.3 Annual audit of statement pertaining to Revenue, Production, and computation of Royalty and Government's Share of Revenue shall be done by auditor appointed by the Contractor. Scope of such an audit shall include items required as per CAG. The Audited statements shall be submitted to the Government within 2 months from the close of relevant financial year. The audit shall be carried out on the behalf of the Contractor by an independent firm of Chartered Accountants, registered in India in accordance with the generally accepted auditing and accounting practices in India.

Copy of the auditor's report shall be submitted to the Government within thirty (30) days after the approval of the Management Committee.

23.4 The Government or its appointed agency shall have the right to audit the Revenue and Production under this contract.

23.5 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.

23.6 For the purpose of any audit pursuant to this Contract, the Contractor shall make available in original to the auditor all such books, records, accounts and other documents and information as may be reasonably required by the auditor during normal business hours.

ARTICLE 24
INFORMATION, DATA, CONFIDENTIALITY, INSPECTION AND SECURITY

- 24.1 The Contractor shall, promptly after they become available in India, provide the Government, free of cost, with all data obtained as a result of Petroleum Operations under the Contract including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, Well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations (hereinafter referred to as “Data”). Data shall be the property of the Government, provided, however, that the Contractor shall have the right to make use of such Data, free of cost, for the purpose of Petroleum Operations under this Contract as provided herein.
- 24.2 The Contractor may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, retain original material constituting Data with the approval of the Government. In case the Data is capable of reproduction and copies or samples have been supplied to the Government in equivalent quality, size and quantity, the Contractor may, export samples or original Data for processing or laboratory examination or analysis subject to the right of inspection by the Government and applicable regulations.
- 24.3 The Contractor shall keep the Government currently advised of all developments taking place during the course of Petroleum Operations and shall furnish the Government with full and accurate information and progress reports relating to Petroleum Operations (on a daily, Monthly, Yearly or other periodic basis) as Government may reasonably require, provided that this obligation shall not extend to proprietary technology. The Contractor shall meet with the Government at a mutually convenient location in India to present the results of all geological and geophysical work carried out as well as the results of all engineering and drilling operations as soon as such Data becomes available to the Contractor.
- 24.4 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 prior consent in writing of the other Parties.
- 24.5 The obligation specified in Article 24.4 shall not operate so as to prevent disclosure:
- (a) to Affiliates, contractors, or Subcontractors for the purpose of Petroleum Operations;
 - (b) to employees, professional consultants, advisers, data processing centers and laboratories, where required, for the performance of functions in connection with Petroleum Operations for any Party comprising the Contractor;
 - (c) to banks or other financial institutions, in connection with Petroleum Operations;
 - (d) to bonafide intending assignees or transferees of a Participating Interest of a Party comprising the Contractor or in connection with a sale of the stock or shares of a Party comprising the Contractor;

- (e) to the extent required by any applicable law or in connection with any legal proceedings or by the regulations of any stock exchange upon which the shares of a Party or an Affiliate of a party comprising the Contractor are quoted;
- (f) to Government departments for, or in connection with, the preparation by or on behalf of the Government of statistical reports with respect to Petroleum Operations, or in connection with the administration of this Contract or any relevant law or for any purpose connected with Petroleum Operations; and
- (g) by a Party with respect to any Data or information which, without disclosure by such Party, is generally known to the public.

24.6 Any Data, information or reports disclosed by the Parties comprising the Contractor to any other person pursuant to Article 24.5 (a) to (d) shall be disclosed on the terms that such Data, information or reports shall be treated as confidential by the recipient. Intimation of disclosures made by Companies pursuant to Article 24.5 shall be given to the Government.

24.7 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 acreages, may be disclosed by the Government for such purpose. Government may also disclose such Data or information for any exploration programme to be conducted by a third party in adjoining areas with the consent of the Contractor, for better understanding of regional geological set-up and such consent by the Contractor shall not be unreasonably withheld.

24.8 Where an area ceases to be part of the Contract Area, the Contractor shall hand over all the originals and copies of the Data and information with respect to that part to the Government within a period of one (1) year from the date of relinquishment or surrender. The Contractor shall, however, be allowed to retain one copy of the Data in its possession for its own use, where required, and shall not use the Data for sale or any other purposes. Subject to the provisions of this Article, the Contractor shall keep all Data/information confidential.

(Explanatory Note: Pursuant to this Article 24, and notwithstanding any provision 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 report 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. For any relinquished areas the Government shall have right to disclose and freely use all the data immediately after such relinquishment.)

24.9 The Government shall, at all reasonable times, through duly authorized representatives, be entitled to observe Petroleum Operations and to inspect all assets, books, records, reports, contracts, samples and Data kept by the Contractor or the Operator in respect of Petroleum Operations in the Contract Area, provided, however, that the Contractor shall not be required to disclose any proprietary technology. The duly authorized 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) man days in a Year and thereafter at the cost of Government. The said representatives shall be entitled to make a reasonable number of surveys, measurements, drawings, tests and copies of documents, take samples, and make reasonable use of the equipment and instruments of the Contractor provided that such functions shall not unduly interfere with the Contractor's Petroleum Operations.

