

OFFICE MEMORANDUM

Subject: Non-payment of the Government dues by contractor under production sharing contracts (PSCs)

Government of India has signed a number of production sharing contracts with various companies for exploration and production of oil and gas under the respective PSCs.

2. These PSCs specify the respective rights, obligations and covenants of each party. The parties are required to comply with the provisions of production sharing contracts in a timely manner as provided in the respective PSCs.

3. There have been cases, where companies have, contrary to the provisions of the contract, failed to make timely payments on account of statutory or contractual dues to the Government. Some of the companies have even continued such defaults for a long period. Such deliberate actions on part of these companies are undesirable and not in the spirit of smooth conduct of the PSC.

4. Keeping in view the public interest and to protect the interests of Government, it has been decided by the Government that in case statutory or contractual amounts due to the Government as calculated by contractors in terms of the provisions of respective PSCs or relevant laws are not deposited in a timely manner as specified in the respective PSCs or agreed between the parties, Government of India or its nominee shall withhold payments till such time the default is remedied by contractors. It is enjoined upon the contractors that they should send a confirmation letter by 10th day of each month to the Government nominee with a copy to Dir (EC) MOP&NG, P&AO, MOP&NG and DGH that they have already deposited the money due to the Government on account of royalty/profit petroleum as per the calculations carried out by contractors in terms of the provisions of the PSC for the preceding month or concerned month, or quarter as the case may be. Nominee refineries may on the receipt of such confirmation release payments due to such contractor. On the failure of the contractor to provide such confirmation or in the case of his providing false or misleading confirmation, Government of India or its nominee shall withhold payments till such time the default is remedied by contractors.

(GURMUKH SINGH)

Under Secretary to the Govt of India

File No. 23383585

Copy to:

1. PSC Contractor *Cairn India Pvt. Ltd. Lavan field*
2. Government nominee for purchase of oil and gas
JOC, H.P.C.L., B.P.L. and Gail

Sh. Ramesh Chandra...



206