पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय
MINISTRY OF PETROLEUM AND NATURAL GAS

DGH

Report of the Joint Working Group (JWG) on Issues related to EoDB in Indian Upstream Sector

Interim Report

Ministry of Petroleum and Natural Gas,

Government of India

April 2025

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Preface

The Ministry of Petroleum and Natural Gas (MoPNG) constituted this Joint Working Group (JWG) to assess and address issues affecting the EoDB in the upstream oil and gas sector. The working group, comprising representatives from key E&P operators and government, has reviewed and examined **eighty three (83) unique issues** submitted by the operators over the course of several deliberative meetings. Based on our assessment, **sixteen (16) issues have been identified as addressable through policy guidelines within the jurisdiction of the MoPNG**.

The JWG has formulated a set of recommendations, aiming to enhance Ease of Doing Business for E&P industry and ultimately reducing import dependency through necessary policy and regulatory interventions.

These recommendations, finalized by the JWG after deliberations on 06th February , 2025, are expected to streamline and simplify existing E&P processes and introduce new policies or guidelines that can boost investors' confidence in the Indian hydrocarbon sector.

We, the undersigned, Members of the JWG submit the report on this 12 day of April, 2025.

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List of Abbreviations

Abbreviation	Explanation
2D	Two Dimensional
3D	Three Dimensional
AGG	Airborne Gravity Gradiometry
AI	Artificial Intelligence
API	Acquisition Processing and Interpretation
APM	Administered Pricing Mechanism
AWEL	Adani Welspun Exploration Limited
AWP	Annual Work Programme
AWP&B	Annual Work Programme and Budget
BCM	Billion Cubic Meters
BG	Bank Guarantee
bp	British Petroleum
BPEAL	BP Exploration (Alpha) Limited
BPRL	Bharat Petroleum Resources Limited
BWP	Bid Work Programme
CA	Compensatory Afforestation
CAPEX	Capital Expenditure
CBM	Coal Bed Methane
CEC	Central Empowered Committee
CG	Corporate Guarantee
CGD	City Gas Distribution
CMPDI	Central Mine Planning and Design Institute
CMS	Contract Management System
CNG	Compressed Natural Gas
COUWP	Cost of Unfinished Work Programme

Abbreviation	Explanation
CRZ	Coastal Regulation Zone
CSS	Cyclic Steam Stimulation
CWP	Committed Work Programme
DGH	Directorate General of Hydrocarbons
DGMS	Directorate General of Mines Safety
DLC	District Level Committee
DPIIT	Department for Promotion of Industry and Internal Trade
DPRL	Darwin Platform Refineries Limited
DSF	Discovered Small Field
DSS	Decision Support System
E&P	Exploration and Production
EC	Environment Clearance
ED	Excusable Days/ Extra Days
EOGEPL	Essar oil and Gas Exploration and Production Limited
EOI	Expression of Interest
EOR	Enhanced Oil Recovery
EPU	Early Production Unit
ERD	Extended Reach Drilling
ESZ	Eco-Sensitive Zone
FBIL	Financial Benchmarks India Private Limited
FC	Forest Clearance
FCA	Forest Conservation Act
FDI	Foreign Direct Investment
FDP	Field Development Plan

Abbreviation	Explanation
FIPB	Foreign Investment Promotion Board
FRA	Forest Rights Act
FSI	Forest Survey of India
GEECL	Great Eastern Energy Corporation Limited
GFR	General Financial Rules
GIPIP	Good International Petroleum Industry Practices
GN	Guidance Note
GoI	Government of India
GSPC	Gujarat State Petroleum Corporation
GST	Goods and Services Tax
GTE	Global Tender Enquiry
HELP	Hydrocarbon Exploration Licensing Policy
HOEC	Hindustan Oil Exploration Limited
HPHT	High Pressure, High temperature
HRP	High Revenue Point
HSD	High Speed Diesel
IEP	Initial Exploration Period
IFRS	International Financial Reporting Standards
IOCL	Indian oil Corporation Limited
IPL	Invenire Petrodyne Limited
ITC	Input Tax Credit
JV	Joint Venture
JWG	Joint Working Group
LD	Liquidated Damages
LIBOR	London Interbank Offered Rate
LKM	Line Kilometer
LRP	Lower Revenue Point
MC	Management Committee

Abbreviation	Explanation
MEIL	Megha Engineering & Infrastructures Limited
ML	Mining Lease
ML	Machine Learning
MMBTU	Metric Million British Thermal Unit
MMDR	Mines and Minerals (Development and Regulation)
MMP	Minimum Miscibility Pressure
MMT	Million Metric Tonnes
MoEFCC	Ministry of Environment, Forest and Climate Change
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoM	Ministry of Mines
MoPNG	Ministry of Petroleum and Natural Gas
MoTA	Ministry of Tribal Affairs
MWP	Minimum Work Programme
NAIFF	National Agriculture Infra Financing Facility
NANG	Non-Associated Natural Gas
NDR	National Data Repository
NELP	New Exploration Licensing Policy
NIIF	National Investment and Infrastructure Fund
NIO	Notice Inviting Offers
NOC	National Oil Company
NPV	Net Present Value
NRTP	Non-Resident Taxable Persons
OALP	Open Acreages Licensing Policy
OC	Operating Committee
OCR	Operating Committee Resolution

Abbreviation	Explanation
OEM	Original Equipment Manufacturer
OEPL	Oilmax Energy Private Limited
OIL	Oil India Limited
OISD	Oil Industry Safety Directorate
ONGC	Oil and Natural Gas Corporation
OPEX	Operating Expenditure
P&NG	Petroleum and Natural Gas
PA	Protected Area
PCB	Pollution Control Board
PEL	Petroleum Exploration Licenses
PESO	Petroleum and Explosives Safety Organisation
PI	Participating Interest
PLP	Production-linked Payment
PML	Petroleum Mining Lease
PNGRB	Petroleum and Natural Gas Regulatory Board
PPAC	Petroleum Planning & Analysis Cell
PSC	Production Sharing Contract
PSCMS	PSC Management System
QPU	Quick Production Unit
R&D	Research and Development
RBI	Reserve Bank of India
RFDP	Revised Field Development Plan
RIL	Reliance Industries Limited
RIPL	Ramayana Ispat Private Limited
RSC	Revenue Sharing Contract
AED	Special Additional Excise Duty

Abbreviation	Explanation
SC	Steering Committee
SCBM	Special CBM
SC-NBWL	Standing Committee for National Board of Wildlife
SHANTIGD	Shanti GD Ispat and Power Private Limited
SKM	Square Kilometer
SOFR	Secured Overnight Financing Rate
SoP	Standardized Operating Procedure
SPOC	Single Point of Contact
TAR	Technical Assessment Report
TCF	Trillion Cubic Feet
TDS	Tax Deducted at Source
TOR	Terms of Reference
UNDP	United Nations Development Programme
UOP	Unit of Production
USD	US Dollars
USGS	United States Geological Survey
VAT	Value Added Tax
WLS	Wildlife Sanctuary

1. Executive Summary

India's Exploration and Production (E&P) sector has undergone a significant transformation over the years, driven by the nation's rising energy demand, its strategic objective of reducing import dependence, and its broader economic growth ambitions. As one of the world's fastest-growing economies and the third-largest energy consumer, India's reliance on oil and gas is expected to increase in the foreseeable future. To meet this demand, the government has introduced various policies to enhance domestic production, attract private and foreign investment, foster technological innovation, and ensure long-term energy security.

In this regard, the Government of India has undertaken a series of policy and fiscal interventions aimed at improving the investment climate in the upstream oil and gas sector. Notwithstanding these efforts, regulatory and operational challenges continue to hinder the sector's full potential. Recognizing these concerns, the government remains committed to foster a more conducive environment for hydrocarbon sector by addressing critical bottlenecks that affect the ease of doing business (EoDB) in the sector.

In pursuance of this objective, and with a view to address industries concerns, the Ministry of Petroleum and Natural Gas (MoPNG) constituted a Joint Working Group (JWG) to examine critical issues affecting EoDB in India's E&P sector. The JWG was mandated to identify key challenges faced by operators, analyze the causes of delays in obtaining statutory clearances, and explore opportunities for process simplification.

Additionally, the JWG was tasked to assess the feasibility of introducing self-certification mechanisms within existing contractual frameworks and develop targeted recommendations to streamline regulatory procedures.

Overview of issues addressed by JWG

A total of eighty-three (83) unique issues were submitted for consideration by various stakeholders. These were subsequently categorized based on the nature of the issue—procedural, self-certification-related, fiscal, financial, or other—and mapped to the relevant ministry or authority, including MoPNG, the Directorate General of Hydrocarbons (DGH), the Ministry of Environment, Forest and Climate Change (MoEFCC), the Ministry of Defence (MoD), the Ministry of Finance (MoF) among others.

Additionally, the issues were classified based on their anticipated resolution timeframe, encompassing immediate (within six months), short-term (less than one year), medium-term (one to two years), and long-term (beyond two years) interventions.

Following deliberations and assessment, **sixteen (16) issues were identified as resolvable through policy guidelines under the jurisdiction of MoPNG**. These include matters related to delivery point approvals, statutory clearances, bank guarantees, and the extension of development periods, among others.

A list of issues addressed by the JWG is presented in the table below.

Table 1 List of issues addressed by JWG

S.No.	Areas of concern
1	Approval for delivery point(s) within and outside the contract area
2	Grant of Excusable Delays/ Extra Days for delays in government related approvals
3	Reduction in contract area and work programme, due to denial or delay in statutory clearances for exploratory activities
4	Bank Guarantee (BG) renewal towards unfinished Work Programme
5	Field Development Plan (FDP) approvals of PSC blocks
6	Grant of Extension in Exploration/Development Period across contractual regimes
7	Process for PSC extension applications and approvals
8	Provisions for incentives on sale of natural gas to private operators in Northeast region
9	Transfer of Participating Interest (PI) among existing PI holders under a contract
10	Annual Work Programme (AWP) and Budget approval under CBM regime
11	Flexibility to deploy new exploration technology/ methods for meeting Minimum, Committed or Bid Work Programme
12	Flexibility to swap exploration activities across contracts within the same or higher category basin
13	Field handover process in DSF contracts
14	Exchange rate conversion methodology across contracts regimes
15	Open-Source National Data Repository (NDR)
16	Collaborative resource-sharing among operators in E&P sector

The JWG has formulated a set of recommendations for submission to the competent authority, aiming to facilitate further examination within the framework of existing contractual provisions and enable necessary policy and regulatory actions. A detailed account of these recommendations is provided in **Chapter 5** of this report.

Ongoing policy actions undertaken by MoPNG and DGH

Following discussions with the stakeholders, the MoPNG and the DGH have actioned on several fronts, with various policy initiatives and guidelines that have already been implemented. Additionally, several measures are under implementation stage and are being actively pursued to further improve the EODB in the upstream hydrocarbon sector.

A summary of the policy actions undertaken or being pursued are providing in the table below.

Table 2 Summary of policy actions undertaken by MoPNG and DGH

S.no.	Area of concern	Policy action
1	Grant of Excusable Delays/ Extra Days for delays in government-related approvals	• For OALP Blocks: • From OALP-VIII onwards, the scope of excusable delays has been expanded to include all necessary permits, approvals, and clearances. • Additionally, a 120-day approval period has been introduced, along with an exit option without liquidated damages (LD) if statutory clearances are delayed beyond two years. • A proposal is under consideration to extend these provisions to OALP-I to VII contracts. • For DSF Blocks: • From An exit clause for statutory and other clearances beyond two years has been applicable since DSF-III. A proposal is under consideration to extend this provision to DSF-I and II contracts. • Currently, extra days in lieu of environmental and forest clearances (EC & FC) are not available for DSF-III onwards. A proposal is under consideration to introduce this provision for DSF-III, Special DSF, and future DSF rounds.
2	Grant of extension in exploration/development period across regimes	• For OALP Blocks: • A two-year paid extension in the Initial Exploration Period (IEP) is proposed for OALP-I to III blocks. • Paid extensions of up to 8-10 years are proposed for Category-II & III basins in OALP-IV to VII blocks. • A two-year paid extension for Category-I basins in OALP-IV onwards is under consideration. • Extensions for blocks in the Northeast region and Andaman Basin are proposed to have discounted terms compared to other regions. • For DSF Blocks: • A one-year paid extension in the development period has been applicable from DSF-III onwards. A proposal is under

S.no.	Area of concern	Policy action
		consideration to extend this provision to DSF-I and II rounds
3	Standardization of exchange rate conversion methodology across contracts	• A proposal is under consideration to standardize the exchange rate conversion methodology across all OALP blocks awarded from OALP-I to VII, aligning them with the provisions applicable from OALP-VIII onwards. • Under the proposed framework, contractors shall remit royalty, the government's share of revenue, and any other contractual dues in Indian Rupees (INR). • Currency conversion between USD and INR (or any other currency) will be based on the RBI/FBIL/RBI-authorized agency's reference exchange rate on the date of remittance

Beyond these measures, **DGH has undertaken several strategic initiatives** to enhance the efficiency and attractiveness of India's upstream sector. Key measures include upgrading digital platforms such as the National Data Repository (NDR) for improved data accessibility, launching Mission Anveshan to conduct extensive seismic surveys across unexplored basins, and approving the drilling of stratigraphic wells to enhance subsurface geological understanding. Additionally, DGH is implementing an Integrated Management System (IMS) to streamline stakeholder engagement, while the newly established Hydrocarbon Efficiency & New Energy (HENE) department focuses on emissions monitoring, CCUS, and renewable energy integration. Through initiatives such as DGH UrjaVarta, targeted technical workshops on regulatory clearances and academic collaborations, DGH continues to drive EODB in India's upstream hydrocarbon sector.

