

Exhibit 7

BEFORE THE HON'BLE ARBITRAL TRIBUNAL

**Hon'ble Mr. Justice S.P. Bharucha [Former Chief Justice of India],
Presiding Arbitrator**

**Hon'ble Mr. Justice G.B. Pattanaik [Former Chief Justice of India],
Arbitrator**

**Hon'ble Mr. Justice V.N. Khare [Former Chief Justice of India],
Arbitrator**

Between

Hardy Exploration & Production (India) Inc.

.....Claimant

and

Government of India, Ministry of Petroleum & Natural Gas

.....Respondent

ISSUES

1. Whether the PSC does not cover disputes regarding exploration alone?
2. Whether the disputes raised in the statement of claim are excepted matters and therefore outside the jurisdiction of the Arbitral Tribunal
3. Does the nature of the discovery in the block CY-OS/2 qualify under the terms of the Production Sharing Contract ("PSC") as Non- Associated Natural Gas ("NANG")?
4. Is the claimant entitled to the time period under article 21.4.4 of the PSC for declaring commerciality of such discovery under the PSC?
5. a) Is the Claimant entitled to extension of time under the PSC for the purpose of completing the appraisal work programme?
b) If so, was the same wrongfully denied by the Respondent?
6. Was the decision of the Respondent in relinquishing the block CY-OS/2, solely in terms of Article 9.5 of the PSC, in accordance with the terms of the PSC?
7. Is the Claimant entitled to any compensation?
8. To what relief is the Claimant entitled to?
9. Is the Claimant entitled to costs?

Dated on this the 17th day of February 2011.

Presiding Arbitrator

ARBITRAL TRIBUNAL
Consists of

*Justice S. P. BHARUCHA : Former Chief Justice of Supreme Court of India
Presiding Arbitrator*

*Justice G. B. PATNAIK : Former Chief Justice of Supreme Court of India
Co – Arbitrator*

*Justice V. N. KHARE : Former Chief Justice of Supreme Court of India
Co – Arbitrator*

In the matter of Arbitration Dispute between:

<i>M/s Hardy Exploration & Production India (Inc.):</i>	<i>Claimant</i>
<i>Versus</i>	
<i>Government of India, Ministry of Petroleum & Natural Gas</i>	<i>Respondent</i>

28th May, 2011

At the behest of the Respondent, Government of India, Ministry of Petroleum and Natural Gas) two issues were framed being Issue No.1 & 2 and those two issues were argued as preliminary issues, since it was contended that the disputes raised are excepted matters and therefore outside the jurisdiction of Arbitral Tribunal. On 16th of May, 2011, Mr. Jagjit Singh, Learned Counsel for the Respondent was heard and on behalf of the Claimant Learned Counsel Mr. Sudipto Sarkar was heard. The Tribunal passed the order as under:

“Heard Learned Counsel for the parties on issues (Nos. 1 and 2) which were to be tried as preliminary issues. They are answered in the negative and against the Respondent. Accordingly, the Tribunal has jurisdiction to entertain and try the disputes raised in the Statement of Claim. Detailed reasons for this conclusion shall follow”

Since the detailed reasons in support of the aforesaid order was to be given later, this order is being passed.

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The only relevant pleading in Written Statement in this connection is to the effect that "alleged disputes are excepted matters outside the purview of the Arbitral Tribunal in terms of Article 5.4 and 5.5 of the Production Sharing Contract". The other relevant portion, which was also brought out by way of amendment is to the effect that "Arbitration Agreement contained in Production Sharing Contract covers areas explicit and commercial discovery, said clause can not cover areas of exploration alone". The relevant Arbitration Clause is Clause 33 and for our purpose sub-articles 1, 2 & 3 are relevant, which are quoted here under in extenso:

33.1. *The Parties shall use their best efforts to settle amicably all disputes, differences or claims arising out of or in connection with any of the terms and conditions of this Contract including the validity and existence hereof or concerning the interpretation or performance thereof.*

33.2. *Matters which, by the terms of this Contract, the Parties have agreed to refer to a sole expert and any other matters which the Parties may agree to so refer shall be submitted to an independent and impartial person of international standing with relevant qualifications and experience, appointed by agreement between the Parties. Any sole expert appointed shall be acting as an expert and not as an arbitrator and the decision of the sole expert on matters, referred to him shall be final and binding on the Parties and not subject to arbitration.*

If the Parties fail to agree on the sole expert, then the sole expert shall be appointed, upon request by one of the Parties, by the Secretary General of the Permanent Court of Arbitration at the Hague, from amongst persons who are not nationals of the countries of any of the Parties.