- 24.10 The Contractor shall give reasonable advance notice to the Government, or to any other authority designated by the Government for such purpose, of its programme of conducting surveys by aircraft or by ships, indicating, inter alia, the name of the survey to be conducted, approximate extent of the area to be covered, the duration of the survey, the commencement date, and the name of the airport or port from which the survey aircraft or ship will commence its voyage.
- 24.11 The Government, or the authority designated by the Government for such purpose, shall have the right to inspect any aircraft or ship used by the Contractor or a Subcontractor carrying out any survey or other operations in the Contract Area and shall have the right to put on board such aircraft or ship, Government officers in such number as may reasonably be necessary to ensure compliance by the Contractor or the Subcontractor with the security requirements of India.
- 24.12 From the date of first production of Petroleum from the Contract Area the Contractor shall submit a monthly Production Statement to the DGH showing the following information separately of each producing Field and in aggregate for the Contract Area:
- (a) The quantity of Crude Oil and Condensate produced and saved.
 - (b) The quality and characteristics of such Crude Oil and Condensate produced and saved.
 - (c) The quantity of Associated Natural Gas and Non Associated Natural Gas produced and saved.
 - (d) The quality, characteristics and composition of such Natural Gas produced and saved separately.
 - (e) The quantities of Crude Oil, Condensate and Natural Gas used for the purposes of carrying on drilling and production operations and pumping to field storage, as well as quantities re-injected.
 - (f) The quantities of Crude Oil, Condensate and Natural Gas unavoidably lost.
 - (g) The quantities of Natural Gas flared and vented.
 - (h) The size of Petroleum stocks held on the first day of the Month in question.
 - (i) The size of Petroleum stocks held on the last day of the Month in question.
 - (j) The quantities of Natural Gas re-injected into the Petroleum Reservoir.
 - (k) The number of days in the Month during which Petroleum was produced from each Field.
 - (l) The Gas-Oil ratio for each Reservoir and Field/ Cluster for the relevant Month.

- (m) Water production, water injection and Reservoir pressure data for each Reservoir and Field.
 - (n) The quantities of Crude Oil, Condensate and Natural Gas sold to every buyer
 - (o) The status of all the wells in the field / cluster by categorizing in flowing, non-flowing, on artificial lift, under workover etc. with future action plan, if any.
- 24, 13_ If the contractor does not provide to the DGH relevant information; or suppresses key data; or omits data to present the incomplete picture regarding exploration and/or development and/or production, it shall be considered as material breach of the contract.

ARTICLE 25

TITLE TO PETROLEUM, DATA AND ASSETS

- 25.1 The Government is the sole owner of Petroleum underlying the Contract Area and shall remain the sole owner of Petroleum produced pursuant to the provisions of this Contract except as regards that part of Crude Oil, Condensate or Gas, the title whereof has passed to the Contractor or any other person in accordance with the provisions of this Contract.
- 25.2 Title to Petroleum to which the Contractor is entitled under this Contract, and title to Petroleum sold by the Contractor/ Members thereof (as applicable) shall pass to the relevant buyer party / beyond the Delivery Point
- 25.3 Title to all Data specified in Article 24 shall be vested in the Government and the Contractor shall have the right to use thereof as therein provided.
- 25.4 The Contractor shall have the right to use the assets it purchased/constructed for Petroleum Operations pertaining to the Contract Area, However, the Government shall have full title and ownership of any or all assets, whether fixed or movable, acquired by the Contractor for use in petroleum operations inside or outside the Contract Area.
- 25.5 The Contractor shall be responsible for proper maintenance, insurance and safety of all assets acquired for Petroleum Operations and for keeping them in good repair, order and working condition at all times.

ARTICLE 26
ASSIGNMENT OF PARTICIPATING INTEREST

26.1 Subject to the terms of this Article and other terms of this Contract, any Member comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that:

- (a) the prospective assignee or transferee, has the capacity and ability to meet its obligations hereunder, and is willing to provide an unconditional undertaking to the Government to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;
- (b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;
- (c) the assignee or transferee is 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;
- (d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.

26.2 Subject to Article 26.7, nothing in this Article 26 shall prevent a Party comprising the Contractor from assigning or transferring a part or all of its Participating Interest to an Affiliate, with the approval of the Government, *provided that*:

- (a) the assignee provides an irrevocable, unconditional bank guarantee from a Scheduled Commercial Bank in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27.3, in a form provided at Appendix G.
- (b) the assignee provides a parent financial and performance guarantee issued by the guarantor which furnished the guarantee pursuant to Article 27 in respect of the assignor Party's obligations under this Contract in favor 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;
- (d) the assignment will not adversely affect the performance or obligations under this Contract or be contrary to the interest of India.