Institution of a Mechanism for addressing Cross-ministerial concerns

Beyond the sixteen priority issues identified under the purview of MoPNG, several additional challenges require coordinated efforts across multiple ministries and state governments for effective resolution.

Key among these challenges are the streamlining of statutory approvals, such as forest clearance (FC) and environmental clearance (EC), as well as tax incentives to stimulate upstream investment. As these issues fall under the jurisdiction of multiple regulatory authorities, their resolution requires a structured and collaborative approach across government agencies.

To address this, JWG has proposed broadening its scope to involve representatives from state governments and other relevant ministries in a formal mechanism to address these issues and further advance efforts for Ease of Doing Business.

The recommendations put forth by the JWG emphasizes the need for targeted policy interventions to improve the operational efficiency and competitiveness of India's upstream oil and gas sector.

While the immediate and short-term measures identified within the purview of MoPNG are expected to ease regulatory constraints, broader structural challenges necessitate sustained inter-ministerial collaboration for policy alignment and regulatory streamlining.

The establishment of the proposed Joint Standing Committee will be instrumental in fostering ongoing dialogue, accelerating decision-making, and creating an investment-friendly environment for upstream activities. Collectively, these reforms will enhance India's attractiveness as a destination for upstream investment, support the sustainable development of domestic hydrocarbon resources, and contribute meaningfully to the nation's overarching objective of energy security and self-reliance.

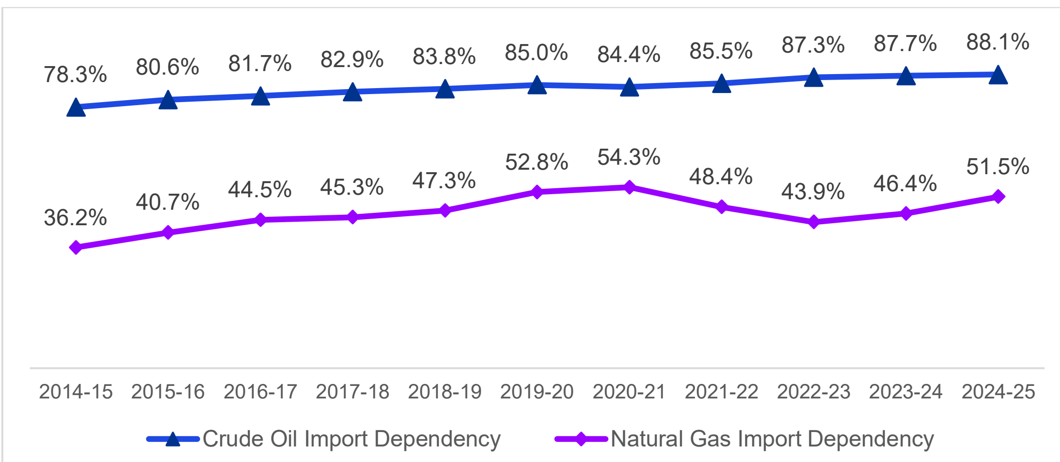
2. Introduction

India's Exploration and Production (E&P) regime has undergone a remarkable transformation over the past decades, reflecting the country's growing energy needs, its ambition for self-reliance in energy, and its drive for economic development. As one of the world's fastest-growing economies and the third-largest consumer of energy, India's demand for oil and gas is expected to continue rising.

However, as the world's third-largest importer and consumer of oil, India remains significantly dependent on crude oil imports to meet its growing energy needs, driven by a growing population and rapid industrialization. This reliance on imported oil and gas has a significant impact on the country's economy, increasing foreign exchange outflows and contributing to a trade deficit. This dependency also exposes the country to fluctuations in global oil prices, which can lead to inflation. Furthermore, it creates strategic risks amid geopolitical tensions and potential supply disruptions.

The figure below illustrates the trend of crude oil and natural gas import dependency in India over the past decade.

Figure 1: Import Dependency of Crude oil and Natural Gas in India for the last 10 years (%)



Source – DGH, status as on 31 December 2024

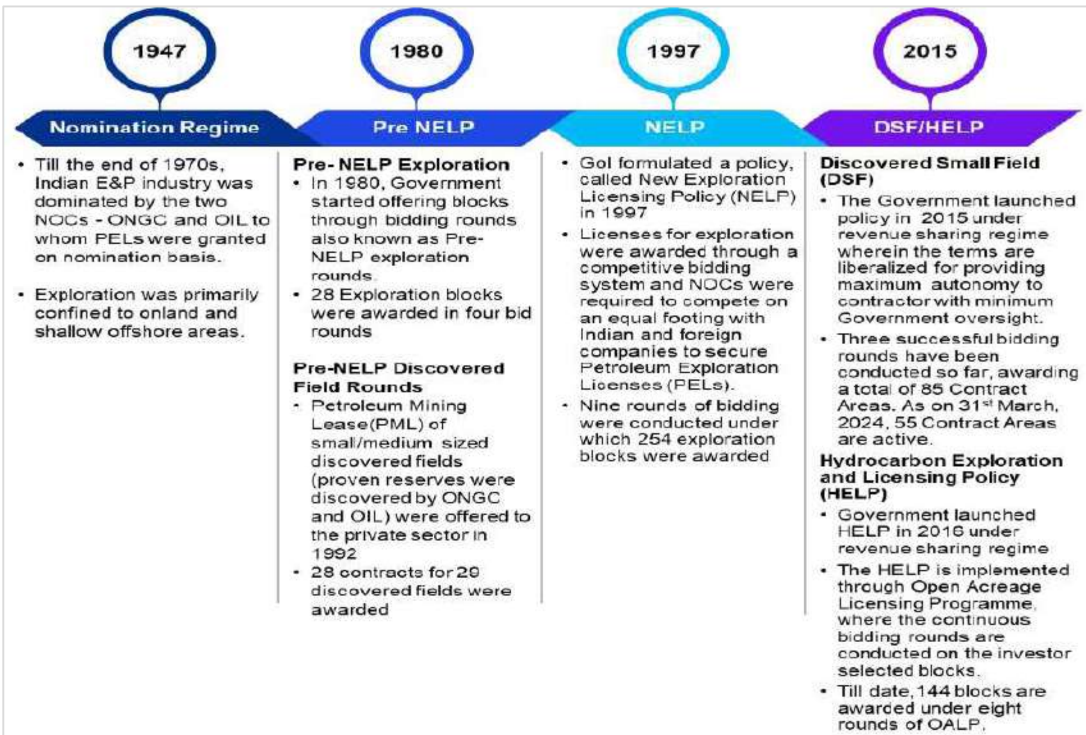
The figure above illustrates India's import dependency for crude oil and natural gas over the past decade. In FY 2014-15, crude oil import dependency was 78.3%, while natural gas import dependency stood at 36.2%. Currently, approximately 88% of India's crude oil consumption is met through imports. Meanwhile, over the last ten years, natural gas import dependency has steadily risen from 36% to 51%, indicating an increasing reliance on imports to meet domestic demand.

To address the growing dependency on oil and gas imports, the nation has recognized the need to bolster its domestic production capabilities. This realization has driven significant changes in the country's exploration and production (E&P) contractual regimes over the years.

2.1. Indian E&P Sector Regulatory Framework — Contractual Regimes

India's E&P sector has evolved through various contractual regimes, each reflecting the country's strategic priorities and regulatory framework. Initially, Petroleum Exploration Licenses (PELs) were granted on a nomination basis to the NOCs, marking a period of foundational development from 1960 to 1980. The introduction of Production Sharing Contracts (PSCs) marked a significant shift, attracting foreign investment while maintaining sovereign control over natural resources. Recently, the sector has transitioned to Revenue Sharing Contracts (RSCs), reflecting policy reforms aimed at enhancing transparency, efficiency, and competitiveness. The evolution of the India's E&P contractual regime is illustrated in the figure below:

Figure 2: Evolution of the India's E&P Contractual regime



2.1.1. Nomination Based Regime

India's hydrocarbons upstream sector between 1960 and 1980 marked a period characterized by the strong presence and control of national entities. During this era, the landscape of India's hydrocarbon exploration was dominated by two NOCs — ONGC and OIL. The GoI granted PEL to these companies on a nomination basis, placing them at the forefront of the country's exploration and production efforts.

This nomination-based regime ensured that ONGC and OIL held the core responsibility for exploration and production activities, reinforcing the government's emphasis on self-reliance and energy security. Private sector participation remained limited, as the focus was on building the capacity of the NOCs and maximizing domestic production.

By the late 1970s, India's E&P sector had made significant progress, although largely driven state entities. However, the sector faced significant constraints in terms of technology, expertise, and investment capital. Deeper offshore exploration required advanced drilling technologies and significant financial resources, both of which were in limited supply. The current status of the blocks under nomination regime is illustrated in the figure below.

Figure 3: Current status of blocks awarded under nomination regime

Source – DGH, status as on 01 April 2024

Recognizing these limitations, the Indian government made a strategic decision in 1979 to open the country’s hydrocarbons E&P sector to attract foreign investment and collaboration. This led to the launch of the Pre-New Exploration Licensing Policy (Pre-NELP) rounds, governed by Production Sharing Contracts (PSCs).

2.1.2. Production Sharing Contracts (PSCs)

Production Sharing Contracts (PSCs) represented a pivotal shift in the exploration and production framework, designed to attract foreign investment while maintaining sovereign control over natural resources. Under a PSC, the government grants an exploration license to a contractor who assumes the full risk and cost of exploration. If commercial quantities of hydrocarbons are discovered, the contractor is permitted to recover its costs from a share of the production. Once cost recovery is complete, the remaining output is divided between the government and the contractor according to a predetermined formula.

This model aligns with the interests of both the government and the contractor, ensuring that the state secures a share of the production while incentivizing companies to explore and develop hydrocarbon resources. PSCs became a widely adopted mechanism in many developing countries, including India and were first introduced under Pre-NELP exploration and discovered field rounds, which brought upon changes in the fiscal system.

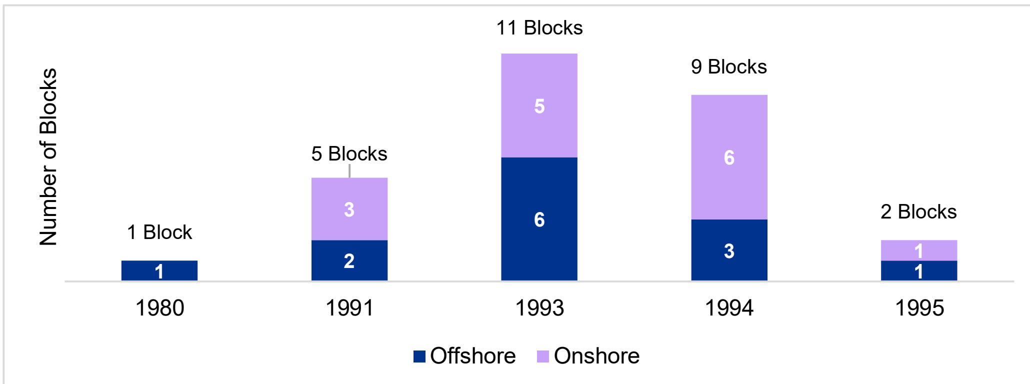
1.1.2.1 Pre-NELP Exploration Rounds

The period leading up to the introduction of the NELP marked India's initial steps towards liberalizing its oil and gas exploration sector and encouraging private sector participation.

Between 1980 and the launch of NELP, 28 exploration blocks were awarded to private companies. While private companies were granted exploration rights during this phase, state-owned entities ONGC and OIL retained strategic rights to participate in the blocks if hydrocarbons were discovered. This arrangement reflected the government's strategy of balancing private sector expertise and capital with the need to maintain control over critical hydrocarbon discoveries.

The exploration blocks awarded under Pre-NELP are illustrated in the figure below.

