

**EXPRESSION OF INTEREST
FOR
PROPYLENE SALE AGREEMENT (PSA)**

This Expression Of Interest is entered into on the **day of** **2008** by and between

Chennai Petroleum Corporation Limited, an Indian company incorporated under the Companies Act 1956, having its registered office at 536, Anna Salai, Teynampet, Chennai - 600018 hereinafter referred to as the “**Seller**” which expression shall unless repugnant to the context or meaning thereof, include its successors and permitted assigns as party of the one part

And

----- hereinafter referred to as the “**Buyer**” which expression shall unless repugnant to the context or meaning thereof, include its successors and permitted assigns as party of the other part.

The Seller and the Buyer shall hereinafter collectively be referred to as the “Parties” and individually as a “Party”.

WHEREAS,

- A. Seller is primarily engaged in the business of refining and marketing of petroleum and petrochemical products and desires to sell Propylene from its Plant. The Buyer would require supply of Propylene at designated point of delivery as mentioned in Clause No.9 of the PSA.
- B. The Seller plans to expand its capacity of Propylene plant by 45000-50,000 Metric Tonnes Per Annum (Polymer grade or Chemical grade).
- C. The Propylene Project is expected to be operational in 2010.
- D. Both Seller and Buyer intend to enter into a Propylene Sales Agreement ("PSA") for Propylene from Seller's plant on the principles contained in this Expression of Interest (EOI) to be entered into between the Parties.
- E. This EOI is intended to set forth some of the principles on which negotiation of a long term PSA will be based.

NOW, THEREFORE, the Parties hereto hereby agree as follows:

1. Negotiation and Execution of PSA

- 1.1 Subsequent to the signing of this EOI, the Parties shall commence good faith negotiations concerning the full terms and conditions of the PSA. The Parties intend that the PSA shall include the following:
 - (a) the substance of the principles as set forth in Annexure-A to this EOI, and
 - (b) such other terms and conditions as are:
 - i customarily contained in a Sales Agreement and
 - ii mutually agreed by the Parties

In the event that the discussions/negotiations are successful, the parties intend and shall endeavor to execute complete and final PSA. The Parties shall further, where necessary, negotiate and execute any other documents, deeds or writings that may be necessary to give effect to the intention set forth in this EOI.

- 1.2 The Principles outlined in EOI and in Annexure-A to EOI hereto shall form the basis of the discussions/negotiations between the Parties towards finalization of the PSA. However, these principles are not intended to be exhaustive, and the Parties may mutually agree upon other terms and conditions to be included in the PSA.

2. Validity, Extension and Termination of EOI

2.1 Validity

This EOI shall be valid for Twelve (12) months from the date of execution of this EOI or till the execution of the PSA, whichever is earlier.

2.2 Extension of Validity

Despite best efforts, if the Parties are unable to conclude the good faith negotiations and sign and make effective the definitive PSA within the period of validity of the EOI, the Parties may by mutual consent, extend the validity of this EOI for a mutually agreed period or conclusion of such negotiations/definitive Agreement, whichever is earlier. Any extension of this EOI will require a mutual written consent by the Parties.

2.3 Termination of EOI

Either Buyer or Seller shall have the right to terminate the EOI giving thirty (30) days written notice to the other Party during the validity of the EOI.

The EOI will terminate automatically after twelve (12) months from the date of execution, unless its validity is extended as per the provisions of clause 2.2, or upon signing of PSA, whichever is earlier.

There will be no residual obligations upon termination of the EOI except for the obligation to maintain confidentiality arising out of this EOI, as outlined in Clause 4 below.

3. Approvals

Buyer and Seller shall be responsible for obtaining and expediting all necessary governmental and other approvals applicable to it with respect to the performance of its obligations under the PSA or the other definitive documentation, and each party shall proceed diligently and in good faith to obtain such approvals. The Parties will cooperate with one another in obtaining all necessary governmental approvals and permits, if required.

4. Confidentiality

Parties agree not to disclose to any third party any information of a confidential nature that it has received from the other Party during the course of negotiation of PSA or otherwise, except with prior written approval of the other Party, and except to the extent that such information

- a) was known or obtained by either party through a source (other than the other Party) not bound by an obligation to keep such information confidential, or
- b) was in the public domain through no fault of such party.

