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EXTRAORDINARY, PART 1, SECTION 1)

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND NATRUAL GAS

New Delhi, Dated : 28th March, 2016

Policy for the Grant of Extension to the Production Sharing Contracts signed by Government awarding small, medium sized and discovered fields to private Joint Ventures

No. O-19025/10/2005-ONG-D-V(Part-II) – The Government of India has approved a policy for granting extension to small and medium size discovered fields in order to have a transparent and defined framework for granting extension. This will help the operators and investors in planning their investments in these fields which will help in optimal exploitation of discovered hydrocarbons from these fields. The salient features of the policy are as follows:-

1. Submission, Consideration and Approval of request for extension of Contract: The Contractor should submit the application duly approved by the Operating Committee for extension of Contract to MoPNG at least 2 years in advance of the expiry date, of Contract, but not more than 6 years in advance, with a copy to DGH. DGH will make a recommendation to MoPNG within 6 months of submission of application by the contractor. The Government will take a decision on the request for extension within 3 months of receipt of the proposal from DGH.

2. Fiscal Parameters for Extension:

2.1 **Government Share:** The Government share of Profit Petroleum during the extended period of contract shall be 10% higher for both small and medium sized discovered fields, than the share as calculated using the normal PSC provisions in any year during the extended period and hence will vary from year to year based on Investment Multiple (IM) /Post Tax Rate of Return (PTRR).

2.2 Royalty and Cess: During the extended period of Contract, the royalty and cess shall be payable at prevailing rates (of nomination regime) and not at concessional rates as stipulated in the PSC for both small and medium sized fields. Royalty and cess will be payable by all the contractors in proportion to their participating interest.

3. Prerequisites for Evaluation:

3.1 The proposal for extension shall be considered for the following area having valid mining lease on the date of application:

a) Area where test / commercial production has commenced

b) The area covered by a development plan for any discoveries in the ML area submitted to Management Committee (MC) for approval, subject to approval of such FDP by MC.

c) Area where firm exploration programme has been submitted by the contractor to DGH backed by a Bank Guarantee and not covered under existing development area on the date of application.

3.2 The application of extension of contract should fulfill the following conditions for consideration:

a) Contractor should be able to demonstrate the availability of balance recoverable Reserves through a Third Party Reserves Audit report, to be submitted along with the application for extension. The definition of 'Reserves' for the purpose would be as per Petroleum Resource Management System (PRMS) guidelines.

b) If the remaining 2P/P50 (2P/50 reserves implies proven plus probable reserves having a 50% certainty of being produced) recoverable reserves [Oil+ Oil Equivalent of Gas (O+OEG)] of any development area requested for extension are more than 5 MMBBL, the Third Party Reserves Audit needs to be done by a consultant of international repute as per the empanelled list maintained by DGH and as amended by from time to time.

c) Contractor would submit a Revised Field Development Plan (RFDP) for the proposed extension period at the time of submission of application, for exploitation of the remaining reserves. This will include, but not be limited to, the following:

(i) In place-Oil Initially in Place (OIIP) and Gas Initially in Place (GIIP)

(ii) Balance 2P/P50 Recoverable Reserves

(iii) Future Production Profile based on Reservoir Simulation Studies

(iv) Proposed Work Programme and the estimated expenditure for the proposed extension period.

d) Revised FDP would include a Base Production Profile (Do Nothing case, with no change in the earlier approved input, if any) and a Recommended Production Profile over the Base case including the corresponding Work Programme and Programme Quantity, which should include IOR/EOR components, wherever applicable.

e) Such RFDP will be considered by the Management Committee (MC) and where thought fit, the MC will grant conditional approval for such development plan (including the period beyond the current PSC), subject to the condition of extension of PSC being granted by the Government under this policy. Such conditional approval by MC will not confer any right on the Contractor for extension in PSC period.

f) While submitting the application, the operator should submit proof of technical expertise.

g) Contractor while submitting the application should submit cumulative achievement of drilled wells and production (planned vs actual) since inception.

h) All the statutory dues and payment due to Government should have been cleared and the contractor should not be a defaulter to the Government on any account.

4 Criteria for Evaluation of Request:

4.1 The past performance of the contractor should be satisfactory for the request of extension to be favourably considered. The past performance would be judged on the basis of following criteria:

a. Contractor should have drilled at least 70% of the development wells of development plan approved by the Management Committee (MC) due for drilling as on date of application for last 10 years, or, must have achieved 70% of the committed production as on date with reference to the earlier approved FDP or approved Work Programme for the last 10 years.

b. Contractor should have complied with the provisions of creation of Site Restoration Fund (SRF) and Site Restoration Plan (SRP) as per PSC. Wherever PSC does not provide for SRF and SRP, the Contractor should propose SRF and SRP as a part of extended Contract.

5. In the event of failure to comply with any of the above conditions, mentioned in clauses 3 and 4 above, Government shall have the option to invite fresh bids for further development of the area and to award the field to the most competitive bid. Government would also take into account pending arbitration while considering extension requests.

6. Seat of Arbitration:

The seat of arbitration will be at Delhi, India, for Production Sharing Contracts during extension period, notwithstanding any other provision in the existing PSC and will be subject to the Indian Arbitration & Conciliation Act, 1996.

7. Duration of Extension:-

The extension for these PSCs would be considered for 10 years both for oil and gas fields or economic life of the Field, whichever is earlier. Subsequent extensions, if any, and the terms and conditions for the same would be worked out in due course.

8. Submission of Bank Guarantee:

Contractor shall provide Bank Guarantee (BG) equal to 10% of the total estimated annual expenditure in respect of the Work Programme approved by the Management Committee for being undertaken by the Contractor in the contract area. In case the contractor fails to complete the approved work program, grace period up to one year can be granted by MC to complete the activity, subject to the contractor extending the validity of the Bank Guarantee for the duration of grace period and not hampering the next year's work program. In addition, the Contractor will have to submit another fresh Bank Guarantee for the forthcoming year against the annual work programme and budget of that year.

9. Other conditions:

9.1 Government shall have the right to stipulate any further conditions specific to any particular Production Sharing Contract.

a. Government shall reserve the right not to extend PSC without assigning any reason thereof.

b. The condition stipulated in this policy will override the existing provision of the PSC.

c. In case any contractor is not agreeable to this policy then the field will be considered for rebidding, on as is where is basis. Government would have the right to assign the same to National Oil Companies (NOCs) i.e. ONGC or OIL.

10. The list of 28 fields is placed at **Annexure –A**.

(U. P. Singh)
Additional Secretary to the Government of India

Annexure-A

28 small and medium size fields

Sr. No.	Awarded as Medium Sized Fields	Round
1	Kharsang	I Round
2	Ravva	I Round
3	Tapti	I Round
4	Panna-Mukta	I Round
	Awarded as Small Sized Fields	
5	Dholka	I Round
6	Wavel	I Round
7	Asjol	I Round
8	Cambay	I Round
9	Bhandut	I Round
10	Sabarmati	I Round
11	Hazira	I Round
12	PY-I	I Round
13	Baola	I Round
14	Modhera	I Round
15	Bakrol	I Round
16	Lohar	I Round
17	Indrora	I Round
18	Karjisan	I Round
19	Ognaj	II Round
20	Allora	II Round
21	Amguri	II Round
22	Dholasan	II Round
23	Kanwara	II Round
24	North Balol	II Round
25	North Kathana	II Round
26	Sanganpur	II Round
27	Unawa	II Round
	Awarded as Discovered Field	
28	PY-3	