26.3 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 Article 27.1(a), 27.1 (b) and 27.2;

the Company shall seek prior written consent of the Government for assigning the Participating Interest under the changed circumstances and the provisions of this Article 26 shall apply, *mutatis mutandis*, to be obtaining of such consent. For the purpose of this Article,

control has the same meaning as in Article 1.1.2.

- 26.4 An application for consent to assign or transfer shall be accompanied by all relevant information concerning the proposed assignment or transfer including detailed information on the proposed assignee or transferee and its shareholding and corporate structure, as was earlier required from the Companies constituting the Contractor, the terms of the proposed assignment or transfer and the unconditional undertaking referred to in Article.
- 26.5 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.
- 26.6 No assignment or transfer shall be effective until the approval of the Government is received or deemed to have been received. Approval may be given by the Government on such terms and conditions as it may deem fit. *Provided that*, such terms and conditions may not increase the obligations of the Members comprising the Contractor. Upon assignment or transfer of its interest in this Contract, the assignor or transferor shall be released and discharged from its obligations hereunder only to the extent that such obligations are assumed by the assignee or transferee with the approval of the Government.
- 26.7 In the event that the Government does not give its prior written consent or does not respond to a request for assignment or transfer by a Member comprising the Contractor within one hundred and twenty (120) days of such request and receipt of all information referred to in Article 26.2 above, consent shall be deemed to have been given by the Government.
- 26.8 An assignment or transfer shall not be made where the Participating Interest to be retained by the proposed assignor or the percentage interest of assignee shall be less than ten per cent (10%) of the total Participating Interest of all the constituents of the Contractor, except where the Government, on the recommendations of the Management Committee may, in special circumstances, so permit.
- 26.9 Nothing contained in this Article 26, shall prevent a Member comprising the Contractor from mortgaging, pledging, charging or otherwise encumbering at its own risk and cost all or part of its Participating Interest for the purposes of security relating to finance to the extent required for performing its obligation under the Contract, provided that:
- (i) such Member shall remain solely liable for all its obligations relating to its Participating Interest to the exclusion of the other participants thereto;
 - (ii) the encumbrance shall be expressly subordinated to the rights of the other Parties under this Contract. The obligations occurring from the said encumbrance shall be the sole responsibility of the original Party that created the said encumbrance and shall in no manner compromise the rights of other Parties to the Contract;
 - (iii) such Party has given reasonable notice of such encumbrance and furnishes to all other

- Parties (including, for the avoidance of doubt, the Government) a certified copy of the executed instrument(s) evidencing the encumbrances;
- (iv) keeping in view the national interest of India, prior consent of the Government shall be required (which consent shall not be unreasonably withheld) of the list of potential lenders with whom such Party can consider hypothecation;
 - (v) the Party creating the charge shall ensure that such charge shall not in any way affect the interest of other Parties or result in interference with joint operations. In the event of any claims or liabilities imposed on other Parties because of the creation of such charges, the Party having created charge on its Participating Interest shall indemnify the other Parties; and
 - (vi) in case of foreclosure or default by a borrowing Party, the mortgagee shall not be deemed to have acquired a right to carry on either by itself or through an agent, the Petroleum Operation, without the prior written consent of the Government of India.

26.10.1 The Parties acknowledge that to obtain financing a Party (“Borrower”) will be required to secure for a permitted chargee the right to receive a copy of any notice served on the Borrower and the Parties agree that they shall serve a copy of any such notice on any such permitted chargee in accordance with the provisions of Article 36 at the same time as such notice is served on the Borrower. For the purposes of Article 36 the address for service of notices of the permitted chargee shall be that specified in the instrument or instruments referred to in Article 26.9. (iii).

26.10.2 In case lender elects to participate directly or through a company other than the Borrower under the financing arrangement referred to above, the same shall be subject to the rights of Government as contained in Article 26.1 of Contract and the pre-emptive rights of the Parties as may be contained in Operating Agreement. Any Party which wishes to exercise the said pre-emptive rights will explicitly assume the obligation on the same terms and conditions as the Borrower.

ARTICLE 27
GUARANTEES

- 27.1 Each of the Members constituting the Contractor or their Parent Companies or the Operator on behalf of the other Members, shall procure and deliver to the Government within thirty (30) days from the date on which this Contract is executed by the Parties:
- (a) an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27.3 and valid for the period of 3 years for which bid commitments are made as specified in Article with claim period of 60 days, in a form provided at Appendix....G;
 - (b) financial and performance guarantee in favor of the Government from a Parent Company acceptable to the Government, in the form and substance set out in Appendix E, 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 F.
 - (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;¹⁴
- 27.2 If the Contractor elects to retain the entire Contract Area at the end of the Initial Exploration Phase by committing to complete the Subsequent Work Programme for Subsequent Exploration Phase as provided in Article 5.2, each of the Companies constituting the Contractor shall procure and deliver to the Government before the expiry of the Initial Exploration Phase an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27.3 and valid for the Subsequent Exploration Phase opted by the Contractor, in a form provided at Appendix G.
- 27.3 (a) The amount of the guarantee referred to in Articles 27.1 (a) and 27.2 above shall be an amount equal to Liquidated Damages specified in Article 5.5 in respect of work committed under the bid.
- (b) after the completion and due performance of the Committed Work Programme during Initial Exploration Phase or the Subsequent Exploration Phase (as the case may be, the guarantee will be released in favor of the Company on presentation to the bank of a certificate from the Government that the obligation of the Contractor has been fulfilled or license has been denied by the Central or state Government(s) as the case may be and the guarantee may be released. A certificate shall be provided within thirty (30) days from the completion of the said Work Programme and fulfilment of obligations under the Contract to the satisfaction of the Government or on submission of proof of rejection of license by

¹⁴ Legal Note: The sub-clauses (b) and (c) are from previous PSC and have been retained.

the government as the case may be.