Each Party agrees not to use the information obtained from the other Party except for the purpose for which it was meant.

The obligation of each Party as contained above shall remain throughout the term of the EOI and for a period of two (2) years thereafter, unless replaced earlier by the provisions relating to confidentiality in the PSA.

5. Amendments

This EOI may be amended in writing by mutual consent between the Parties, particularly where there are changes in policy of the Government of India.

6. Exclusivity

The Parties recognise that nothing in the EOI shall restrict the Buyer or Seller from making other arrangements for Propylene purchase or sales respectively prior to execution of the final PSA, after honouring the committed quantity.

7. Public Announcements

Parties agree not to make any public announcement on the contents of the EOI, unless agreed through prior written approval of the other Party (other than when such disclosure is required under any applicable law).

8. Costs

Except as may otherwise be agreed between the parties in writing, each Party shall bear its own cost incurred in connection with matters/activities contained in this EOI and negotiation of PSA.

9. Rights of Assignment

Rights of Assignment without consent of the other party can be done only in the case of Assignment to Affiliates. In all other cases, it can be done only with the consent of the other party.

Notices

Any notice or other communication given pursuant to this EOI must be in writing and delivered to

If to the Seller:

Chennai Petroleum Corporation Limited
536, Anna Salai, Teynampet,
Chennai - 600 018

Contact person: Mr.
Designation:
Fax: 044-
Phone: 044-

If to the Buyer:

Contact person: Mr.

Designation
Fax:
Phone:

All Notices and other communications required or permitted under this Agreement that are addressed as provided in this section will

- a) if delivered personally, to be deemed given upon delivery;
- b) if delivered by facsimile transmission, be deemed given when electronically confirmed; and
- c) if sent by registered mail, be deemed given when received.

10. Progress Review

Upon execution of PSA, the Seller and the Buyer will meet periodically to apprise each other of progress made on the satisfaction of the conditions precedent set out in the PSA, including, but not limited to, the status of the negotiations of:

- i. Construction of the Propylene Plant and all necessary related facilities
- ii. The pipeline arrangements to carry Propylene from the Propylene plant to the Buyer's facilities.
- iii. The progress of necessary facilities of the Buyer, Construction of the Buyer's Plant (s) / facilities.
- iv. For monitoring the project progress a joint coordination committee consisting of representatives from Seller and Buyer will be formed.

11. Settlement of Disputes

The Parties shall endeavour to settle all disputes, differences or controversies arising directly or indirectly at any time under, out of, in connection with or in relation to the EOI by mutual discussions between the Parties.

12. Governing Law

The provisions of this EOI shall be governed by and construed in accordance with the Laws of India and the Courts of Chennai to have exclusive jurisdiction over the same.

IN WITNESS WHEREOF, the parties hereof have caused this Agreement to be signed in their respective names as of the day and year first above written.

FOR AND ON BEHALF OF THE SELLER
Chennai Petroleum Corporation Limited

FOR AND ON BEHALF OF THE BUYER

NAME
DESIGNATION

NAME
DESIGNATION

PRINCIPLES FOR PSA

1. Purpose of PSA
 - 1.1 The purpose of the PSA would be to set out the terms and conditions for the sale by the Seller and the purchase by the Buyer of Propylene from the Propylene Project to be implemented by the Seller at its Refinery in Manali. Buyer's plant to preferably be located near Seller's plant in Manali.
2. Quantities
 - 2.1 The Annual Contract Quantity of Propylene will be approx. ---- Metric Tonnes Per Annum.
 - 2.2 Subject to the 'Take or Pay Quantity' (specified in clause 6.3 below), the Propylene requirement schedules shall be drawn annually in advance. Based on these schedules, quarterly, monthly, weekly and daily Propylene requirement schedules shall be drawn out and updated periodically as mutually agreed.
 - 2.3 In case required by the Buyer or Seller for operational reasons, Buyer and Seller shall endeavour to mutually agree for adjustments in quantity.
3. Contract Period
 - 3.1 During negotiations, Seller and Buyer shall examine the conditions to have a contract period consistent with the duration of the Sale and Purchase Agreement (SPA) to be executed, which would normally have duration of about 10 years.
 - 3.2 The PSA will become effective upon its execution (the effective date), and its continuation shall be subject to the satisfaction or waiver of the conditions precedent set out in the PSA
 - 3.3 The Seller intends to commence delivery of Propylene in 2010 and Buyer shall be ready to receive Propylene by that period.
 - 3.4 Subject to any requirement under existing or future enactments / laws, the terms of the PSA will be reviewed and revised accordingly.

