

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:3144
ANSWERED ON:20.03.2008
COAL BED METHANE
Saradgi Shri Iqbal Ahmed

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Ministry has decided to chalk out strict policy for proposals seeking extension in exploration phases under coal bed methane contracts in a bid to adopt a transparent and consistent framework;
- (b) if so, whether the new policy will be implemented on extension proposals either pending with the Government or may be received in the future;
- (c) whether the Government have so far signed contracts for 26 blocks, covering an area of 13,600 sq. km. and the total commitment in these blocks is of the order of Rs.675 crore during the 11 Plan, CBM gas production is envisaged at 3.78 billion cubic metres;
- (d) if so, what are the main points of the new policy; and
- (e) to what extent it will be helpful for both to improve the CBM projects ?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS(SHRI DINSHA PATEL)

(a) to (e) Yes, Sir. In order to adopt a transparent and consistent frame work for granting extensions in exploration phases, the Government in line with the existing policy of extensions under NELP and pre-NELP contracts, has framed an extension policy for considering proposals seeking extension in exploration phases under CBM contracts, which are either pending with the government or may be received in future. The extension in phases under CBM contracts in terms of this policy framework would be considered within the validity of the exploration period. The broad objective of the extension policy is as under:-

- i) To maintain the integrity of the bidding process and the spirit of the contracts to explore and produce CBM gas early,
- ii) To grant reasonable extension of time so as to enable contractors to complete Minimum Work Programme (MWP) or additional exploration work programme.
- iii) Not to delay the execution of development plans or production or the life cycle of the entire project and payment of Royalty, taxes and contractual payments.
- iv) To act as deterrent for seeking unnecessary extensions or holding on to acreages without doing any or little exploration activities or activity at a slow pace.
- v) The policy envisages a system of penalty by way of submission of bank guarantees and pre- estimated agreed liquidated damages (in some cases/situations) in lieu of un-finished minimum or additional work programme. While proposing the amount of bank guarantee and pre-estimated agreed liquidated damages, situations/factors such as whether extension is for completing MWP or additional Work Programme, whether commerciality has been established in the contract area and whether contractor wants to retain the area for further exploration have been kept in mind.
- vi) Up to 6 months extension may be given by the Steering Committee or the Government on merit in terms of the provisions of the respective contracts.
- vii) Demonstrable delays on account of getting Government approvals/permits/clearances which are not attributable to the contractors will be counted as excusable delays and such delays shall be condoned. In this regard, if some extensions have already been granted by Steering Committee/ Government on account of excusable delays, which took place from effective date of the Contract i.e. including delays prior to the extension policy coming in force, the same will be regulated as per this CBM extension policy.
- viii) In case the contractor does not fulfill the work programme within the stipulated period or extended period, as may be the case, he shall be required to pay money for the unfinished work programme, if any, to the Government in terms of respective provisions of the contracts. Government of India has signed contracts for 26 CBM blocks (including award of 3 contracts on nomination basis) under three CBM bidding rounds held so far covering an area of 13000 Sq. Km. The estimated investment during exploration in 11th Plan Period will be about Rs. 1000 Crore and production of CBM is expected to be 2.6 BCM during 11th Five year Plan Period.