



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड

(भारत-सरकार का उपक्रम) रजिस्टर्ड ऑफिस : 17, जमशेदजी दादा रोड, मुंबई 400 020
HINDUSTAN PETROLEUM CORPORATION LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE) REGISTERED OFFICE : 17, JAMSHEDJI TATA ROAD, MUMBAI 400 020

अन्वेषण व उत्पादन विभाग, तीसरी मंजिल, यूको बैंक बिल्डिंग, संसद मार्ग, नई दिल्ली-110001 फोन : 23736051, 23325731 फैक्स : 011-23737898
Exploration and Production Department, 3rd Floor, UCO Bank Building, Sansad Marg, New Delhi-110001 Tel. 23736051, 23325731 Fax : 23737898

WITHOUT PREJUDICE

23, January 2009

To,
Mr. Datuk Shahrazi Sha'ari
Group Managing Director / CEO
M3nergy Berhad
Malaysia

Sub: Cluster 7 - Termination of Service Contract by ONGC

Ref: Termination notice ref. MR/WOB/MM/NMFD/10/2004 dtd. 04.09.2008
Termination ref. MR/WOB/MM/NMFD/10/2004 dtd. 06.01.2009

Dear Sir,

We refer to the above referred communications from ONGC which have also been copied to your office. Non-submission of JEA and IDP duly accepted by all consortium members were amongst the major reasons for ONGC to take the extreme step of contract termination. You must also be aware that ONGC had also sent a letter dated 06/01/2009, addressed to Corporation Bank, invoking the two Bank Guarantees worth Rs. 59,44,00,000/-, submitted by HPCL on behalf of the consortium. During the 5th MMC meeting of 21 May '08 in ONGC's office in Mumbai, it had become evident that ONGC was extremely serious about adherence to the timelines and that if corrective action not taken, it may lead them to take steps towards termination. Efforts were made by us to resolve these matters and in this respect, we specifically refer to HPCL's communications of 2nd June '08, 25 July '08, 13 Aug. '08, 24 Aug. '08 & 25 Oct. '08.

The most immediate repercussion of contract termination is invocation of the Bank Guarantee submitted by consortium members to the extent of their participating interest. In order to protect the interest of consortium members, HPCL on behalf of consortium, has used its good offices and have been able to convince ONGC to reconsider the matter and keep invocation of bank guarantee on hold as of now. This has been achieved by HPCL's intervention at appropriate levels within ONGC and the government. These efforts are likely to bear fruits if some concrete action is taken by the consortium.


Amongst the various options deliberated at our end, we find it worthwhile that partners come around a proposal that keeps the project alive as well as not loose out on the bank guarantee money. It is in this context that we propose M3nergy write to ONGC an unconditional "No Objection Letter" to allow Prize & HPCL to carry on with the project without M3nergy either on their own or with any of the established upstream PSU. In the event that ONGC accepts such a proposal, M3nergy would be relieved of their back to back bank guarantee.



This proposal is in the best interest of all the parties involved and would await a positive response from M3energy. The matter needs to be attended to immediately since ONGC is likely to decide this issue by 28th of this month. This is our last chance to co-operate and emerge with least damage to our reputations and finances.

Thanking you,

Very truly yours,


S.P. Singh
General Manager E&P