4. Conditions Precedent

4.1 Following execution of the PSA the rights and obligations of the Parties pursuant to the PSA will be subject to the satisfaction of a set of conditions precedent or their waiver by the Party in whose favour these conditions precedent have been written. The conditions precedent inter-alia shall include:

- (i) Buyer setting up all requisite facilities for receipt of Propylene.
- (ii) The Buyer obtaining ratification of the PSA by their Board of Directors and Seller obtaining ratification of the PSA by their Board of Directors.
- (iii) Obtaining of requisite Statutory/Regulatory Consents, Corporate Approvals, including Shareholders' consent if necessary, and approval of the Boards of Directors of respective Parties thereto for all matters contained in PSA.
- (iv) Any other conditions precedent to be mutually agreed for effective and legally binding PSA

4.2 If any of the conditions precedent set out in the PSA is not satisfied or waived by the Party in whose favour the condition precedent is written, either within the period stipulated in the PSA or any extension of such period agreed to by the Parties at their sole discretion, the Parties may mutually discuss and work out suitable remedies.

4.3 Each Party will endeavour to ensure that where practicable the conditions precedent mentioned in clause 4.1 above will be satisfied prior to the execution date of the PSA so as to minimise the number of conditions precedent in the PSA and the time required to their satisfaction.

5. Buyer's Propylene Capabilities Obligations

As from the First Supply Date [to be defined in the PSA], the Seller, acting as reasonable and prudent operator, will be required to maintain Delivery Facilities having the capacity to deliver to the Buyer a quantity of Propylene within a pressure range and other characteristics, as may be mutually discussed and agreed in the PSA.

6. Sale and Purchase Obligations

6.1 The Seller shall have a firm obligation to make available the Propylene requirements of the Buyer in accordance with the quantities and times specified under the PSA.

6.2 As of the First Supply Date, the Buyer shall be required to purchase from the Seller approx. ----- Metric Tonnes Per Annum of Propylene.

6.3 As of the first Supply Date, the Buyer shall be required to take and pay for, if not taken, subject to Clause 13 hereof, pay no less than an annual take-or-pay quantity of ----- Metric Tonnes Per Annum during the period of the PSA.

7. Scheduled Maintenance

The Parties will use reasonable endeavour to synchronize their scheduled maintenance.

8. Price, Price Adjustment and Payment Terms

The price of Propylene along with pricing formula and the payment terms shall be mutually agreed and incorporated in the PSA.

9. Delivery Points

The point of delivery for Propylene (the "Propylene Delivery Point") will be at the outlet of the downstream of the metering facilities of the Seller at the Seller's Battery Limit. The point of delivery will be the point at which the Propylene title is transferred. The Seller will be responsible for all transportation and supply arrangements necessary to deliver Propylene at the Delivery Points.

10 Propylene Quality

10.1 The Seller will covenant that all Propylene delivered to the Propylene Delivery Point(s) will meet the quality and pressure specifications to be set forth in a Schedule to the PSA

10.2 The Seller at their own expense will install (own/operate/ and / or maintain) the Delivery Facilities for the purpose of complying with such specifications.

11 Measurement

All measurements with respect to Propylene will be at the Propylene Delivery Point. The Seller will install metering facilities at their own expense at upstream of the Propylene Delivery Point. The Buyer will have the right at their expense to install check meters downstream of the main meters. The principles of measurement for quantity and quality shall be specified in the PSA and shall confirm to the accepted/standard norms and procedures in the international Propylene market.

12. Force Majeure

In the event of Force Majeure occurrences, ("Force Majeure(s)", to be defined in the PSA) which prevent or impede the performance of the Parties under the PSA, the obligations of the Parties will be adjusted in accordance with arrangements to be agreed upon in the PSA.

13. Scope of Liabilities

Each party's liability vis-à-vis the other Party will be as stipulated in and subject to the limitations and exclusions set forth in the PSA. Such exclusions will include liability for any Direct / Indirect or consequential loss of damage.