- 27.4 If the Contractor elects to proceed to the Subsequent Exploration Phase, a Bank guarantee for the additional committed Work Programme shall be delivered by the Contractor as provided in Article 27.2.
- 27.5 If any of the documents referred to in Article 28.1 are not delivered within the period specified herein, this Contract may be terminated by the Government upon ninety (90) days written notice of its intention to do so.
- 27.6 Subject to Article 27.7, notwithstanding any change in the composition or shareholding of the parent company furnishing a performance guarantee as provided herein, it shall, not under any circumstances, be absolved of its obligations contained in the guarantees provided pursuant to Article 27.1(b).
- 27.7 If:
- (a) a Party (“Assignor”) assigns all or a part of its Participating Interest to a third party (“Assignee”) in accordance with Article 26;
 - (b) the Assignee provides an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favor of the Government, for an amount equal to the assignee’s Participating Interest share of the estimated expenditure of the Committed Work Programme of the Initial Exploration Phase or the Subsequent Work Programme, during Subsequent Exploration Phase, if opted and current at the Effective Date of the assignment;
 - (c) the Assignee provides performance guarantee and legal opinion in terms of this Article;
 - (d) the addendum to the Contract giving effect to the assignment of Participating Interest is executed by all Parties;
- then the Government shall release the guarantee given by the assignor under Article 27.1 (a) to the extent of the amount of the guarantee provided by the assignee and where relevant the guarantee under Article 27.1 (b).

ARTICLE 28
TERM AND TERMINATION OF THE CONTRACT

- 28.1 The duration of this Contract shall commence from the Effective Date and shall continue for the period of the License and any Lease granted thereunder, unless the Contract is terminated earlier in accordance with its terms, and shall be deemed to have been terminated, if for any reason, the Contractor ceases to hold such License or Lease.
- 28.2 Subject to the provision of Articles 5, 14 and 28.6 and without prejudice to the provisions of Article 28.7 or any other provisions of this Contract, the Contractor shall have the right to terminate this Contract:
- (a) with respect to any part of the Contract Area other than a Development Area then producing, or that prior thereto had produced Petroleum, upon giving ninety (90) days written notice of its intention to do so; and
 - (b) with respect to any Development Area in which Petroleum is being produced, or that prior thereto had produced Petroleum, or from where the production becomes uneconomical to produce, upon giving at least one hundred and eighty (180) days written notice of its intention to do so.
- 28.3 This Contract may, subject to the provisions herein below and Article 30, be terminated by the Government upon giving 90 (ninety) days written notice with reasons to the other Parties of its intention to do so in the following circumstance, namely the Contractor or a Member comprising the Contractor (“**Defaulting Party**”):
- (a) has knowingly submitted any false statement to the Government in any manner which was a material consideration in the execution of this Contract; or
 - (b) has intentionally and knowingly extracted or authorized the extraction of hydrocarbon not authorized to be extracted by the Contract or without the authority of the Government or
 - (c) is adjudged bankrupt by a competent court or enters into or scheme of composition with its creditors or takes advantage of any law for the benefit of debtors; or
 - (d) has passed a resolution to apply to a competent court for liquidation of the Company unless the liquidation is for the purpose of amalgamation or reconstruction of which the Government has been given notice and the Government is satisfied that the Company’s performance under this Contract would not be adversely affected thereby and has given its approval thereto; or
 - (e) has assigned any interest in the Contract or part thereof without the prior written consent of the Government as provided in Article 26; or
 - (f) has failed to comply with any final determination or award made by a sole expert or arbitrators subject to Article 31; or
 - (g) has failed to carry out or observe any of the terms and conditions of the License or Lease or the provisions of the Acts or Rules in force thereunder, subject however, to Article 29; or

- (h) on notice of termination as provided in Article 27.5; or
- (i) has failed to submit the FDP in accordance with the terms of this Contract; or
- (j) committed a material breach by the Contract of its obligations under the Contract and such breach is not remedied within Ninety (90) days of receipt of the written notice from the Government specifying such material breach and requiring the Contractor to remedy the same; provided that if such breach cannot be cured within a period of 90 days after such notice with the exercise of reasonable diligence, then such 90 days period shall be extended for an additional period of 30 days so long as the Contractor is exercising reasonable diligence to cure such breach.