Figure 4: Pre-NELP Exploration Blocks awarded



Source – DGH

The current status of blocks awarded under Pre-NELP exploration rounds are provided in the figure below.

Figure 5: Current status of blocks awarded under Pre-NELP exploration rounds

Source – DGH, status as on 31 December 2024

1.1.2.2 Pre-NELP Discovered Field or Development Rounds

In the early 1990s, India made a notable move to increase private sector involvement in its upstream oil and gas sector by introducing the Pre-NELP Discovered Field Rounds.

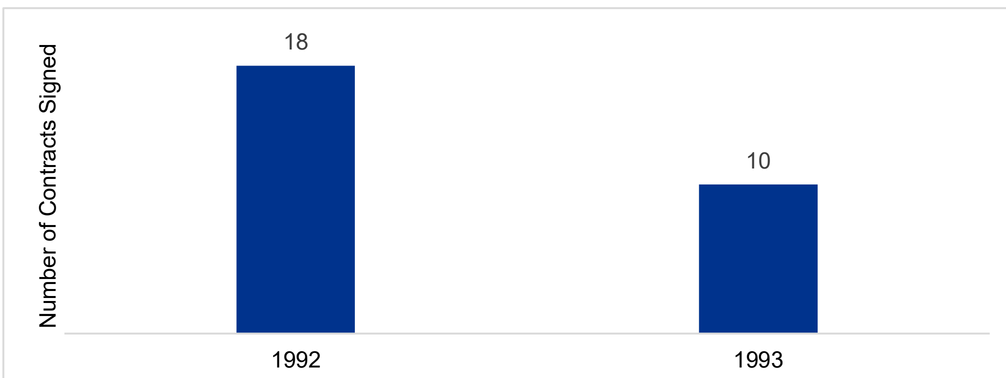
This marked a strategic shift in the country's E&P policy, with the government aiming to attract private capital and expertise to accelerate the development of small to medium-sized fields, where proven reserves had already been identified by the NOCs. In 1992, the PML for these discovered fields were offered to the private sector, opening new avenues for private operators to contribute to India's hydrocarbon production.

The PSCs awarded during this period, from 1991 to 1993, were distinctive. Private companies were appointed as operators, but ONGC and OIL retained significant participating interests. This structure allowed the NOCs to remain integral to the development process while leveraging the technological capabilities and operational efficiencies brought in by private players.

The response to the bidding rounds launched under Pre-NELP regime was highly positive, attracting considerable interest from both domestic and international E&P operators. These rounds led to the signing of 28 contracts covering 29 discovered fields, including the high-profile PSC for the Panna-Mukta field.

The contracts signed under Pre-NELP discovered field or development round are illustrated in the figure below.

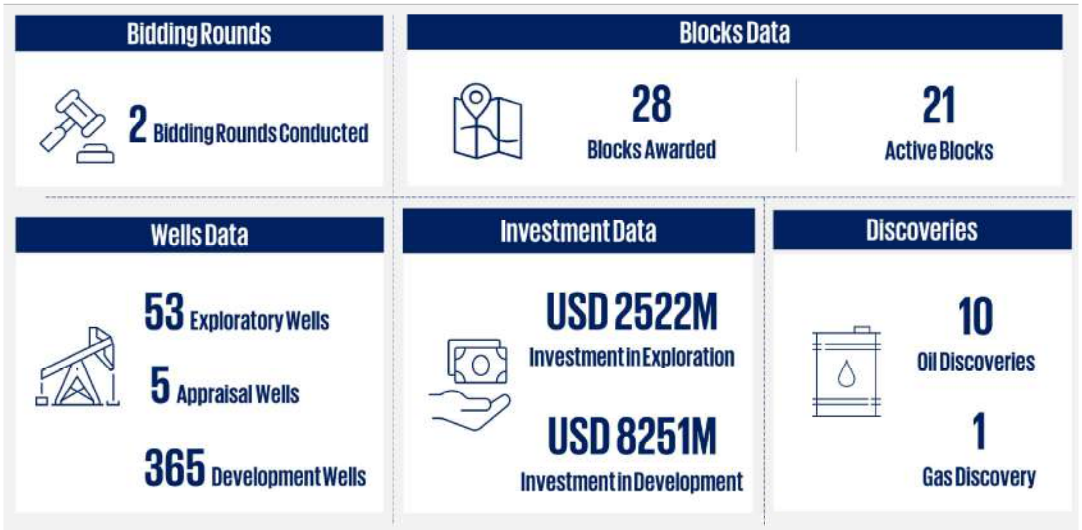
Figure 6: Pre-NELP Discovered Field or Development Rounds



Source – DGH

The current status of blocks awarded under Pre-NELP discovered field rounds is illustrated in the figure below

Figure 7: Current status of blocks awarded under Pre-NELP discovered field rounds



Source – DGH, status as on 31 December 2024

1.1.2.3 New Exploration Licensing Policy (NELP)

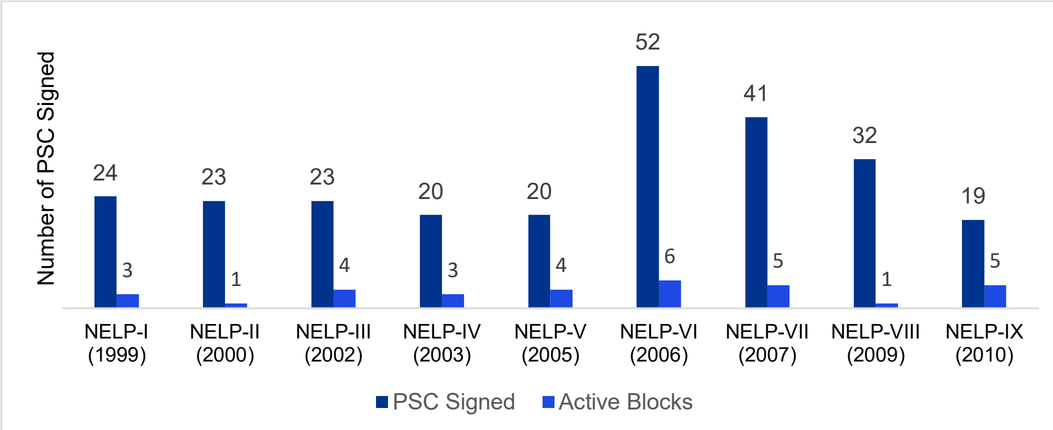
The introduction of the New Exploration Licensing Policy (NELP) in 1997, operationalized in 1999, marked a defining moment in the evolution of India's E&P sector. Until then, the sector had been predominantly controlled by state-owned NOCs. NELP aimed to attract both domestic and foreign investment through a more transparent and competitive bidding process for exploration blocks. For the first time, the policy allowed 100% Foreign Direct Investment (FDI) in the oil and gas exploration sector, encouraging international oil companies to participate, and promoting greater transparency and efficiency in E&P activities.

The launch of NELP in 1997, represented a fundamental shift in India's approach to managing its hydrocarbon resources. It promoted competition, reduced direct government control over the E&P sector, and fostered technological advancement through foreign company participation.

The NELP regime was implemented in a series of nine bidding rounds, starting with NELP-I in 1999 and concluding with NELP-IX in 2012. Over the course of these nine rounds, a total of 254 exploration blocks contracts were signed, covering both onshore and offshore regions, including deep-water areas. The bidding rounds attracted considerable interest from both domestic and international companies, leading to a significant increase in exploration activities in India’s underexplored basins.

The number of contracts signed under NELP rounds are illustrated in the figure below.

Figure 8: NELP Bid Rounds



Source – DGH

Key outcomes of NELP rounds include:

1. *Increased Exploration Activity:* NELP significantly increased the level of exploration activity in India. By the end of the ninth round, exploration under NELP covered nearly 48% of India's sedimentary basin area, a considerable improvement compared to the Pre-NELP era. NELP also facilitated the discovery of several key hydrocarbon fields, particularly in the deep-water areas of the KG Basin, the Cauvery Basin, and the Rajasthan onshore.
2. *Increased Private Sector Participatio*n: NELP successfully attracted private and foreign investment into India's E&P sector. Major international companies such as British Gas, Cairn Energy, Eni, BHP Billiton, and bp participated in the NELP bidding rounds, bringing advanced exploration technologies and capital into India's upstream industry.
3. Challenges and Limitations: Despite its successes, NELP rounds had its challenges. One of the major issues was the delays in obtaining clearances, including environmental and regulatory approvals, which often resulted in significant project delays. Additionally, disputes over cost recovery under the PSC regime led to disagreements between contractors and the government, with both parties interpreting the contracts differently.

Recognizing the need to improve the Ease of Doing Business in the sector, the GoI introduced a series of policy reforms and incentives aimed at addressing these inefficiencies. The figure below illustrates major policy reforms and initiatives undertaken by GoI to improve PSC framework.

Figure 9: Major Policy Reforms for PSCs

Source – DGH

These policies made considerable progress in addressing operational bottlenecks and providing clarity to contractors and have also contributing towards significant investments in the country. The current status of blocks awarded under NELP rounds is illustrated in the figure below.

Figure 10: Current status of blocks awarded under NELP rounds

Source – DGH, status as on 31 December 2024

Despite the relative success of NELP rounds and policy reforms, the government felt the need to introduce further reforms to enhance transparency, streamline processes, and reduce conflicts between the government and contractors.

In 2016, the Hydrocarbon Exploration and Licensing Policy (HELP) was introduced to address the challenges faced under NELP and create a more investor-oriented regime. HELP replaced the PSC model with a Revenue Sharing Contract (RSC) model, simplified the licensing framework, and introduced greater flexibility in exploration and production activities. This marked a transformational shift in India's E&P regime, with a stronger focus on reducing operational complexities, increasing transparency, and providing greater autonomy to operators.

2.1.3. Revenue Sharing Contracts (RSCs)

The introduction of Revenue Sharing Contracts (RSCs) reflects the GoI's vision to create a more transparent, efficient, and competitive environment in India's oil and gas sector, aligning with global best practices. RSCs represent a critical evolution in the contractual framework and are designed to address some of the limitations of the previous PSC model such as intricate cost recovery process, leading to delays, bureaucratic bottlenecks, and disputes over recoverable expenses

To operationalize the RSC framework, the Government of India introduced two key policies: the Hydrocarbon Exploration and Licensing Policy (HELP) and the Discovered Small Field (DSF) Policy. HELP, introduced in 2016, represents a broader reform designed to open India's vast sedimentary basins for exploration under a uniform licensing regime. This regime covers all forms of hydrocarbons—oil, gas, and unconventional sources—under a single contract. The DSF policy focuses on monetizing smaller fields that had been discovered but remained undeveloped due to their marginal size. Under the DSF regime, these fields offer smaller operators an attractive opportunity to enter the Indian market with reduced financial and operational risks.

Both the DSF and HELP have been instrumental in advancing nation's goal of becoming a self-reliant energy producer. The details of HELP and DSF are provided below.

1.1.3.1 Hydrocarbon Exploration and Licensing Policy (HELP)

The Hydrocarbon Exploration and Licensing Policy (HELP), introduced in 2016, represents a cornerstone in nation's efforts to strengthen its upstream oil and gas sector. This comprehensive policy marked a shift in the E&P landscape by replacing the previous PSC model with RSC framework that enhances India's energy security by simplifying the regulatory environment and fostering ease of doing business.

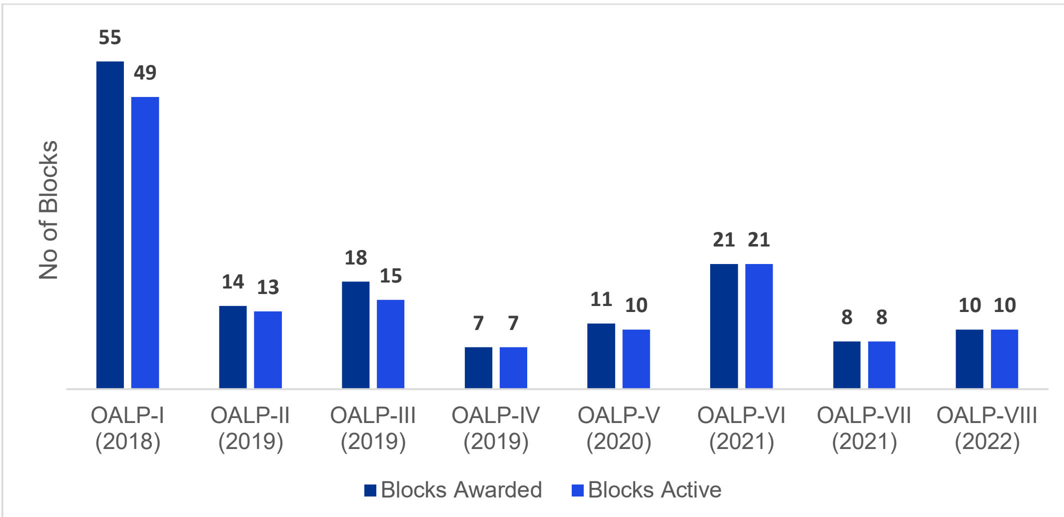
Under RSCs, the contractor and government share revenue from the sale of hydrocarbons at pre-agreed percentages, regardless of the costs incurred during exploration and production.

