Subject: Guidelines for Early Monetization of Hydrocarbon discoveries under Production Sharing Contracts (PSCs) and Revenue Sharing Contracts (RSCs)

The issue of monetization of hydrocarbon discoveries before completion of other activities such as Appraisal, Declaration of Commerciality (DoC) and submission of Field Development Plan (FDP) etc in Blocks under exploration period, as per contractual provisions, has been examined. To encourage and facilitate early monetization of discovery(ies), MoPNG hereby lays down the following guidelines to enable early monetization of discovery(ies) in contract areas under Production Sharing Contracts (PSCs) and Revenue Sharing Contracts (RSCs) subject to the stipulations in the subsequent paragraphs.

1. In terms of the contractual provisions the timelines given under the Article on “Discovery, Development and Production” or similar Articles of the PSC/RSC are the maximum timelines for development and monetization of discoveries. There are no restrictions on monetization of discovery at an early stage within these timelines; rather it would be in public interest that a discovery is monetized early as a step towards energy security of the country.

2. Accordingly, the Contractor may develop and monetize such early stage discovery/discoveries before completion of Appraisal, Declaration of Commerciality (DoC) and submission of Development Plan (DP)/ Field Development Plan (FDP) etc. in Blocks under exploration period, subject to the following:

   i) Pursuant to a discovery made in the Block, the Contractor may submit to DGH its plan to develop (referred to as Early Development Plan), along with relevant details including development plan, estimated cost and production profile, and request for granting Petroleum Mining Lease (PML). Such request for PML may be processed at DGH as per the applicable Petroleum & Natural Gas Rules for recommendation to competent authority for grant of PML.

   ii) All other activities prescribed in the PSC/RSC Article on “Discovery, Development and Production” or similar Articles, shall be carried out in accordance with the contractual provisions and within the timelines prescribed in the Contract.

   iii) At the time of approval of DP/FDP (as defined in PSC/RSC) for development of the total Block/Development Area, all such discoveries for which PMLs would be granted for early monetization shall be subsumed in the total
Development Area and PML of the Block/Development Area, as the case may be.

iv) The production ensuing from such discoveries shall be considered as Commercial Production and payment of statutory levies, Cost Recovery, sharing of Profit Petroleum, Revenue sharing, etc., as the case shall be as per provisions of respective PSC/RSC and other extant rules/regulations/guidelines.

3. All other terms and conditions will be as per applicable PSC/RSC provisions and other extant rules/regulations/guidelines.

This has the approval of the Competent Authority.