PROVIDED THAT

where the Contractor comprises two or more Members, the Government shall not exercise its rights of termination pursuant to Article 28.4, on the occurrence, in relation to one or more, but not all, of the Members comprising the Contractor, of an event entitling the Government to terminate the Contract,

- (A) if any other Member(s) constituting the Contractor (the “Non-Defaulting Members”) satisfies the Government that it, or they, is/are willing and would be able to carry out the obligations of the Contractor.
- (B) where the Non Defaulting Member with the consent of the Government, has/have acquired the Participating Interest of the defaulting Member and has/have procured and delivered to the Government a guarantee or guarantees as referred to in Article 27.1 in respect of the Participating Interest of the defaulting Member acquired by the Non Defaulting Member.

Provided further that, in the event there is no Non-Defaulting Member to carry on the obligations of the Contractor, the Lenders to the Contractor shall have the right to identify an entity to step-in and discharge and duly carry out the obligations of the Contractor (“**Replacement Contractor**”), within a period of 90 (ninety) days, or such extended period as may be granted by the Government following the notice of the Government’s intention to terminate the Contract pursuant to this Article 28.3. Upon identification of the Replacement Contractor by the lenders, the lenders shall submit the technical and financial details of the Replacement Contractor to the Government, which should be equivalent to the Contractor at the time of its selection and assure the Government of the ability of the Replacement Contractor to discharge the obligations under this Contract and to duly undertake and carry out the obligations of the Contractor. The Government shall, upon satisfaction of the ability of the Replacement Contractor to carry out the obligations of the Contractor hereunder, shall approve and agree to the assignment of the Contract to the Replacement Contractor.

28.4 This Contract may also be terminated by the Government on giving the requisite notice specified above if the events specified in Article 28.3 (c) and (d) occur with respect to a company which has given a performance guarantee pursuant to Article 27 subject however to

Article 28.5.

- 28.5 If the circumstances of Article 28.3 are remedied (whether by the defaulting Member or by Non-Defaulting Member or any third Party on its behalf) within the ninety (90) day period, or such extended period as may be granted by the Government, following the notice of the Government's intention to terminate the Contract as aforesaid, such termination shall not become effective.
- 28.6 On termination of this Contract, for any reason whatsoever, the rights and obligations of the Contractor shall cease but such termination shall not affect any rights of any Party which may have accrued or any obligations undertaken or incurred by the Contractor/ Members thereof (as the case may be) and not discharged prior to the date of termination.
- 28.7 In the event of termination pursuant to Articles 28.2, 28.3 or 28.4:
the Government may require the Contractor, for a period not exceeding one eighty (180) days from the date of termination, to continue, for the account and at the cost of the Government, Petroleum production activities until the right to continue such production has been transferred to another entity;
- 28.8 Within ninety (90) days after the termination of this Contract, pursuant to Article 28.2, 28.3, or 28.4 or such longer period as the Government may agree, the Contractor shall comply with Article 4.4 and Article 24.8 and any reasonably necessary action as directed by the Government to avoid Environmental Damage or hazards to human life or to the property of others.

ARTICLE 29
FORCE MAJEURE

- 29.1 Any non-performance or delay in performance by any Party hereto of any of its obligations under this Contract, or in fulfilling any condition of any License or Lease granted to such Party, or in meeting any requirement of the Act, the Rules or any License or Lease, shall, except for the payment of monies due under this Contract or under the Act and the Rules or any law, be excused if, and to the extent that, such non-performance or delay in performance under this Contract is caused by Force Majeure as defined in this Article.
- 29.2 For the purpose of this Contract, the term Force Majeure means any cause or event, other than the unavailability of funds, whether similar to or different from those enumerated herein, lying beyond the reasonable control of, and unanticipated or unforeseeable by, and not brought about at the instance of, the Party claiming to be affected by such event, or which, if anticipated or foreseeable, could not be avoided or provided for, and which has caused the non-performance or delay in performance. Without limitation to the generality of the foregoing, the term Force Majeure shall include natural phenomena or calamities, earthquakes, typhoons, fires, wars declared or undeclared, hostilities, invasions, blockades, riots, strikes, insurrection and civil disturbances but shall not include the unavailability of funds.
- 29.3 Where a Party is claiming suspension of its obligations on account of Force Majeure, it shall promptly no later than ten (10) days notify the Management Committee of the occurrence of the Force Majeure and thereafter provide the Management Committee with the detailed notice giving full particulars of the Force Majeure, the estimated duration thereof, the obligations affected, the reasons for suspension (if any), with description and the manner in which it is causing the non-performance or delay in performance under this Contract, but such detailed notice of Force Majeure should in no case be later than thirty (30) days after the occurrence of the event of Force Majeure notified to the Management Committee.
- 29.4 A Party claiming Force Majeure shall exercise reasonable diligence to seek to overcome the Force Majeure event and to mitigate the effects thereof on the performance of its obligations under this Contract. The Party affected shall promptly notify the Management Committee within 10 days from the day 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.
- 29.5 The Party asserting the claim of Force Majeure shall provide: (i) the details of the Force Majeure event; (ii) the measures being taken by the Party to mitigate the management of the Force Majeure event (if any means are possible); (iii) estimate off the time period for which the effect of the Force Majeure is expected to prevail.
- 29.6 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 Exploration Phase of the Exploration Period or this Contract, may be extended to the extent of Force Majeure period or by such period as may be approved by the Government (acting through DGH) based on the recommendation of the Management Committee. *Provided that*, the suspension of obligations shall take effect only from the date the full particulars of the Force Majeure had been submitted under Article 29.3 hereof. *Provided further that* in the event the Management Committee accepts notice of Force Majeure submitted after thirty (30) days of the occurrence thereof, then the period for commencement of Force Majeure shall be determined only from the day that is thirty (30) days prior to the date on which the relevant notice for Force Majeure had been submitted, and any extension of the term of Committed Work Programme or this Contract shall be permitted only accordingly

