

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

UNSTARRED QUESTION NO:4556

ANSWERED ON:03.05.2012

ROYALTY ON OIL AND GAS

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

- (a) the norms for payment of royalty to oil and natural gas producing States and the amount of royalty paid during the last five years;
- (b) whether there is any provision for revising royalty on oil and natural gas after a certain time;
- (c) if so, the details thereof and if not, the reasons therefore; and
- (d) the date on which the rate of royalty was last revised and the factors taken into consideration for such revision along with the revised rate of royalty fixed?

Answer

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

(a): Royalty on production of crude oil and natural gas is payable to the Central Government (for production from offshore fields) and to the State Governments (for production from onshore fields) in terms of the statutory provisions of Oilfields (Regulation and Development) Act, 1948 (ORDA), Petroleum & Natural Gas (PNG) Rules 1959, Petroleum & Natural Gas (Amendment) Rules, 2003 read with notifications/resolutions dated 17th March, 2003, 16th December, 2004, 20th August, 2007 and 28th August, 2009 issued by the Government under the ORDA from time to time.

The rates of royalty for crude oil and natural gas in the nomination, Pre-NELP (Exploration Blocks and Discovered Fields) and NELP regime are as below:

Nomination Blocks:

(a) Royalty on crude oil is payable @ 20% and 10% of well head price for onshore and offshore nominated fields (shallow water areas- upto 400 meter of water depth) respectively on cum royalty basis. In respect of deep water areas (beyond 400 meter of water depth), the royalty is payable at half of the rates applicable for shallow water areas for first seven years. For heavier crude oils of 25 degree of API and less, the royalty rate is 2.5% lesser than the applicable rates for normal crude oils from onshore and offshore fields. Well head price is determined by deducting post well head levies and specific deduction for post well head cost of Rs. 1251/MT and Rs. 947/MT for onshore and offshore respectively from sale price.

(b) For Natural Gas, Royalty is payable at 10% of well-head price. However, for APM gas royalty is paid at 10% of producer price as per Govt. directives issued vide letters dated 20 Apr'92 and 22 Dec'09.

Pre NELP (Exploratory blocks and Discovered fields):

Pre-NELP Exploratory Blocks:

(a) Royalty on crude oil is payable @ 20% and 10% of well head price for onshore and offshore fields (shallow water areas- upto 400 meter of water depth) respectively on cum royalty basis. In respect of deep water areas (beyond 400 meter of water depth), the royalty is payable at half of the rates applicable for shallow water areas for first seven years. For heavier crude oils of 25 degree of API and less, the royalty rate is 2.5% lesser than the applicable rates for normal crude oils from onshore and offshore fields.

(b) For Natural Gas, Royalty is payable at 10% of well-head price.

The post well head cost for the purpose of calculating well head price of crude and gas is determined based on actual post well head expenditure reported in previous years' audited accounts.

Pre-NELP Discovered Fields:

(a) In case of offshore discovered fields awarded to private/ joint venture contractors, royalty on crude oil/ well head condensate is paid at the rates as specified in respective Production Sharing Contracts (PSCs).

(b) For Natural Gas, Royalty is payable at 10% of well-head price. The post well head cost for the purpose of calculating well head price of gas is determined based on actual post well head expenditure reported in previous years' audited accounts.

NELP Regime:

(a) In case of NELP blocks royalty is payable @ 12.5% and 10% of well head price for onshore and offshore on "ex-royalty" basis. In respect deep water areas (beyond 400 meter of water depth), the royalty is payable at half of the rates applicable for shallow water areas for first seven years. For heavier crude oils of 25 degree of API and less, the royalty rate is 2.5% lesser than the applicable rates for normal crude oils from onshore and offshore fields.

(b) For Natural Gas, Royalty is payable at 10% of well-head price.

The post well head cost for the purpose of calculating well head price of crude and gas is determined based on actual post well head expenditure reported in previous years' audited accounts. The royalty paid by Oil and Natural Gas Corporation Limited (ONGC)/Oil India Limited(OIL)/Private and Joint Ventures under the Production Sharing Contract(PSC) regime to the Central Government and the State Governments during last five years, as informed by them, are at Annexure-I.

(b) and (c): Section 6A(4) of Oil fields(Regulation and Development) Act, 1948 (ORDA), which specifies the statutory provisions regarding revision of royalty, is reproduced below:

Quote

(4) The Central Government may, by notification in the Official Gazette, amend the schedule so as to enhance or reduce the rate at which royalty shall be payable in respect of any mineral oil with effect from such date as may be specified in the notification and different rates may be notified in the respect of same mineral oil mined, quarried, excavated or collected from the areas covered by different classes of mining leases: Provided that the Central Government shall not fix the rate of royalty in respect of any mineral oil so as to exceed twenty percent of the sale price of the mineral oil at the oilfields or the oil well-head, as the case may be.

Unquote

In accordance with the above provision, Ministry of Petroleum & Natural Gas (MoP&NG) brings out notifications regarding rate and payment of royalty from time to time.

(d): Last revision in rates of royalty was made by Government vide Notification dated 16th December, 2004. Subsequently, certain amendments have also been made in provisions of royalty vide notifications dated 20th August, 2007 and 28th August, 2009.