

(TO BE PUBLISHED IN THE GAZETTE OF INDIA  
EXTRAORDINARY, PART 1, SECTION 1)

GOVERNMENT OF INDIA  
MINISTRY OF PETROLEUM & NATURAL GAS

New Delhi, Dated: 14<sup>th</sup> August, 2018

**Policy Framework for Streamlining the Working of Production Sharing Contracts in respect of Pre-NELP and NELP Blocks.**

**No. O-22013/6/2016-ONGD-V** - The Government of India hereby notifies the "Policy Framework for Streamlining the Working of Production Sharing Contracts in respect of Pre-NELP and NELP Blocks" as hereunder:

**1. Sharing of Royalty and Cess in proportion to Participating Interest of the Contractors in Pre-New Exploration Licensing Policy (Pre-NELP) Exploration Blocks and to be cost recoverable.**

In Pre-NELP Exploration Blocks the National Oil Companies, as Licensee are liable for payment of royalty, cess and other statutory charges on entire production of oil and gas. To facilitate further investments, the Government has decided that the Contractors in Pre-NELP Exploration Blocks will be allowed to share the liability of the statutory levies including royalty, cess and any other charges in proportion to their respective Participating Interests (PIs) in the block. All the constituents of the Contractor will become Licensee of the Block and payments made towards such statutory levies shall be eligible for cost recovery as part of contract cost prospectively.

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**2. Extended Exploration Period in North Eastern Region and Marketing including Pricing Freedom for natural gas produced in North Eastern Region (NER)**

The Contractors in the Northern Eastern Region (NER) will be given the following special dispensations:

- 2.1 Additional Extension of Exploration/Appraisal Period : In all operational Pre-NELP and NELP Blocks, Contractors may be allowed, upon their request, a maximum extension of two years in the exploration period (which can be availed either in whole during a single phase or in parts during different phases) and a maximum extension of one year in the appraisal period respectively. This additional extension shall be over and above the extensions permissible under the extant extension policy related to Pre-NELP and NELP.
- 2.2 Marketing including Pricing Freedom of Natural Gas : Contractors would be provided marketing including pricing freedom for the gas to be produced from discoveries in NER, subject to the following conditions:
- i) The proposed policy guidelines of Marketing including pricing freedom will be applicable to future discoveries as well as existing discoveries which are yet to commence commercial production as on 1<sup>st</sup> July, 2018.
  - ii) Total gas subsidy provided on APM gas to APM consumers as per prevailing extant policy will continue at existing allocated quantity. Gas subsidy beyond presently allocated quantity will not be considered. The gas which is sold in accordance with extant policy for



the purpose of gas subsidy will continue to be governed under the New Domestic Natural Gas Pricing Guidelines, 2014.

- iii) No gas subsidy will be available on that portion of gas production which is eligible for marketing including pricing freedom under the New Policy guidelines.
- iv) The sale of the gas is at arm's length price in the domestic market.
- v) In the event of market discovered price being less than the price notified by Petroleum Planning Analysis Cell (PPAC) under the New Domestic Natural Gas Pricing Guidelines, 2014, the Royalty to the Government shall be paid on the basis of the latter.

**3. Force Majeure – Extension of Notice Period from 7 days to 15 days**

It has been decided to extend the time limit for giving written notification to Directorate General of Hydrocarbons/Management Committee about the occurrence of Force Majeure event from 7 days to 15 days in Pre-NELP and NELP contracts in operational blocks. This dispensation shall be applicable prospectively.

**4. Extending Tax benefits under Section 42 of Income Tax Act, 1961 to Pre- NELP discovered fields during extended period under the Policy for Pre- NELP PSC Extension dated 28.03.2016**

- 4.1 It has been decided to extend the tax benefits under Section 42 of the Income Tax Act, 1961 to 11 Pre-NELP Discovered Fields during the extended period of the Contract under the Policy for PSC extension dated 28<sup>th</sup> March, 2016. Accordingly, the Policy is amended by inserting the following sub-para 2.3 in para 2 (Fiscal Parameters for Extension):



“2.3 Tax benefits under section 42 of the Income Tax Act, 1961, shall be made available to all Contractors of the small and medium sized discovered fields during the extended period of Contract. Production Sharing Contracts, which do not, at present, contain any provision on Section 42 of the Income Tax Act, 1961 shall be permitted to be amended so as to incorporate applicability of the tax provisions during the extended period of the Contract. The relevant provision as mentioned under Article 17 of Pre-NELP discovered field PSC permitting tax benefit under Section 42 of Income Tax Act, 1961 shall be incorporated in amended PSC for the extended period of Contract”.

4.2 The list of the 11 Pre-NELP Discovered Fields is annexed.

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**(Amar Nath )**

**Joint Secretary to the Government of India**

**Ph. 23381832**

List of 11 Pre-NELP Discovered fields

S. No	Field Name
1.	Asjol
2.	Baola
3.	PY-1
4.	Hazira
5.	Bhandut
6.	Cambay
7.	Indrora
8.	Bakrol
9.	Lohar
10.	Dholka
11.	Wavel

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14.08.2028