- 29.7 Notwithstanding anything contained herein above, if an event of Force Majeure occurs and is likely to continue for a period in excess of thirty (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.
- 29.8 In the event, the Force Majeure persists for more than one year, the contractor shall have an option to exit from the contract without any obligations. However, the contractor is allowed to exercise such an option during the currency of the Force Majeure or no later than 3 months from the date of removal of Force Majeure.

ARTICLE 30
APPLICABLE LAW AND LANGUAGE OF THE CONTRACT

- 30.1 This Contract shall be governed and interpreted in accordance with the laws of India.
- 30.2 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.
- 30.3 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.
- 30.4 The laws will also include amendments, revisions, modifications, etc.

ARTICLE 31
SOLE EXPERT, CONCILIATION AND ARBITRATION

- 31.1 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 performance thereof.
- 31.2 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 a written 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.
- 31.3 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 31.2, which may be referred to a sole expert) be submitted to conciliation or an arbitral tribunal for final decision as hereinafter provided.
- 31.4 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.
- 31.5 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.
- 31.6 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.

- 31.7 If any of the arbitrators fails or is unable to act, his successor shall be appointed by the Party or person who originally appointed such in the manner set out in this Article as if he was the first appointment.
- 31.8 The decision of the arbitral tribunal shall be pronounced within four (4) Months unless otherwise extended by the Parties, and, in case of difference among the arbitrators the decision of the majority shall be final and binding on the Parties.
- 31.9 The arbitration agreement contained in this Article 32 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.
- 31.10 The right to arbitrate disputes under this Contract shall survive expiry or the termination of this Contract.
- 31.11 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.
- 31.12 The venue and seat 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 proceedings before a sole expert, conciliator or arbitral tribunal and any pending claim or dispute.
- 31.13 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.

ARTICLE 32
CHANGE OF STATUS OF COMPANIES

32.1 Subject to the terms of this Article and other terms of the Contract, any Member comprising the Contractor may enter into transaction which may result in change in the management or control of a Company (ies) or the relationship with any guarantor of the Company (ies) with the prior written consent of the Government and compliance of Article 26.2 provided that the Government is satisfied regarding:

- (a). Technical and Financial strength of the new Company;
- (b). Details of shareholders agreement;
- (c). Composition of Board of Directors consequent upon such transaction;

32.2 In case of change of status of company (ies), it shall submit fresh certificates as per Article 34 of this contract.

ARTICLE 33
ENTIRE AGREEMENT, AMENDMENTS, WAIVER AND
MISCELLANEOUS

- 33.1 This Contract supersedes and replaces any previous agreement or understanding between the Parties, whether oral or written, on the subject matter hereof, prior to the execution date of this Contract.
- 33.2 This Contract shall not be amended, modified, varied or supplemented in any respect except by an instrument in writing signed by all the Parties, which shall state the date upon which the amendment or modification shall become effective.
- 33.3 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.
- 33.4 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.
- 33.5 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.
- 33.6 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.
- 33.7 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.
- 33.8 A reference in this Contract to the word “including” shall also mean “including but not limited to”.

ARTICLE 34
CERTIFICATES

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

ARTICLE 35
NOTICES

35.1 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 English language and sent by registered post, postage paid, or by facsimile, or email to the address or addresses of the other Party or Parties as follows:

(a) If to the Government:

Secretary to the
Government of India
Ministry of Petroleum and
Natural Gas Shastri Bhavan

Dr. Rajendra Prasad Marg,
New Delhi- 110001,
INDIA Facsimile No.: 91
11 23383585
Telephone No.:
Email:

(b) XYZ Company.

Facsimile
No.: _____
Telephone
No.: _____
Email:

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

35.3 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 authorized have hereunto set their hands and have executed these presents this ____ day of _____.