The RSC regime was implemented in a series of eight bidding rounds, starting with OALP-I round in 2018 and concluding with OALP VIII in 2022 with changes such as reduced bid bonds, from USD 200,000 to USD 20,000 and rationalized tender fee set at INR 500,000.

Over the course of these eight rounds, a total of 144 exploration blocks contracts were signed, covering both onshore and offshore regions, including deep-water areas.

The number of blocks awarded under OALP bid rounds are illustrated in the figure below.

Figure 11: OALP Bid Round details



Source – DGH

The current status of blocks awarded under OALP rounds is illustrated in the figure below.

Figure 12: Current Status of blocks awarded under OALP rounds

Source – DGH, status as on 31 December 2024

With the success of previous OALP rounds, On 3 January 2024, the Government launched OALP Bid Round-IX, offering 28 blocks for International Competitive Bidding. Bidders can access data through NDR and select blocks for submission via the dedicated online e-bidding portal. The round includes 9 Onland Blocks, 8 Shallow-Water Blocks, and 11 Ultra Deep-Water Blocks. The bidding was concluded on September 21, 2024, and the bid evaluation is under process.

1.1.3.2 Discovered Small Field (DSF)

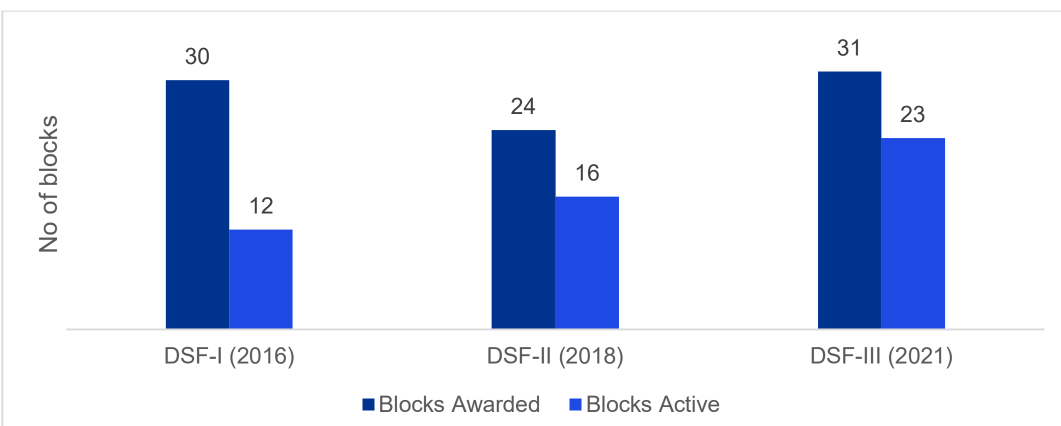
The Discovered Small Field (DSF) Policy, introduced by the GoI in 2015, represents a pivotal reform in the country's oil and gas sector. The policy is aimed at monetizing small and marginal fields that had been discovered by the NOCs but were not developed due to their perceived lack of economic viability under previous regimes. These fields, though modest in size, possess significant potential for boosting domestic hydrocarbon production.

The DSF policy was designed to lower entry barriers and encourage new participants in the E&P sector, particularly smaller operators who may not have had the capacity to compete for larger fields.

Three DSF bidding rounds have been successfully conducted, offering a total of 103 contract areas across 10 sedimentary basins, including 7 Category-I and 3 Category-II basins. These areas cover approximately 17,593 square km and encompass 201 discoveries. Out of these, 85 contract areas, covering around 16,508 square km have been awarded to about 35 Indian and foreign companies. These awarded areas include 175 discoveries with estimated potential inplace reserves of approximately 464 MMToe, significantly contributing to India's hydrocarbon resource development. With the success of the first three rounds, a fourth bidding round for DSF is currently underway.

The number of contract areas awarded under DSF bid rounds are illustrated in the figure below

Figure 13: DSF Round-wise contract areas awarded and active



Source – DGH, status as on 31 December 2024

The response from the industry to the DSF rounds has been overwhelmingly positive. The policy has drawn participation from a wide range of E&P companies, including those with specialized expertise in the development of marginal fields and has also introduced ~15 more new players in the sector. The current status of blocks awarded under DSF contract regime is illustrated in the figure below.

Figure 14: Current Status of blocks awarded under DSF contract regime

Source – DGH, status as on 31 December 2024

Subsequently, a Special DSF Bid Round was launched on May 28, 2024, offering two Discovered Small Fields located in Mumbai Offshore and one Discovered Coal Bed Methane field in West Bengal. These fields are available through International Competitive Bidding. The bidding for this special round closed on September 13, 2024, and the evaluation is under process.

The launch of various contractual regimes by the Government of India has brought in regulatory and fiscal imperatives for upstream oil and gas operators in India. A comparative analysis of the contractual regimes is provided in the figure below.

Figure 15: Comparative analysis of contractual regimes in India

Primary criteria		Nomination	PSC	RSC
Hydrocarbon ownership	Hydrocarbons	▪ Before extraction: Govt. ▪ After extraction: OC as per contract terms and conditions	▪ Before extraction: Govt. ▪ After extraction: State/OC, each proportional to its profit oil share. OC can book reserves	▪ Before extraction: Govt. ▪ After extraction: State/OC, each proportional to its share basis LRP & HRP
Risk-Reward distribution	Government compensation	▪ Royalty and taxes	▪ Share of Profit Petroleum ▪ Royalty and taxes	▪ Revenue share basis LRP & HRP ▪ Royalty and taxes
	Company entitlement	▪ Revenue minus royalty and taxes	▪ Cost oil/gas plus profit oil/gas minus taxes	▪ Share of revenue produced from HC minus royalty and taxation
	Risk taker	▪ OC makes all upfront E&P investments without guaranteed returns	▪ OC takes exploration risk, makes all upfront investment. OC& Govt. share development and production costs after commercial discovery	▪ OC takes exploration risk, makes all upfront investment.
Level of Government Involvement	Administrative and Managerial Burden	▪ Low; minimal govt. involvement	▪ High; govt. needs to attend MCs for all fields, take a view on all individual operational decisions	▪ Low; as recoverable cost accounting /auditing of the operator would not be focus
	Level of control	▪ Low; minimal govt. control	▪ High; govt. participates in operational and investment decision making through management committees	▪ Low; Govt. focuses on increasing domestic production by reducing micro-management

*Source: Internal Analysis; *OC and HC in above table denotes Operating Company and Hydrocarbon*

2.1.4. Unconventional Hydrocarbons in India

The GoI is also focusing on developing unconventional hydrocarbons to ensure long-term energy security. These unconventional resources, which require advanced recovery technologies due to their complex extraction processes, are poised to become pivotal in India's current and future energy landscape. Notably, significant reserves of Coal Bed Methane (CBM) and Shale gas and oil have been discovered in India.

1.1.4.1 Coal Bed Methane (CBM)

India's journey in Coal Bed Methane (CBM) exploration began in the 1990s to diversify its energy mix and reduce reliance on conventional hydrocarbons. With an estimated 91.8 TCF of CBM resources, the Government of India (GoI) identified CBM as crucial for enhancing energy security. In 2001, India offered CBM blocks through international competitive bidding, awarding 30 blocks to various companies and an additional 3 through nomination and the Foreign Investment Promotion Board (FIPB). These blocks span states like Andhra Pradesh, Jharkhand, West Bengal, and Rajasthan. Policies introduced in 2007, 2015, and 2016 further incentivized CBM production. In 2017, a policy for the Early Monetization of CBM was established to promote a gas-based economy, providing marketing and pricing freedom for CBM and addressing operational issues in existing blocks.

1.1.4.2 Shale Gas and Oil

The nation's shale gas and oil potential has also attracted investor interest due to its ability to supplement conventional hydrocarbons. Prospective sedimentary basins include Cambay, Krishna-Godavari, Cauvery, and Assam. A 2013 assessment estimated 187.5 TCF of shale gas resources across five basins, while the Central Mine Planning and Design Institute (CMPDI) estimated 45.8 TCF in the Gondwana basin. The United States Geological Survey (USGS) identified 6.1 TCF of technically recoverable shale gas across three basins in 2011. Recognizing this potential, the GoI has encouraged exploration and exploitation of shale resources under the PSC regime.

To unlock India's shale gas and oil potential, the GoI introduced a Shale Gas and Oil Exploration Policy on October 14, 2013, specifically for NOCs like ONGC and OIL, tasking them with exploration in their PML and ML areas. Building on the policy frameworks introduced in 2016 (HELP) and 2018 (Unconventional Hydrocarbon Policy), the MoPNG announced a policy in October 2018 to promote and incentivize Enhanced Recovery Methods for Oil and Gas. This framework provides fiscal incentives from the first day of production from future discoveries of unconventional hydrocarbons, including shale gas, oil, and gas hydrates. Consequently, many CBM operators have shown keen interest in exploring and exploiting shale gas resources within their regions, marking significant progress for the sector.

2.2. Role of Key Stakeholders

The E&P sector in India is characterized by a range of stakeholders that collaborate to drive industry growth, streamline operations, and address regulatory and strategic challenges. The key stakeholders in E&P sector include, the Ministry of Petroleum and Natural Gas (MoPNG), Directorate General of Hydrocarbons (DGH), Operating Committee and Management Committee and other stakeholders such as service providers - all contributing diverse perspectives and resources, facilitating a balanced approach to sustainable growth and development in India's E&P landscape.

Table 3: Approving authorities for major E&P processes across regimes

S.No	Process	Approving Authority			
		PSC	RSC	DSF	CBM
1	Grant of PEL	Central/State Government	Central/State Government	Central/State Government	Central/State Government
2	Grant of PML	Central/State Government	Central/State Government	Central/State Government	Central/State Government
3	Grant of EC	MoEFCC	MoEFCC	MoEFCC	MoEFCC
4	Grant of FC	MoEFCC	MoEFCC	MoEFCC	MoEFCC
5	Excusable Delays/ Extra Days	DGH	Not defined in the Contract	Not defined in the Contract	DGH
6	Minimum Work Area Reduction	DGH	Government	L1 Approver: DGH L2 Approver: Government	DGH
7	Relinquishment of Block/CA	MC	MC	MC	SC
8	Bank Guarantee	Government	Government	Government	Government
9	Swapping of New Exploration Techniques	No provision in the contract	For OALP VIII round, DGH	No provision in the contract	No provision in the contract

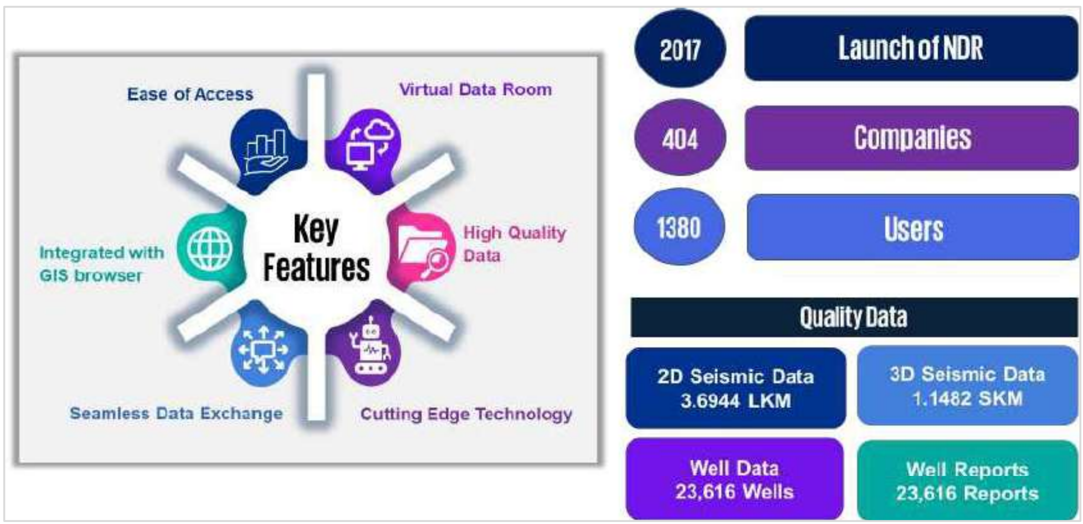
2.3. Ease of Doing Business in the E&P Sector

Over the past decades, the GoI has introduced a series of policy initiatives aimed at strengthening the development of E&P sector in India.

