

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

UNSTARRED QUESTION NO:4587
ANSWERED ON:21.02.2014
PRODUCTION SHARING CONTRACTS UNDER NELP
Jawale Shri Haribhau Madhav

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 Licensing Policy (NELP);
- (b) whether these companies are strictly adhering to the PSCs signed by them;
- (c) if so, the details thereof;
- (d) if not, the action proposed to be taken by the Government against the erring companies: and
- (e) the steps taken/being taken by the Government to safeguard its revenue interest apart from Petroleum Exploration License (PEL) fee?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRIMATI PANABAACA LAKSHMI)

(a) Details are at Annexure – I

(b) to (d): The PSC provides for specific stipulations and timelines for exploration and development, which are required to be adhered to by the operators. However, there are instances of violation of timelines by the Contractors, such as:

Non-completion of Minimum Work Programme (MWP) within phase duration.

Non-submission of Declaration of Commerciality (DoC) and Field Development Plan (FDP) within timeline.

Delay in submission of Annual Work Programme and Budget , Bank Guarantees etc.

Guidelines provide for penalties measures, such as, payment of cost of unfinished work programme and liquidate damages etc. for extension of timelines in exploration phase and operators have been penalized accordingly as per relevant PSC provisions.

(e): The fiscal terms for revenue sharing under the PSC are decided on the basis of a transparent International Competitive Bidding process. PSCs signed by Government With contractors (private, public as well as foreign companies) under NELP and Pre-NELP provide for sharing of Profit Petroleum in each year. The share of Profit Petroleum in any year is calculated on the basis of the Investment Multiple actually achieved by the contractors at the end of the preceding year for the contract area.

Under the PSC regime, Government does not make any investment. The Capital Expenditure is made exclusively by the Contractors. The contractor is entitled to recover the capital cost incurred in the project subject to verification and audit of these costs.