Signed for
and on
behalf of the

President of
India

By: _____

In presence of _____

Signed for and on
behalf of XYZ
Company

By: _____

In presence of _____

Signed for and on
behalf of XYZ
Company

By: _____

In presence of _____

APPENDIX A
DESCRIPTION OF THE CONTRACT AREA

The area comprising approximately _____ Sq. Km. onshore/offshore India identified as block _____ described herein and shown on the map attached as Appendix B (“Map of the Contract Area”). Longitude and latitude measurements commence at points A, B, C and D are given below:

APPENDIX B

MAP OF THE CONTRACT AREA

APPENDIX D

CONTENTS OF FIELD DEVELOPMENT PLAN

PART A (TECHNICAL ASSESSMENT REPORT)

1. Executive summary

2. Description of Block

- a) Block details
- b) Licensee Information – Participating Interest (P.I.) structure; Operator; Consortium partner
- c) Extension history, if any
- d) Critical RSC and other issue(s), if any
- e) Relinquishment of area (if any)

3. Geological, Geophysical and Petrophysical Analysis

- a) Exploration history in the block
- b) Geology of the area
- c) Geological information about the field and its complexities
- d) G&G work carried out in the block
- e) Petroleum System and Generalized Stratigraphy
- f) Discovery and its details
- g) Petrophysical Analysis
- h) Analysis and Interpretations
- i) Oil & Gas in Place as per PRMS
- j) Development Area with co-ordinates and technical justification

4. Reservoir Analysis

- a) Testing details of Discovery, surface flow rates and well test interpretations
- b) PVT, Fluid data and Reservoir data
- c) Basis and validation of establishing "Sustainable Production Levels" as per RSC
- d) Development Strategy
- e) Reservoir Simulation Studies
- f) IOR/EOR Plan, if any
- g) Proposed Development locations with co-ordinates (tentative and for information only) map showing locations along with 1P & 2P in place polygons
- h) Production profile under different variants along with recommended variants
- i) Reservoir Management Plan
- j) Action required in maximizing the ultimate recovery factor from the field

5. Development Concept and Production Facilities

- a) Development Options

- b) Flow Assurance, Chemistry & Water Injection/disposal
- c) Field Management Plan
- d) Pipelines network & details
- e) Delivery point with map
- f) Methodology for Measurement of Petroleum.

6. Drilling and Well Completion

- a) Well Drilling Strategy
- b) Well Design and Well Completion (Production, injection, etc.)

7. Health, Safety & Environment

8. Oil & Gas Evacuation and Market Strategy.

PART B

Implementation schedule (timelines) for commercial development of the Field including date of commencement of production

PART C

Costs and budget estimates and Techno economic analysis to demonstrate economic viability of the project

- a) Estimated development and production expenditures
 - CAPEX estimate
 - OPEX estimate
- b) Techno – economic analysis

APPENDIX E

FORM OF PARENT COMPANY FINANCIAL AND PERFORMANCE GUARANTEE

(to be furnished pursuant to Article 27.1 (b) of the Contract)

WHEREAS _____ a company duly organized 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 per cent (100%) of the capital stock of XYZ company and direct owner of its parent company); and

WHEREAS XYZ Company is signatory to a Revenue Sharing Contract in respect of an (offshore) (onshore) 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 reorganization 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 authorized representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the _____ day of _____ 201_.

APPENDIX F
FORM OF COMPANY FINANCIAL AND PERFORMANCE GUARANTEE
(to be furnished pursuant to Article 27.1 (b) of the Contract)

WHEREAS ___XYZ Company _____ duly organized 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 Revenue Sharing Contract in respect of an (offshore) (onshore) 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 bye- laws of XYZ Company or in any instrument establishing the Company.
6. The liabilities of the Guarantor shall not be discharged or affected by (a) any time indulgence, waiver or consent given to XYZ Company; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which XYZ Company has agreed; or (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 authorized representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the day of _____ 201__.

APPENDIX G

PERFORMA OF BANK GUARANTEE TO BE PROVIDED PURSUANT TO ARTICLE 27

1. In consideration of Government of India (hereinafter referred to as "Government") having entered into a Revenue Sharing Contract for the block _____ dated _____ (hereinafter referred to as "Contract", which expression shall include all the amendments agreed to between the Government and the Contractor, thereto), with M/s _____ 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 the Contractor, 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 Rupees/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 agrees that the 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 agrees 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 Contract 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 Contract 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 agrees 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 the 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 _____, India.
9. Notwithstanding anything contained herein above, our liabilities under this Guarantee is limited to Indian Rupees/US\$ _____ (in figures) Indian Rupees/US\$ _____ (in words) and our Guarantee shall remain in force up to _____ and including ninety (90) days after the expiry date/extended date. Any claim under this Guarantee must be received before the expiry of ninety (90) days or before the expiry of ninety (90) days from the extended date if any. If no such claim has been received by us within ninety (90) 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 ninety (90) 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 authorized officers has set its hand and stamp on this _____
day of _____ 201_ at _____.

