

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

STARRED QUESTION NO:146

ANSWERED ON:01.12.2011

PRODUCTION SHARING CONTRACTS UNDER NELP

Karwariya Shri Kapil Muni;Premajibhai Dr. Solanki Kiritbhai

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

- (a) the details of the Production Sharing Contracts (PSC) signed by the private/foreign companies in the exploration of oil and gas under the New Exploration and Licensing Policy (NELP) with the Government;
- (b) the steps taken/being taken by the Government to safeguard its revenue interest apart from Petroleum Exploration License (PEL) fee;
- (c) whether these companies are strictly adhering to the Production Sharing Contracts signed by them; and
- (d) if not, the action proposed to be taken by the Government against the erring companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI R.P.N.SINGH)

(a) to

(d) A Statement is laid on the Table of the House.

A Statement referred to in reply to part (a) to (d) of Lok Sabha Starred Question no. 146 for on 1.12.2011 regarding Production Sharing Contracts under NELP.

(a) Under eight rounds of New Exploration Licensing Policy (NELP) concluded so far, a total of 235 exploration blocks have been awarded. Out of these, 65 blocks were awarded to Private Companies and 36 blocks to Foreign Companies, as Operators.

(b) Government revenue in terms of Royalty and Petroleum Exploration License (PEL) fee is payable by the operator as per Oilfield Regulation and Development (ORD) Act-1948 and Petroleum and Natural Gas(PNG) Rules. Further, in the process of award of blocks, the bidder giving high profit share to Government in Net Present Value terms gets higher weightage. The calculation of profit share by use of the Investment Multiple (IM) helps Government to earn higher share of profit when revenues are high from production. The audit of books of accounts enables Government to limit cost recovery on the basis of audit findings.

(c) & (d) Contractors are required to complete the Minimum Work Programme (MWP), as specified in respective Production Sharing Contracts (PSCs), within the stipulated timelines defined in PSCs. Also, Contractors are required to adhere to various other provisions of PSC in respect of Exploration, Development and Production activities.

If the Contractor fails to complete MWP within the timeline specified in PSC, Contractor may seek extensions by fulfilling terms and conditions of the extant Extension Policy of Government, including payment of Liquidation Damages or pay the cost of Unfinished Work Programme, as per the PSC provisions and relevant Government Guidelines.