

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

UNSTARRED QUESTION NO:65  
ANSWERED ON:22.02.2013  
OIL EXPLORATION AND PRODUCTION  
Antony Shri Anto;Mani Shri Jose K.

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

- (a) Whether most of the country's sedimentary basins remain poorly explored necessitating adoption of a system of upfront cost recovery to incentivise investment in oil exploration and production;
- (b) If so, the details thereof along with the recommendations made by Dr. C. Rangarajan Committee in this regard;
- (c) the details of the recommendations of the Committee on the pricing and profit sharing of domestically produced oil and natural gas in the country; and
- (d) the action taken by the Government thereon?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. PANABAAGA LAKSHMI)

(a) to (d) India has 26 sedimentary basins covering an area of about 3.14 Million Sq. Km. The exploration status in the Indian basins in the year 2011-12 are as under:

Level of Exploration	Area(Sq. Km)	% of Total Sedimentary Area
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Unexplored	0.374	12%
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Exploration Initiated	1.384	44%
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Poorly Explored	0.695	22%
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Moderate to well explored	0.687	22%
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Total	3.14	100%
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In order to accelerate the pace of hydrocarbon exploration and exploitation in the country and to attract investment in Exploration and Production (E & P) sector, Government introduced International Competitive Bidding rounds under Pre -NELP and New Exploration Licensing Policy (NELP) for award of exploration blocks. The awarded blocks are operated as per the Production Sharing Contracts (PSCs) signed between the Contractor (s) and the Government. The PSCs envisage upfront cost recovery by the Contractor(s) upto 100%, in case of successful exploration resulting in commercial oil/gas production. Such incentives were given to the Contractor(s) to encourage participation in the bidding process.

A Committee has been constituted under Chairmanship of Dr.C. Rangarajan, PM's Economic Advisory Council (EAC) with the following Terms of Reference (ToR):-

- (i) Review of the existing PSCs, including in respect of the current profit-sharing mechanism with the Pre-Tax Investment Multiple (PTIM) as the base parameter and recommend necessary modification for the future PSCs;
- (ii) Exploring various contract models with a view to minimize monitoring of expenditure of the contractor without compromising, firstly, on the hydrocarbons output across time and, secondly, on the Government's take;
- (iii) A suitable mechanism for managing the contract implementation of PSCs which is being handled at present by the representation of Regulator/Government nominee appointed to the Management Committee;
- (iv) Suitable governmental mechanisms to monitor and to audit Government of India (GOI) share of profit petroleum;
- (v) Structure and elements of the Guidelines for determining the basis or formula for the price of domestically produced gas, and for monitoring actual price fixation; and
- (vi) Any other issues relating to PSCs.

The Committee has made recommendations on ToR

- (i) to
- (v). The said report and recommendations of the Committee can be viewed/ downloaded from the official website of the Economic Advisory Council to the Prime Minister <http://eac.gov.in/>. The said report and recommendations of the Committee are under consideration of the Government.