33.3 *Subject to the provisions herein, the Parties hereby agree that any unresolved dispute, difference or claim which cannot be settled amicably within a reasonable time may except for those referred to in Article 33.2, be submitted top an arbitral tribunal for final decision as hereinafter provided".*

Mr. Singh, Learned Counsel for the Respondent referred to Article 5 & 9 of the Production Sharing Contract and contended that those provisions can not be invoked for invoking Arbitration Clause. Mr. Singh also contended that

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though there is no specific clause in the contract stipulating that it is the Managing Committee who has to decide as to what is discovered is whether NANG as contended by the Claimant or Crude Oil as found by the Department, the intention is apparent from a reading of Clause 5.4 that it is the Managing Committee who has to decide the question and that decision is supposed to be final, as agreed to by the parties. The Learned Counsel specifically referred to Article 5.5 (b), which says "proposals for the declaration of a Discovery as a Commercial Discovery and the approval of Development Plans as may be required under this Contract, or revisions or additions to a Development Plan". According to Mr. Singh having regard to the powers and duties of the Management Committee enshrined in Article 5 and the procedure indicated in Article 9 when a Discovery is made within the contract area, it is explicit that parties agreed that decision of the Management Committee on the question of the nature of Discovery is to be regarded as final and any dispute pertaining to it must be held to be an excepted matter and as such beyond the purview of the Arbitration Clause.

Mr. Sarkar, Learned Counsel appearing for the Claimant on the other hand drew our attention to the averment in paragraph 10 of the Statement of Claim and reply there on by the Respondent in the Statement of Defence. The Learned Counsel contended that there is no provision in the contract conferring power and jurisdiction on the Management Committee to decide the subject matter of the Discovery, as to whether it is NANG or Crude Oil and Article 5 on which the reliance is placed by the Learned Counsel for the Respondent merely provides for some matters required to be submitted to Management Committee for approval. That apart, the Counsel says that Sub-Article (b) refers to proposal of declaration of a discovery as a commercial discovery, which is not at all the subject matter of the dispute in the present case and would arise only at a later

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stage and in this view of the matter and having regard to the provisions of Article 33.1, the present dispute can not be held to be an excepted matter.

The crux of the dispute in the present case is whether the discovery made by the Claimant is NANG, as contended by the Claimant, and in which case the period of 60 months would be available for finding out the commercial viability of the product or the discovery is only Crude Oil, as held by the Director, Hydro Carbons and in which case shorter period of 24 months is available to find out the commercialability of the product. From a bare reference to Article 33 (2) and (3), referred to earlier, it is crystal clear that all disputes and differences except those referred to Article 33.2 are arbitrable and have to be submitted to Arbitral Tribunal for final decision. Reading Sub Article 2 of Article 33 we are unable to come to the conclusion that the dispute in the present case is covered by that Sub Article and in fact Mr. Singh appearing for the Respondent fairly stated that it is not covered by 33.2, but it would come within the ambit of 5.4 and Article 9 of the contract and therefore would be held to be not arbitrable. Examining the provisions of Article 5.5 (b) as well as Article 9 we are unable to accept the submission made by Mr. Singh for the Respondent and agreeing with the submission of Mr. Sarkar, Learned Counsel appearing for the Claimant, we hold that the said article provides for certain matters to be submitted to the Management Committee for approval and (b) refers to proposal for declaration of discovery as commercial discovery and that stage has not yet reached in the case in hand. The present dispute, which we have quoted earlier, can not therefore be held to be an excepted matter within the ambit of Article 33.2 nor there is any clause in the contract conferring any decision making power either to the Management Committee or the Director of Hydro Carbons to hold that what was discovered is crude oil and not NANG. Consequently, a dispute between the parties as to the nature of the product of discovery is neither covered under Article 33.2 or nor any other provisions of the contract. Since neither under

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33.2 nor under any other provisions of the contract such a decision making power is provided either with the Management Committee or with the Director of Hydro Carbons, the dispute can not be held to be outside the purview of Arbitration Clause and consequently the Tribunal holds it has the jurisdiction to decide the dispute on merits. We make it clear we have not expressed any opinion on the merits of the dispute.

My co-Arbitrators have agreed and signed.

Justice V. N. KHARE
Co - Arbitrator

Justice G. B. PATNAIK
Co - Arbitrator

Justice S. P. BHARUCHA
Presiding Arbitrator

cc:

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3. *Ms. Simran Dhir,*
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