

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

UNSTARRED QUESTION NO:582

ANSWERED ON:15.03.2012

PRODUCTION SHARING CONTRACTS

Gawali Patil Smt. Bhavana Pundlikrao ;Nagorao Shri Dudhgaonkar Ganeshrao;Rajendran Shri C.

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

- (a) the details of Production Sharing Contracts (PSC) signed by private and foreign companies with the Government under New Exploration and Licensing Policy (NELP) alongwith the extent of private partnership permitted alongwith the basin-wise details thereof;
- (b) the steps taken by the Government to safeguard its revenue interests;
- (c) the action taken/proposed by the Government against the erring companies violating the PSCs.
- (d) whether the Government proposes to delink the investment component from profit sharing formula under PSC;
- (e) if so, the details thereof; and
- (f) the details as to how the Government proposes to fix profit sharing percentage for bidding?

Answer

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

(a) Under the Production Sharing Contract (PSC) regime, a total of 235 exploration blocks have been awarded under eight rounds of New Exploration Licensing Policy (NELP) concluded so far. Out of these, 65 blocks were awarded to Private Companies, and 36 blocks to Foreign Companies, as Operator. The basin-wise details of awarded blocks are given in Annexure-I.

Under the NELP policy, any company, Private, Foreign or Public Sector Undertaking (PSU) can bid for the exploration blocks with participating Interest (P.I) upto the extent of 100%.

(b) The NELP blocks are offered through International Competitive Bidding Process with equal terms and conditions for National Oil Companies (NOCs), Private and Foreign Companies. The Bid Evaluation Criteria (BEC) are stipulated in the Notice Inviting Offers (NIO) of different NELP rounds. The salient bid evaluation parameters are as under:

Biddable Work Programme

Fiscal Package

Technical Capability

Each of the above parameters contain specified weightage for onland, shallow water and deepwater blocks. The bidder earning the highest weightage and satisfying other stipulated conditions in NIO is awarded the block. Further, Investment Multiple (IM) also helps government to earn a higher share of profit when windfall profit results from high petroleum prices and/or high production volumes realized due to reservoir surprises.

Central and State Government receives Petroleum Exploration License (PEL) fees for blocks awarded under NELP in offshore and onland area respectively. Further royalty on production of oil/gas is payable by the operator to the State/Central Government for onshore/offshore blocks.

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

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

(d) to (f) In order to improve the terms and conditions of NELP bidding rounds, various terms and conditions including profit sharing percentage as well as Production Sharing Contract (PSC) articles are reviewed in consultation with all stake holders, prior to the

launch of each round of NELP bidding.