

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

UNSTARRED QUESTION NO:2380
ANSWERED ON:11.03.2010
PAYMENT OF ROYALTY
Basavaraj Shri Gangasandra Siddappa

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

- (a) whether the Oil and Natural Gas Corporation (ONGC) has significant liabilities on account of royalty and cess payments on behalf of its partners in about 7 oil exploration blocks;
- (b) if so, the details thereof;
- (c) whether royalty payments by ONGC on behalf of its partner Cairn Energy for the Barmer block in Rajasthan alone stands at more than Rs.10,000 crores;
- (d) if so, the details thereof;
- (e) whether private players in the joint ventures on oil exploration were exempted from payment of royalty under production sharing contract as contained in the New Exploration Licensing Policy (NELP); and
- (f) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI JITIN PRASADA)

(a) to (d): As per provisions of Production Sharing Contracts (PSCs) under pre-New Exploration Licensing Policy (pre-NELP) blocks, viz. PY-3, RJ-ON-90/1, CB-OS/2, CB-ON/7, CB-ON/3, CB-ON/2 and RJ-ON/6, it is provided that the Licensee i.e. Oil & Natural Gas Corporation Limited (ONGC) shall bear the cost of royalty and cess. Further, as per provisions in PSCs of RJ-ON-90/1 and RJ-ON/6 blocks, it is stated that Licensee i.e. ONGC shall bear the cost of royalty.

The Licensee (ONGC) has 40% Participating Interest in PY-3, 50% in CB-OS/2 and 30% Participating Interest each in RJ-ON-90/1, CB-ON/7, CB-ON/2 & RJ-ON/6 PSCs.

In case of RJ-ON-90/1 block operated by Cairn Energy, where the PSC provides for payment of royalty by the Licensee, the liability of ONGC for payment of royalty is expected to be in the range of Rs.120 crore to Rs.2216 crore per annum for production profile expected during 2009 to 2020.

(e) & (f): No Madam. The Private players in joint ventures on oil exploration under NELP are liable to pay royalty to the Government at the rate(s) specified in the PSC.