One of the most significant initiatives was setting up of the National Data Repository (NDR), a centralized platform where companies can access to the geoscientific data such as seismic, well, and other geological information. By making this data available, the NDR helps companies assess the potential of exploration blocks more accurately, reducing uncertainties and risks involved in exploration.

The salient features and success of NDR is illustrated in the figure below

Figure 16: Salient Features of NDR



Source – DGH

The GoI has also implemented series of policy initiatives on gas pricing to encourage domestic production and create a more market-driven, transparent, and investor-friendly environment for gas exploration and production. In 2023, the government revised its domestic gas pricing guideline to ensure better returns for the producers while keeping the consumer prices in check. As per the revised guidelines, the APM prices are now 10% of the Indian Crude Basket Price as defined by Petroleum Planning and Analysis Cell (PPAC) from time to time with an initial floor and ceiling prices of $4/MMBTU and $6.5/MMBTU respectively for gas produced by National Oil Companies (NOCs) from their nomination fields. Further, a premium of 40% is allowed on the gas produced from new well or well intervention in the nomination fields operated by NOCs.

Government has prioritized the ease of doing business in the E&P sector especially the simplification of procedures and processes leading to a transparent and efficient system. This includes initiatives like setting up of PSC Management System (PSCMS), a workflow-based system for management of contractual approval processes, self-certification of contractual processes under PSC through standardized formats, online system for managing PML/PEL application process and various other online systems for management of production, revenue, audited accounts, EOI submission, site restoration fund, etc.

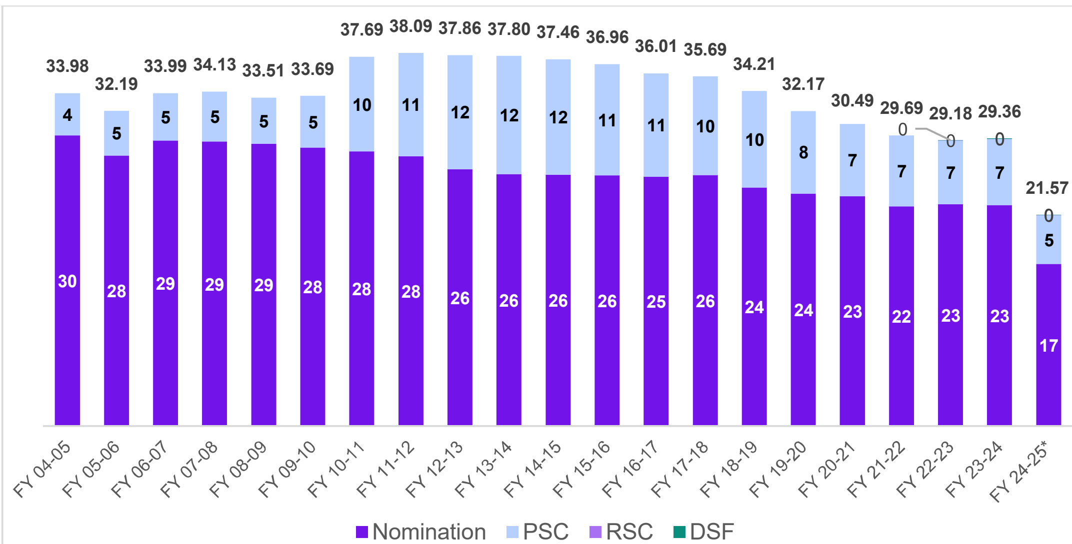
2.4. E&P Sector Performance

Over the recent years, India’s oil and gas production trends have underscored both the challenges and opportunities in the nation’s pursuit of energy security. These trends are closely tied to government policies, with successive initiatives aimed at enhancing domestic E&P of hydrocarbon resources. The government’s ongoing efforts to streamline regulatory processes, improve EODB, and attract foreign and private investment are designed to revitalize the sector and achieve the country’s long-term energy objectives.

This combined impact of the policy reforms introduced by the GoI has enabled the country in enhancing domestic oil and gas production and reduce import dependency.

The production trends of hydrocarbons in India over the past 20 years is illustrated below.

Figure 17: Regime-wise Crude Oil Production in India for the last 20 years (MMT)



Year	Oil Production (MMT)				Total (MMT)
	Nomination	PSC	RSC	DSF	
FY 04-05	29.68	4.3	0	0	33.98
FY 05-06	27.64	4.6	0	0	32.19
FY 06-07	29.16	4.8	0	0	33.98
FY 07-08	29.04	5.1	0	0	34.13
FY 08-09	28.83	4.7	0	0	33.50
FY 09-10	28.43	5.3	0	0	33.69
FY 10-11	28.01	9.7	0	0	37.69
FY 11-12	27.56	10.5	0	0	38.09
FY 12-13	26.22	11.6	0	0	37.86
FY 13-14	25.72	12.1	0	0	37.79
FY 14-15	25.67	11.8	0	0	37.45

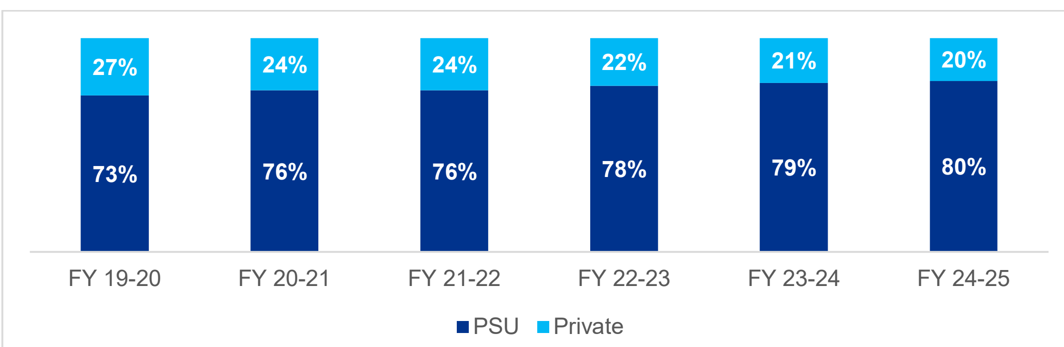
Year	Oil Production (MMT)				Total (MMT)
	Nomination	PSC	RSC	DSF	
FY 15-16	25.6	11.4	0	0	36.95
FY 16-17	25.48	10.5	0	0	36.01
FY 17-18	25.63	10.1	0	0	35.68
FY 18-19	24.34	9.9	0	0	34.20
FY 19-20	23.74	8.44	0	0	32.17
FY 20-21	23.47	7.37	0	0	30.49
FY 21-22	22.44	7.25	0	0	29.69
FY 22-23	22.65	6.5	0.005	0.025	29.18
FY 23-24	22.56	6.741	0.016	0.046	29.36
FY 24-25*	16.55	4.95	0.026	0.030	21.56

*Source – DGH, *status as on 31 December 2024*

Over the past two decades, India's crude oil production has slightly declined, from 33.98 MMT in FY 2004-05 to 29.36 MMT in FY 2023-24. While production levels have remained relatively stable, the country's oil consumption has continued to rise, leading to a significant increase in oil imports. This growing dependency on imported oil underscores the urgent need to enhance domestic production capabilities. Boosting local production is essential not only to meet rising demand but also to ensure national security and reduce vulnerability to global market fluctuations. The introduction of the DSF and RSC represents relatively new contractual regimes, with most fields under these contracts yet to reach commercial production. However, some production has been observed over the last two years, indicating a positive trend.

The government's proactive efforts have been instrumental in fostering an ecosystem that encourages both NOCs and private companies to explore and produce more hydrocarbons. This collaborative environment has been crucial in maintaining steady production levels and driving growth in the sector. The share of contributions of NOCs and private companies towards crude oil production is illustrated in the figure below.

Figure 18: Share of PSU and Private Companies for Crude Oil Production

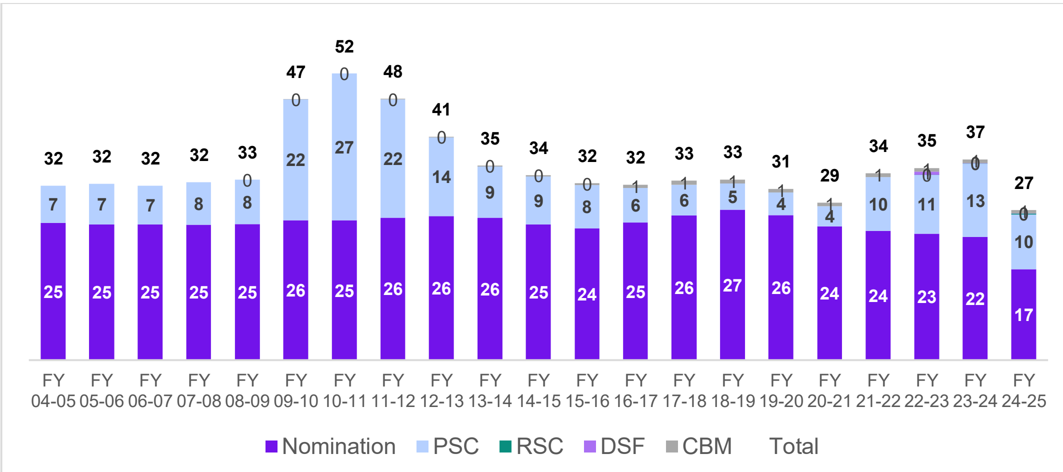


Source – DGH, status as on 31 December 2024

The above graph showcases the contributions of private companies and PSUs towards crude oil production has remained about consistent over the last five years, with private companies accounting for about one-fourth of the country's total crude oil output. This trend is expected to shift positively with the introduction of new players under the DSF rounds, potentially increasing the overall contribution from private entities.

Additionally, over the past 20 years, India's gas production has grown significantly to 36.44 BCM, achieving 95.4% of the target of 38.181 BCM for FY 2023-24. While significant contributions from the DSF and RSC regimes are yet to materialize, notable progress has been made in these areas. The regime-wise natural gas production in the country is illustrated in the figure below.

Figure 19: Regime- wise Natural Gas Production in India for the last 20 years (BCM)



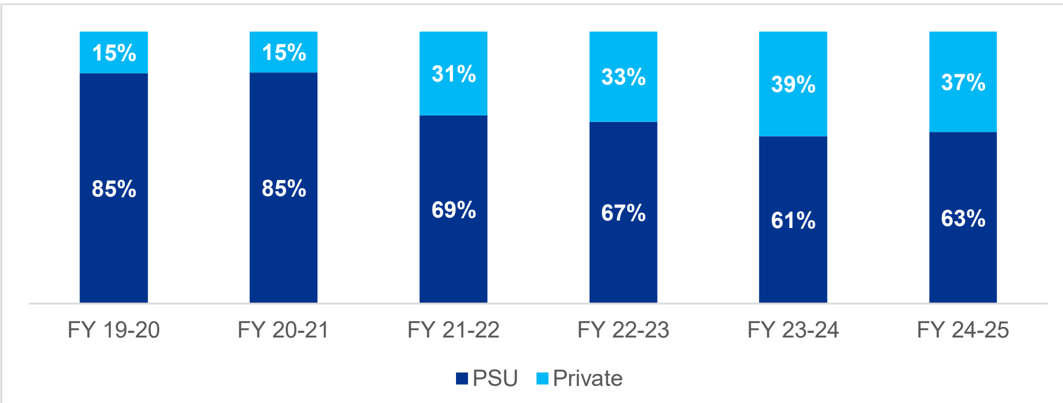
Year	Natural Gas Production (BCM)					
	Nomination	PSC	RSC	DSF	CBM	Total
FY 04-05	24.98	6.78	0	0	0	31.76
FY 05-06	24.74	7.36	0	0	0	32.10
FY 06-07	24.71	7.04	0	0	0	31.75
FY 07-08	24.67	7.73	0	0	0	32.40
FY 08-09	24.75	8.07	0	0	0.02	32.84
FY 09-10	25.51	21.95	0	0	0.04	47.50
FY 10-11	25.44	26.73	0	0	0.04	52.21
FY 11-12	25.95	21.53	0	0	0.08	47.56
FY 12-13	26.19	14.38	0	0	0.11	40.68
FY 13-14	25.91	9.33	0	0	0.17	35.41
FY 14-15	24.74	8.68	0	0	0.23	33.65
FY 15-16	24.02	7.84	0	0	0.39	32.26
FY 16-17	25.03	6.31	0	0	0.57	31.90
FY 17-18	26.31	5.60	0	0	0.74	32.65
FY 18-19	27.4	4.77	0	0	0.71	32.88
FY 19-20	26.42	4.12	0	0	0.66	31.20
FY 20-21	24.35	3.68	0	0	0.64	28.67
FY 21-22	23.52	9.82	0	0	0.68	34.02
FY 22-23	23.01	10.7	0.01	0.6	0.67	34.99
FY 23-24	22.41	13.38	0.06	0.08	0.65	36.58
FY 24-25*	16.55	9.99	0.128	0.067	0.557	27.306

*Source – DGH, *status as on 31 December 2024*

It is further observed that, natural gas sector in India is experiencing a rising trend, driven by the government's concerted efforts to enhance production and create a favorable investment ecosystem. Policies and initiatives from the government has been pivotal in attracting both domestic and international players to the sector. These policies, coupled with advancements in technology and infrastructure, have significantly boosted production levels.

