

LETTER from MOPNG
TO RIL

18. Clause 3.2 of the Accounting Procedure (Appendix C to the PSC) deals with costs and expenses which shall not be recoverable or allowable (whether directly as such or indirectly as part of any other charges of expense) for cost recovery and profit sharing purposes under the PSC. In terms of sub-clause (ix) of clause 3.2 of the PSC, the amounts paid with respect to non-fulfillment of contractual obligations shall not be recoverable or allowable for cost recovery and profit sharing purposes under the PSC.

19. Your breach of PSC including failure to adhere to and comply with the Amended IDP have resulted in heavy loss of production of gas thereby causing loss to the Government and of a scarce natural resource to the nation. You are not entitled to the recovery of costs incurred by you for the excess capacity created in block KG-DWN-98/3 and such recovery of costs has to be limited only to the extent of the infrastructure used by you for the production of gas. In view of the aforesaid, the following cumulative cost (which are provisional and subject to verification and finalization by the Government) for the respective years is inadmissible.

(i) For 2010-11: USD 457,000,000 (US Dollar Four Hundred and Fifty Seven Million)

(ii) For 2011-12: USD 1,005,000,000 (US Dollar One Thousand and Five Million)

Further, it would also be fair and reasonable, in order to ensure compliance with the approved Amended IDP that the disallowed Contract Costs shall be added to the respective Petroleum computed under clause 16 of the PSC for sharing between the Government and the Contractor.

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