

No.L-12015/8/10-GP
Government of India
Ministry of Petroleum and Natural Gas

Shastri Bhawan, New Delhi
Date: May 31, 2010

To

C&MD, ONGC
C&MD, OIL
C&MD, GAIL (India) Ltd.

Sub: Price of APM natural gas produced by National Oil Companies (NOCs)

Sir,

Please refer letter No.L-12015/5/04-GP(I) dated 20.6.2005 wherein inter alia the price of APM natural gas was fixed as Rs.3200/mscm (thousand standard cubic meters) at 10,000 Kcal/cubic meter. Subsequently, the price of APM natural gas supplied to City Gas Distribution Projects & small consumers having allocations up to 50,000 scmd was increased to Rs.3840/mscm vide Ministry's letter of even number dated 5.6.2006. **It has been decided that the price of APM natural gas produced by National Oil Companies (NOCs) be fixed at US \$ 4.2/mmbtu less royalty.** Hence, the APM price inclusive of royalty would be US\$ 4.2/mmbtu. The price would be on Net Calorific Value (NCV) basis. This price would be applicable for supply of APM gas to APM customers as defined in the above-mentioned order dated 20.6.2005. The price would be converted to Rs./mscm (at 10,000 KCal/scm) at the RBI reference exchange rate of the month previous to the month during which supply of APM gas is made. The price in Rs./mscm would be adjusted every month on the basis of RBI reference exchange rate. The price would be excluding cess, transportation charge, marketing margin/service charge, taxes, etc.

2. For customers in North-East, the net consumer price would be 60% of the above, i.e., US \$ 2.52/mmbtu, on NCV basis. The difference would be paid to ONGC & OIL through Government budget.
3. It has been decided that marketing margin of Rs. 200/mscm should be charged from customers by the Company marketing the gas produced by NOCs.
4. As regards the Gas Pool Account envisaged in para 1 (v) of the above referred letter dated 20.6.2005, excess in the Gas Pool Account at the end of financial year, if any, would be

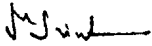
transferred to NOCs, in accordance with their contribution to the inflow to the Gas Pool Account.

5. ONGC and OIL would have the freedom to sell any production from new fields in their nominated blocks at non-APM rate decided by the Government. As regards existing producing fields, the production of ONGC and OIL from these, including any additional production, would be considered as APM gas and sold at APM rate. The sale of APM and non-APM gas thus produced from nominated blocks would be in accordance with Government's decisions regarding commercial utilization of gas.

6. In case of reduction in availability of APM gas in a grid/ connected fields, the APM supplies to connected APM customers would be reduced on a pro rata basis. To meet the deficit in supply of APM gas, GAIL and other Oil Marketing Companies marketing non-APM natural gas would supply non-APM gas, subject to availability and connectivity, to connected APM customers on priority, provided they are willing to pay higher non-APM price.

7. The order would be effective for City Gas Distribution entities from 8.6.2010, while it would be implemented for all other customers from 1.6.2010.

Yours faithfully,


(Manu Srivastava)
Director
Tele: 23381029

Copy to:

Secretary, Ministry of Power
Secretary, Department of Expenditure
Secretary, Planning Commission
Secretary, Ministry of Steel
Secretary, Ministry of Development of North East Region
Secretary, Department of Fertilizers
Secretary, Ministry of Micro, Small & Medium Enterprises
Secretary, Department of Industrial Policy & Promotion
Secretary, Department of Chemicals & Petrochemicals
Secretary, PNGRB

Copy also to:

JS (E)
IOCL/BPCL/HPCL/PLL

Copy to:

Chief Secretaries to all State Governments