The increase in natural gas production in the nation is a testament to the effectiveness of these government initiatives. By fostering a more transparent and competitive environment, the government has enabled both NOCs and private companies to explore and develop new fields more efficiently. It has been further observed that, the NOCs continue to be frontrunners in natural gas production, leveraging their extensive infrastructure and experience to maintain steady production levels. However, private companies have also made notable strides, where new fields and advanced technologies have driven increased output. The share of contributions of both NOCs and private companies for gas production is illustrated in the figure below.

Figure 20: Share of PSU and Private Companies in Gas Production



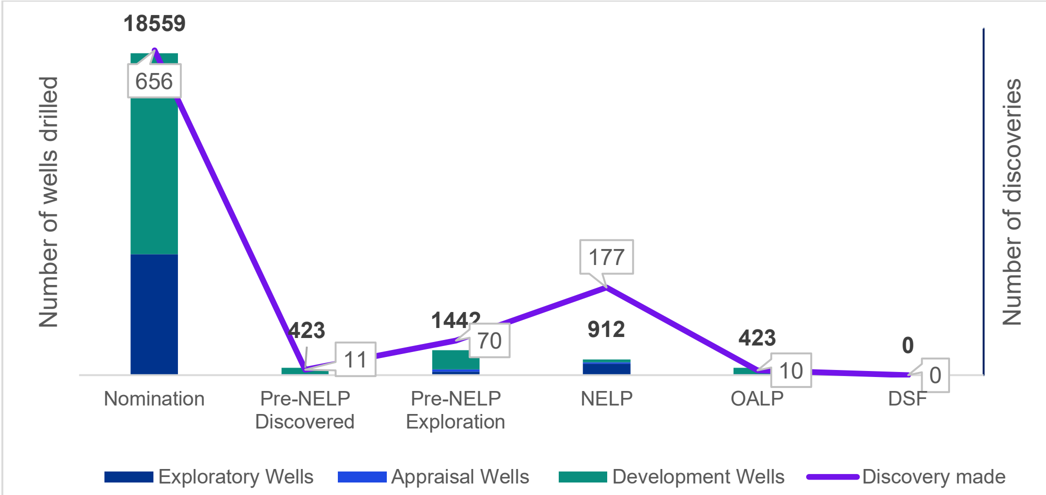
Source – DGH, status as on 31 December 2024

The above graph illustrates a significant growth in natural gas production from private companies over the past five years, with these entities now contributing nearly 40% of the total natural gas output. This trend underscores the favorable investment ecosystem within India's E&P sector and reflects the confidence that private investors have in the country's regulatory framework.

The upstream oil and gas sector is a high-risk endeavor with geological factors and high capital expenditure requirements, impacting the geological chances of success in the sector. At present, a total of ~21,291 wells have been drilled across various contractual regimes and 924 discoveries have been made in the sector.

The figure below illustrates regime-wise number of wells drilled and number of discoveries made.

Figure 21: Regime-wise total number of wells drilled, and discoveries made



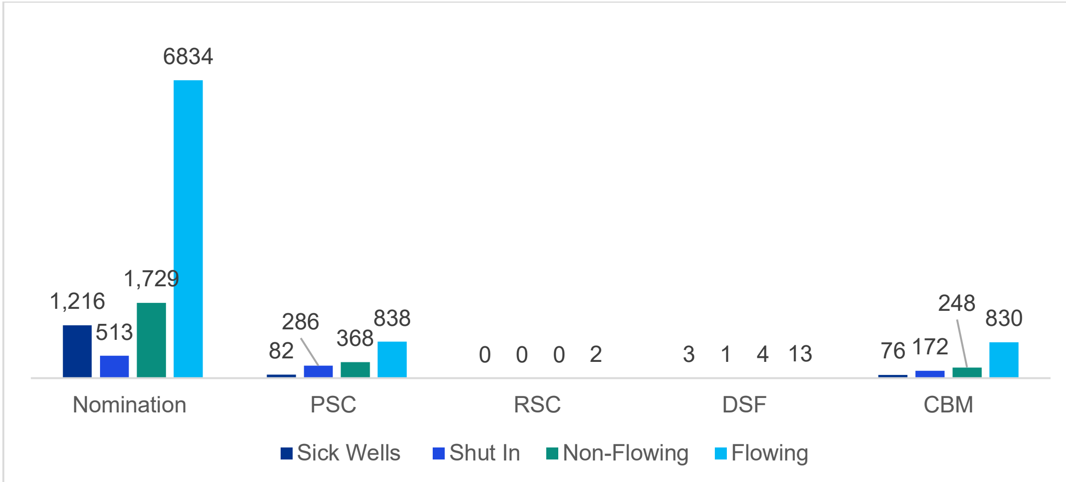
Source – DGH, status as on 31 December 2024

As evident from the data depicted above, the difference between the total wells drilled and the actual discoveries showcases a fundamental characteristic of the E&P business—success rates are typically low, and the process of exploration often yields limited results. This reality has shaped the development of the sector, requiring companies to balance high-risk exploration activities with significant financial investments and long timelines.

Further complicating the landscape, as illustrated by the subsequent figure, is a significant number of wells in India remain classified as sick or non-flowing. These wells, despite being drilled, fail to produce hydrocarbons in commercially viable quantities, often due factors such as geological complexities, depletion of reservoir pressure, or technical challenges in extraction. The presence of these non-flowing wells not only adds to the operational costs but also highlights the need for enhanced recovery techniques and innovative solutions to unlock their potential.

The following figure illustrates regime-wise number of sick, non-flowing and flowing wells.

Figure 22: Regime-wise number of sick, non-flowing and flowing wells



Source – DGH, status as on 31 December 2024

As observed from the graph above, 2,349 wells out of 10,866 wells are classified as non-flowing, representing a substantial portion of underutilized resources. It was further observed that, PSC regime has the highest percentage of non-flowing wells at approximately 30%.

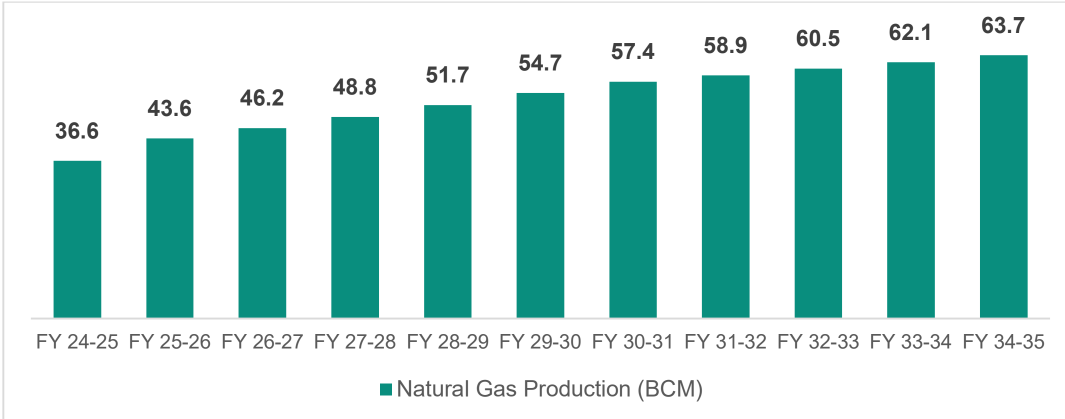
2.5. E&P sector Outlook

India stands at a pivotal juncture in its energy evolution, with growing demands spurred by rapid economic expansion, urbanization, and industrial growth. The future of India's energy landscape will depend on how effectively it navigates the complexities of production, imports, and alternative energy sources.

India's current natural gas production stands at 36.58 BCM. Driven by strategic policy initiatives, technological advancements, and new discoveries, the natural gas sector is positioned for considerable growth in the coming years. According to projections, India's natural gas production is expected to rise to 54.7 BCM by FY 2029-30, and further increase to 63.7 BCM by FY 2034-35. This growth trajectory aligns with the government's objective of increasing the share of natural gas in the primary energy mix from 6% to 15% by 2030, reinforcing India's commitment to cleaner energy sources and reduced carbon emissions.

Natural gas production forecast is illustrated in the figure below.

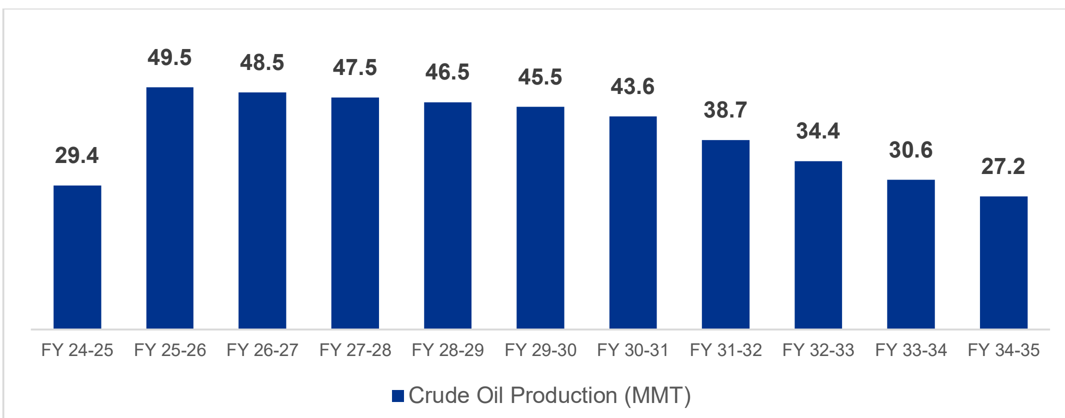
Figure 23: Natural gas production forecast for the next decade (BCM)



Source – BP Energy Outlook 2024

Similarly, the nation's current crude oil production stands at 29.36 MMT. While production is expected to increase over the short term, reaching 45.5 MMT by FY 2029-30, projections indicate a subsequent decline, with output anticipated to fall to 27.2 MMT by FY 2034-35. This trend reflects the growing challenges of maturing oil fields and the limited scope of recent discoveries in onshore and shallow water basins. The crude oil production forecast is illustrated in the figure below:

Figure 24: Crude oil production forecast for the next decade (MMT)



Source – BP Energy Outlook 2024

India's energy outlook reflects both challenges and opportunities, with a promising growth trajectory in natural gas production balanced by constraints in crude oil production. By aligning natural gas expansion with sustainability goals and managing the decline in crude oil production, India can continue to secure its energy future and strengthen its position in the global energy landscape.

2.6. Joint Working Group (JWG)

The E&P sector in India has made significant strides in strengthening the energy security of the nation, yet there are still operational and regulatory challenges faced by the operators that hinder growth of the sector, as observed in the previous sections. However, the GoI remains committed to support the development of upstream oil and gas sector and achieve nation's long-term energy goals

With a view to address industry concerns that persist in E&P sector, a Joint Working Group (JWG) was constituted Ministry vide its order number Expl-11032(11)/10/2024-Expl-I-PNG (E-49999), dated 25 July 2024 (Annexure 6.2.2). The JWG is tasked with the mandate to examine issues related to EoDB in the Indian E&P sector, assess existing policies and procedures, and evaluate the need for its revisions.

The composition of the JWG is as follows –

i. Shri Praveen M. Khanooja, Additional Secretary, MoPNG (Chairperson)
ii. Shri Vinod Seshan, Joint Secretary(E), MoPNG, (Member Secretary & Convenor)
iii. Shri Akash Goyal, Additional Director General (Coordination), DGH
iv. Shri Pankaj Kumar, Director (Production), ONGC
v. Shri Saloma Yomdo, Director (E&D), OIL
vi. Shri Pankaj Kalra, CEO, Essar Oil and Gas Exploration and Production Limited
vii. Shri Padam Singh, President, Sun Petrochemicals Limited
viii. Shri Avinash K Pathak, Senior Vice President, Reliance Industries Limited
ix. Shri Manish Maheshwari, Chairman & CEO, Invenire Energy
x. Shri Kapil Garg, CMD, Oilmax Energy Private Limited
xi. Shri Rakesh Agiwal, CPRO, Vedanta Limited

The Terms of Reference (TOR) for the JWG is as follows:

a) Identify areas of concern and cause of delay in grant of clearances/licenses/approvals to Operators and possible simplifications/ process re-engineering

b) Identify processes under contract regimes which can be brought under the self-certification route and verifiable post-audit of accounts, based on the experience of extant self-certification processes and global leading practices.

c) Provide recommendations along with appropriate safeguards for revisions and improvements to address the identified issues and promote EoDB in the sector.