The seal of _____ was hereto duly affixed by _____ this
day of _____
_____201_ 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 H
SPECIFIC PROVISIONS FOR PETROLEUM OPERATIONS RELATING TO CBM

(See Article 5.8)

1. In relation to CBM Petroleum Operations, during the currency of Initial Exploration Phase 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 Contractor;

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 (Subsequent Exploration Phase A).**

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 Good International Petroleum Industry Practices (GIPIP) is carried out during exploratory drilling.
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 Clause 3 above.
5. During the currency of Subsequent Exploration Phase (Pilot Assessment Subsequent Exploration Phase A and Market Surveys and Commitments Subsequent Exploration Phase B), the Contractor shall complete the following Work Programme:

Pilot Assessment Subsequent Exploration Phase A

- 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 Subsequent Exploration Phase B

- (i) Carry out market surveys, investigate potential markets and obtain market Commitments;
 - (ii) Prepare a Development Plan for approval of the Government through the Management Committee.
- 6 During the Pilot Assessment Phase (Subsequent Exploration Phase A) or earlier, if and when a Potential Commercial Assessment is made within the Contract Area, the Contractor shall:
- (a) Forthwith inform the Management Committee and the Government of the Potential Commercial Assessment and furnish the details of such assessment to the Management 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 Management Committee;
 - (c) Simultaneously, proceed with the next sub-Phase, namely, Market Surveys and Commitments Phase (Subsequent Exploration Phase B) by carrying out market surveys and commitments and submit a report to the Government through the Management 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 Management Committee at least sixty (60) days before the proposed commencement of the Development Phase ().
- 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 Management 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 Committed Work Programme relating to CBM Petroleum Operations as specified in this Appendix H.

- 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 Management Committee, modifications or revisions to the Work Programme referred to in Clause 7 above.
- 9 In the event that the Contractor has carried out work in excess of the committed Work Programme specified in Clauses 2 and 5 of this Appendix H, as the case may be, the excess work done shall be set off against the committed Work Programme for the following phase, if technically and operationally feasible.
10. The Contractor shall undertake to complete the committed Work Programme agreed upon in each phase in accordance with Clauses 2 and 5 hereof above, as the case may be. In the event that the Contractor fails to fulfil the said committed 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 committed Work Programme agreed upon, in accordance with Good International Petroleum Industry Practices (GIPIP), reduced by the amount of the bank guarantee referred to in Articles 26.1 (a) and 26.2.
- 11 A FDP prepared and submitted by the Contractor in relation to CBM 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 Good International Petroleum Industry Practices (GIPIP) 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 minimization thereof and for general protection of the environment in conduct of CBM Operations.

12. Definitions

In this Appendix H the following words shall have the meaning given to them herein below:

- 12.1 “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.
- 12.2 “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 FDP has been approved in accordance with this Contract.
- 12.3 “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.
- 12.4 “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 Good International Petroleum Industry Practices (GIPIP).
- 12.5 “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.
- 12.6 “Pilot Assessment Operations” mean operations conducted in the Contract Area pursuant to this Contract for the purpose of assessment of CBM potential.
- 12.7 “Pilot Assessment and Market Surveys and Commitment Phase” (Subsequent Exploration phase), 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.
- 12.8 “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.
- 12.9 “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.

- 12.10 “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.

Appendix I

Liquidated damages payable under Article 5.5

In US \$					
	Onland (Excluding CBM)*	Shallow water	Deep water	Ultra- Deepwater	CBM
Per well/Corehole (as applicable)	1,000,000	3,000,000	10,000,000	12,000,000	Corehole – 250,000 Pilot Assessment Well – 650,000
Per sq.km. of 3D Seismic	5,000	1,500	1,500	1,500	N.A.
Per line km. of 2D Seismic	2,500	1,000	1,000	1,000	N.A.
Other Surveys	TBA	TBA	TBA	TBA	TBA

Appendix J

An illustrative list of fiscal laws, rules and notifications governing petroleum operations is given below:

- a) The Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act (Act No.80 of 1976).
- b) The Income-Tax Act (Act No.43 of 1961)
- c) The Income-Tax Rules, 1962
- d) The Central Excise Act, 1944 (Act No.1 of 1944)
- e) The Central Excise Tariff Act, 1985 (Act No.5 of 1986)
- f) The Oil Industry (Development) Act, 1974 (Act No.47 of 1974)
- g) The Customs Act, 1962 (Act No.52 of 1962)
- h) The Customs Tariff Act, 1975 (Act No. 51 of 1975) 3
- i) The Oil fields (Regulation & Development) Act, 1948 (Act No.53 of 1948)
- j) The Petroleum and Natural Gas Rules, 1959

The above list being illustrative, the operations shall be governed by all subsequent laws, rules, notifications issued by the government or any amendment thereof.

Appendix K

For the purpose of this contract, following royalty rates will be applicable:

Type of hydrocarbons	Duration	Royalty rates (Oil)	Royalty rates (Gas & CBM)
Onland	-	12.5%	10.0%
Shallow water	-	7.5%	7.5%
Deep water	First 7 years	No Royalty	No Royalty
	After 7 years	5%	5%
Ultra-Deep water	First 7 years	No Royalty	No Royalty
	After 7 years	2%	2%