KPMG was engaged as a knowledge partner to support the JWG for providing market insights and formulating the final set of recommendations

3. Issues submitted by E&P operators

The JWG held extensive discussions with industry stakeholders, gathering a list of issues faced by operators in the nation's upstream sector. These issues cover a broad range of challenges, including policy and procedural hurdles, fiscal and financial constraints, and matters related to self-certification. Each issue was examined by the JWG to better understand the regulatory and operational obstacles affecting the EoDB in the sector.

The issues included procedural challenges such as delays in obtaining Environmental and Forest Clearances, financial matters such as stringent requirement for bank guarantees, indirect taxation on the procurement of goods, and simplification of processes including, self-certification. Further, stakeholders have also highlighted the need for providing additional fiscal incentives such as reasonable rates for royalty, cess, and other statutory levies. A detailed list of all the submissions received from the JWG members is enclosed in Annexure IV.

A summary of major concerns that emerged from the submissions and subsequent deliberation during the JWG consultations, is presented below –

i. Challenges faced in securing Environmental Clearances (EC): Streamlining process of obtaining EC through initiatives such as single window clearance, making EC co-terminus with PML, implementing a unified consent process for social licenses under a single application etc.

ii. Challenges faced in acquisition of Forest Clearances (FC): Streamlining issues related to forest clearance and approval from Standing Committee for National Board of Wildlife (SC-NBWL) through measures such as creation of land bank for Compensatory Afforestation, de-linking FC from online EC applications on Parivesh portal etc.

iii. Taxation issues involved in procurement of goods and products: Contractual disputes related to procurement of goods, such as applicability of the concessional GST rate of 12%, applicability of GST-TDS in addition to advance payment of estimated GST on the contract for Non-Resident Taxable Persons etc., leading to litigation proceedings and delays in project execution.

iv. Challenges in withdrawal of Site Restoration Fund: Utilization of Site Restoration Fund for carrying out the planned abandonment activities, and not just for removal of all equipment and installations on the expiry or termination of the agreement or relinquishment of part of the contract area.

v. Absence of standardized procedure for field handover from an operator: Lack of Standardized Operating Procedure (SOP) for field handover from an operator, particularly prevalent in DSF blocks where delays occur due to transfer of PML or EC certification between the operators.

vi. Extension in current Initial Exploration Period (IEP) for onshore & offshore OALP blocks with seismic and drilling program: Submission by JWG member for extension in IEP especially for logistically inaccessible and difficult terrains such as North-East region.

vii. Lack of provision for fiscal incentives including royalty, cess and other statutory levies: Submission by JWG members for recommendations for fiscal incentives such as payment of Royalty and Profit Petroleum on actual realized prices instead of Indian Basket price, allowance for post wellhead cost for Royalty purposes all to improve project viability.

viii. Gas evacuation challenges from isolated fields: Challenges related to monetization and evacuation of natural gas, produced in small quantity, that may be kept outside the Gas allocation scheme or out of e-auction and be allowed to sale on arm’s length basis.

ix. Issues related to approval for delivery point for within and outside the contract area: Delays in approval for delivery points proposed outside the contract area due to logistical constraints, such as absence of accessible refineries within the block, impacting project timelines.

x. Issues related to estimating for Extra Days/Excusable delays: Inconsistency in grant of excusable delays or extra days across contractual regime, wherein some regimes provide for delay in any statutory clearance, some provide only EC and FC which some contracts due not provide for extra days under existing clauses of the contract.

xi. Challenges faced by operators for work programme completion: Issues encountered by operators due to delay or denials in obtaining necessary statutory clearances, while these clearances were earlier accorded “in-principle” approval, for conducting seismic surveys or drilling activities as outlined in their work programme, thereby impacting the timeline and execution of planned exploration activities.

xii. Issues related to submission of bank guarantee (BG) in RSC during renewal: Financial implications borne by the operator due submission of BG equivalent to the Liquidated Damages for the entire work programme, instead of the uncomplete portion of the work programme, under the current contractual provisions.

xiii. Absence of provisions for allowing PSC application to be submitted within two years of preceding contract expiry: In many cases, operators had to seek condonation for submitting extension applications beyond the stipulated period, which introduces uncertainty in situations where unforeseen delays or challenges arise closer to the contract's end.

xiv. Issues related to Participating Interest (PI) transfer: Submission by JWG members for delays encountered in approval of PI transfer from government, leading to operational inefficiencies.

xv. Inconsistent exchange rate conversion methodology across contracts regimes: Variations in exchange rate methodologies across contractual regimes has led to complications in accounting, auditing, and financial reporting for operators managing assets across multiple fields.

xvi. Delays in FDP approvals: Operators have encountered delays during the process of technical alignment between JV partners for the Operating Committee Resolution (OCR) on FDP. Additionally, delays in securing FDP approval from MC have been highlighted. Further, operators have raised concerns regarding the

Contract Management System (CMS) portal, where operators have experienced issues while submitting FDP/RFDP documents.

xvii. Challenges in Annual Work Programme (AWP) approval and financing for CBM: Submission from operators to highlight the need to streamline the approval process for AWP submissions, proposing the introduction of self-certification mechanisms to expedite approvals and facilitate in securing of funds for CBM operations across various CBM rounds.

xviii. Limited subsidy for natural gas pricing in North- East region: Operators have pointed out disparities in gas pricing in North-East region, where ONGC and OIL benefit from discounted gas prices, creating an uneven playing field for other operators.

Addressing these unresolved issues can enhance the EODB in India's upstream sector and unlock its full hydrocarbon potential. Streamlining regulatory approvals, fostering domestic technological capabilities, ensuring fair taxation policies, and enabling transparent gas marketing mechanisms will create a more competitive and investor-friendly environment. Cross-ministerial coordination, policy refinements, and industry consultations will be essential in resolving these challenges effectively. By implementing these reforms, India can strengthen its energy security while aligning with global leading practices in hydrocarbon management.

4. Initiatives adopted by DGH to elevate EODB in the Hydrocarbon sector

In line with the liberalized economic policy adopted by the GoI in July 1991, which aimed to deregulate and de-license key sectors, including petroleum, significant structural reforms were introduced to enhance private sector participation. It became imperative to establish an independent body to administer and regulate their operations in alignment with national interests.

The Directorate General of Hydrocarbons (DGH) was formally established on April 8, 1993, through Government of India Resolution No. 0-20013/2/92/ONG-III, under the administrative control of the MoPNG. DGH has been entrusted with a broad spectrum of responsibilities, including the implementation of the NELP, administration of PSCs for discovered fields and exploration blocks, facilitation of investment in the E&P sector, and rigorous monitoring of upstream activities, including reservoir performance reviews of producing fields. Additionally, DGH plays a pivotal role in expanding exploration into unexplored areas and fostering the development of non-conventional hydrocarbon resources such as CBM, gas hydrates, and oil shales, which are essential for India's long-term energy security.

As a key regulatory authority, DGH has remained at the forefront of addressing stakeholder concerns and implementing strategic initiatives to enhance EoDB in the hydrocarbon sector. A summary of the initiatives are provided below:

i. **Multiple internal orders** have been issued with an aim to simply and standardize existing processes under various contractual regimes, including:

  - Simplification of processes related to work programme and budget proposals for E&P contracts (order dated 15 July 2024)
  - Re-engineering of Internal SOP for processing of Appraisal Plan or FDP or its revision in CMS for PSC's (order dated 16 July 2024)
  - Simplification and standardization of procedures and processes under PSC of Pre-NELP/NELP Blocks. (order dated 12 July 2024)
  - Approval process in management of PSCs/RSCs for facilitating Management Committee meeting. (order dated 3 July 2024)
  - Issuance of Bank Guarantee (BG) towards unfinished work programme

ii. **Significant upgrades have been implemented across online platforms such as the Contract Management System (CMS),** focusing on process digitization, system enhancements, e-simplification, and the introduction of standardized forms to facilitate smoother submission.

iii. A major step towards expanding India’s exploration footprint is **Mission Anveshan**, launched in February 2024. The program aims to conduct 20,275 LKM of 2D seismic surveys across seven onshore sedimentary basins to identify new hydrocarbon reserves. By leveraging a collaborative approach between public and private stakeholders and ensuring targeted funding, this initiative is expected to significantly enhance geological understanding.

iv. To complement these efforts, the government has approved the drilling of **stratigraphic wells** in key offshore basins such as Mahanadi, Bengal, Saurashtra, and the Andamans. This initiative is expected to improve subsurface geological understanding, enhance hydrocarbon prospectivity, and strengthen bidding rounds under the Open Acreage Licensing Policy (OALP).

v. Recognizing the importance of data accessibility, the **National Data Repository** (NDR) is undergoing a major transformation into a **cloud-based platform**, ensuring instant access to seismic, well, and production data.

vi. As part of its academic collaboration, a dedicated **data center** is being established at the University of Houston, facilitating seamless access to India's hydrocarbon data for international investors.

vii. DGH is also in the process of implementing an **Integrated Management System (IMS**) to streamline stakeholder engagement and improve business efficiency across all contractual regimes. IMS will enable centralized data management and provide a unified view of all regulatory interactions. Equipped with digital dashboarding, artificial intelligence (AI), and machine learning (ML) capabilities, IMS will deliver intelligent insights to enhance decision-making and operational oversight.

viii. The **Hydrocarbon Efficiency & New Energy (HENE) department** of DGH is planning to carry out studies and/or pilot projects in the areas of emissions monitoring, renewable energy integration, and Carbon Capture, Utilization, and Storage (CCUS) and Hydrogen etc.

ix. DGH has also launched **DGH UrjaVarta**, an annual strategic and technical forum for bringing together industry operators, policymakers, service providers, think tanks, and academia. This platform facilitates knowledge exchange, networking, and collaboration with an aim to maximize India's upstream hydrocarbon potential.

x. Further, recognizing the need for streamlined environmental clearances, DGH is organizing **specialized workshops** with relevant stakeholders to address key challenges in obtaining environmental and forest-related approvals.

Through these initiatives, DGH aims to reinforce its commitment to enhance the EODB in India's upstream oil and gas sector, drive technological and policy innovation, and ensure a sustainable and investor-friendly hydrocarbon ecosystem.

5. Analysis and Recommendations

The JWG, in its review process has considered the viewpoints and submissions from a wide range of stakeholders, including industry experts and government officials. This collaborative approach has resulted in comprehensive recommendations aimed at addressing the challenges faced by the sector.

The identified issues are categorized by their anticipated resolution timeframe: immediate (within next 6 months), short-term (within 1 year) and long-term (beyond 1 year).

This section is divided into in two parts:

- **Part A: Issues resolvable within the jurisdiction of MoPNG:** Among the issues reviewed, **eighteen critical issues** have been prioritized as resolvable in the immediate and short-term period. This part also includes specific actionable recommendations to address these issues expeditiously.

- **Part B: Issues to be resolved with cross-ministerial support:** This part outlines the next steps identified by the JWG for issues that require further deliberation and/or require coordination and support across multiple ministries.

Part A: Issues resolvable within the jurisdiction of MoPNG

This section addresses the critical issues identified by the JWG that fall within the jurisdiction of the MoPNG and can be resolved within immediate and short-term timeframes.

The recommendations are further categorized as follows:

A. Recommendations for Immediate Resolution (within 6 months)

B. Recommendations for Short-Term Resolution (within 1 year)

These targeted interventions proposed are designed to promote sustainable growth and streamline operations in the E&P sector.

A. Recommendations for Immediate Resolution (within 6 months)

5.1. Approval for delivery point(s) within and outside the contract area

5.1.1. Description of the issue

The current provisions under the PSC, RSC, DSF, and CBM frameworks define the delivery point as the point where petroleum reaches the outlet flange of the delivery facility, whether onshore or offshore. Further, as per the current interpretation of the E&P contracts, the cost incurred beyond the delivery point towards marketing or transportation of petroleum was not allowed for cost recovery, until a process for ascertaining market price was followed by the contractor.

In many cases, operators have proposed delivery points outside the contract area due to limited access to common treatment facility of ONGC, refineries or gas consumers for the production from the block or due to other technical or operational constraints. An Office Memorandum (OM) dated October 10, 2019, issued by MoPNG, restricted the power to approve delivery points outside the contract area to the Government of India (GoI).

However, in March 2024, MoPNG/ECS empowered the Management Committee (MC) for approval of multiple delivery points for Oil and Gas within the contract areas for Pre-NELP field round blocks.

Since the MC is comprised of two government nominees, it may be recommended to delegate the power to approve delivery points from the GoI to the MC and/or allow self-certification for delivery points to the operators in certain cases, for streamlining project execution timelines.

5.1.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- According to **Clause 1.31 of Article 1- Definitions**, Delivery Point(s) shall be approved by the Management Committee (MC).
- According to **Appendix C – Accounting Procedure to the Contract, Section 3- Recoverable Costs, Expenditures And Income, Clause 3.2 (iii)**, costs of marketing or transportation of Petroleum beyond the Delivery Point(s) are not recoverable and not allowable for cost recovery under the contract.

ii. Under Revenue Sharing Contract (RSC)

- According to **Clause 1.1.34, of Article 1 – Definitions**, Delivery Point(s) are allowed to be established for purposes of sales. The approving authority has not been defined in the contract.

iii. Under Discovered Small Fields (DSF) Contract

- According to **Clause 1.29, of Article 1 - Definitions**, Delivery Point(s) are allowed to be established for purposes of sales. The approving authority has not been defined in the contract.

iv. Under Coal Bed Methane (CBM) Contract

- According to **Clause 1.29 of Article 1 – Definitions**, Delivery Point(s) for the purpose of sale(s) of CBM from the contract area shall be approved by the Steering Committee.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.1.

5.1.3. Recommendations

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) For delivery points within the contract area:

   i. Contractor may be allowed to establish new delivery point(s), shift existing delivery point(s), or establish multiple delivery point(s) (subject to a maximum of total three) within the contract area on a self-certification basis for all contractual regimes inter-alias PSC, RSC, DSF, and CBM. An intimation shall be provided to the Management Committee (MC) prior to setting up of the delivery points.

b) For delivery points outside the contract area:

   i. Approval for new, shifted, or multiple delivery points outside the contract area under PSC, RSC, DSF and CBM regimes shall be granted as follows

      a. If the Investment Multiple (IM) slab remains unaffected (wherever applicable), MC may be empowered to grant the approval.

      b. If the IM slab is impacted (wherever applicable), approval shall be required from the Government of India

   ii. The revenue to be considered for the purpose of calculating royalty and PP/PLP shall be determined on the prices obtained by the contractor at such delivery point(s).

c) The above provisions in a) and b) shall be applicable to all contracts where the approval mechanism for delivery points is not specified in the respective contracts. The recommended provisions shall supersede any previously issued office orders.

Logic adopted for formulating recommendation

The recommendation establishes a streamlined framework that allows contractors to autonomously manage delivery points within the contract area, while reducing procedural delays. It promotes consistency and transparency in the approval process.

5.2. Grant of Excusable Delays/ Extra Days for delays in government related approvals

5.2.1. Description of the issue

In many areas, contractors experience delays in obtaining the necessary government approvals, clearances, and permits from central and/or state governments. To address these delays, contractors are allowed to request Excusable delays/Extra days for the lost period to meet their work program commitments. However, the current provisions under the PSC, RSC, DSF, and CBM contracts offer an inconsistent approach to manage such delays.

For instance, the GoI allowed extensions in exploration period for delays caused due to delays in obtaining various statutory approvals under PSC regime. While under RSC regime, Extra Days are only granted for delays in obtaining Environmental and Forest Clearances (EC and FC). In certain cases, no Excusable delays/Extra days is granted, regardless of the nature of the delay. This inconsistency hinders project execution and can delay investments in these projects.

For example, in a few blocks located in Cambay, Rajasthan, approvals for EC and FC have been delayed, leading operators to claim 300-350 extra days. Similarly, in blocks located in the Krishna Godavari and Kutch basins awarded under RSC, operators have requested extensions due to delays in statutory approvals such as renewing Petroleum Exploration Licenses (PEL). However, as clause 14.5 of the RSC only allows for extensions related to EC and FC delays, no additional time has been granted for other statutory clearance delays. In either case, the delays caused are beyond reasonable control of the operator and should be treated at par to allow extended timelines for the operator to meet the contractual work commitment.

5.2.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- The policy for extension in the exploration phase dated April 18, 2006, defines excusable delays as demonstrable delays in obtaining Government approvals, permits, or clearances which are not attributable on part of contractor. These excusable delays were approved by the Government.
- Subsequently, according to **Clause 3** of MoPNG policy dated 25 June 2018 "Policy framework for streamlining the operations, relaxation of timelines and delegation of powers to Director General, Directorate General of Hydrocarbons (DGH) under Production Sharing Contracts (PSCs)", **the Government has delegated its power to DG, DGH to approve cases of demonstrable delays as excusable delays after confirming demonstrable delays within the extant policy framework of 2006** and requires quarterly reports to the MoPNG detailing the cases and their justifications. Further on 30 October 2019 MoPNG issued guidelines & checklist to process such cases of excusable delays based on SoPs issued by MoPNG on 28 August 2018

ii. Under Revenue Sharing Contract (RSC)

Till OALP Round VII

- As per **Clause 14.5 of Article 14 - Protection of the Environment**, in the event the Government or the State Government takes more than the time period stipulated under the applicable laws for providing **Environment Clearance (EC) or Forest Clearance (FC)**, or where no specific time period is provided for grant of such clearance, more than 120 days (“Approval Period”), then the days taken by the Government or State Government in addition to the approval period to grant such approval (“Extra Days”) shall be taken into account in determining all time periods provided for discharge of obligations of the operator under the Contract and such time periods, if already determined, shall stand extended by the number of Extra Days.

- According to **Clause 5.5 (d) / 5.7 (d) of Article 5 – Work Programme**, if **delay due to lack of statutory and other clearances is beyond 2 years in any of the blocks**, then the Contractor can either exit from the contract without payment of Liquidated Damages as specified in Article 5.4 or if the Contractor continues exploration in the reduced area, then proportional reduction in Committed Work Programme shall be allowed, rounded off to the nearest integer with a minimum number of one. PEL for area not made available will be cancelled and future PEL fee would be reduced proportionately. In such cases **the application for such reduction /exiting** should be made **within 3 months of the expiry of the 2-year period from the date of application for clearance**. Any delay attributable to the Contractor shall not be considered in the above-mentioned two-year period.

Under OALP Round VIII

- According to **Clause 33.10 of Article 33 - Entire Agreement, Amendments, Waiver and Miscellaneous**, in the event that the necessary statutory clearances, permits, approvals or consents are not granted by the Government or the relevant State Government or any of their respective agencies, ministries, institutions or authorities within the time period stipulated under applicable laws of India or where no time period is provided for grant of such permits, clearances, approvals or consents, within 120 days (“Approval Period”), then the period taken by the government or relevant State Government or their respective agencies, ministries, institutions or authorities in addition to the approval period (“Extra Days”) shall be added to the relevant time period(s) for discharge of obligations of the Contractor under the Contract; subject to a maximum cumulative of 720 Extra Days for the entire Exploration Period; and such time period(s), if already determined, shall stand extended by the number of Extra Days, and any obligation to pay liquidated damages for any delay under this Contract shall calculated only after taking into the account the Extra Days.

- If **delay due to lack of statutory and other clearances is beyond 2 years and verified by DGH**, then the Contractor would be permitted to relinquish the Contract area without payment of Liquidated Damages as specified in Article 5.4. In such cases, the application for such exiting should be made within 60 days prior to the expiry of the 2-year period.

The powers for approval of Extra Days are not clearly defined under RSC due to which currently all applications for Extra Days are routed to the government for approval.

iii. Under Discovered Small Fields (DSF) contract

- Under **DSF Round I & II** , according to **Clause 14.5 of Article 14 – Protection of the Environment**, in the event the Government or the State Government takes more than the time period stipulated under the Applicable Laws for providing **Environment Clearance (EC) or Forest Clearance (FC)**, or where no specific time period is provided for grant of such clearance, more than 120 days ("approval period"), then the days taken by the Government or State Government in addition to the approval period to grant such approval ("Extra Days") shall be taken into account in determining all time periods provided for discharge of obligations of the operator under the Contract and such time periods, if already determined, shall stand extended by the number of Extra Days.

- Under **DSF III & Special Round** contract, there is no clause which defines the provision of Extra Days due to delay in getting clearances from the Government or the State Government.

iv. Under Coal Bed Methane (CBM) Contract

- As per the MoPNG notification Policy framework for early monetization of Coal Bed Methane dated April 11, 2017:
  - Basis **Clause 2**, **Director General, Directorate General of Hydrocarbons (DG, DGH) is empowered for condoning the delays** in notice periods, annual work programme and budgets and to approve the excusable delays regarding clearances from State and Central Government
  - Basis **Clause 2.4, DGH is empowered to approve excusable delays,** without set off from subsequent phases, **in development phase** due to Land Acquisition/ Force Majeure condition or any other matter beyond control of operator after confirming demonstrable delays.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.2.

5.2.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) Delay in any of the approvals, clearances, or permits by Central or State Government or respective ministries, or agencies, beyond the designated approval timeline and not attributable to the contractor, may be eligible for grant of Extra Days (wherever applicable). In case of non-availability of designated approval timeline of specific approval under consideration, a standard timeline of 120 days may be considered for computation of the Extra Days.

b) The approvals, clearances or permits mentioned in a) shall include – grant of PEL/ PML, Environment related Clearance (EC), Eco-Sensitive Zone (ESZ) Clearance, Forest Clearance (FC), Wildlife Clearance, Coastal Regulation Zone (CRZ) Clearance and Ministry of Defence Clearances.

c) To qualify the claim for Extra Days, as mentioned in above (a), the contractor shall demonstrate substantiated efforts to obtain the necessary approvals and provide timely intimation to the MC within a period of 6 months from the date of such application submitted and at such further instance as the MC may direct thereafter.

d) DG, DGH basis MC recommendation may be empowered to approve the provisions proposed in above a).

e) If such a delay period is more than 2 years, the contractor may be provided an option to:

   i. Continue the contract under revised timelines with the approved extra days.

   ii. Relinquish the block without liability for Liquidated Damages (LD). The mechanism of relinquishment shall be as per the provisions of the existing contract and the extent policy or guidelines.

f) Additionally, the existing mechanism under the PSC for case reviews by the Multi-Disciplinary Committee (MDC) at the DGH may be continued for above proposed provisions.

Logic adopted for formulating recommendation

The current provisions under the PSC, RSC, DSF, and CBM contracts related to excusable delays/ extra days are inconsistent which hinders the project execution and can delay investments in these projects.

For instance, the GoI allowed extensions in exploration period for delays caused due to delays in obtaining various statutory approvals under PSC regime. While under RSC regime, till OALP round VII, Extra Days are only granted for delays in obtaining Environmental and Forest Clearances (EC and FC) while from OALP round VIII, extra days are provided for delay in grant of necessary statutory approvals. In certain cases (such as blocks under DSF round III & special round), no Excusable delays/Extra days is granted, regardless of the nature of the delay.

Therefore, the recommendation standardizes the granting of extra days, ensuring consistent treatment across all contractual regimes.

5.3. Reduction in contract area and work programme, due to denial or delay in statutory clearances for exploratory activities

5.3.1. Description of the issue

In many blocks, operators face challenges in obtaining the necessary statutory clearances, such as Environmental or Forest Clearances, from the Government for conducting seismic surveys or drilling activities as outlined in their work programme. Although these clearances were previously granted "in-principle" approval, operators have been denied permission to carry out work in the entire block or parts of it.

These challenges are particularly prevalent in blocks that overlap with Special Economic Zones (SEZ), reserve forests, naval exercise areas, Defense Research and Development Organization (DRDO) danger zones, national parks, urban areas, and firing ranges of police or armed forces.

While the current contractual provisions allow the operator to seek approval for proportionate area reduction and work programme reduction, these provisions are inconsistent across contract regimes. For e.g., under PSC, an operator can avail this provision for denial of clearances by Government agencies, while under RSC, an operator can avail this provision for delays in obtaining clearances from Government agencies.

5.3.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- According to **Clause 3.1** of MoPNG notification 'Policy Framework for relaxations, extensions and Clarifications at the development and production stage under the PSC' dated November 10, 2014, contractor may propose an annual work programme for review by the MC to complete the Minimum Work Programme (MWP). In some cases, exploration activities are denied by

Government bodies or other ministries (e.g., MoEFCC, MoD, etc.), which earlier were accorded “in-principle” approval. It has been decided that when the contract area is reduced **due to the denial of clearances by Government agencies, DGH is empowered to exercise a proportionate reduction of the MWP based on MC recommendations**. Further, in case, the contractor does not exercise his option to reduce his contract area within three months of the communication received by the contractor for reduction but proposes to exit from the contract later, a penalty will be imposed of liquidated damages to the extent of cost of unfinished MWP proportional to the reduced area. This will be applicable to all existing PSCs.

ii. Under Revenue Sharing Contract (RSC)

- According to **Clause 5.5(d) of Article 5 – Work Programme** of RSC, if there is a denial or delay of necessary clearances or licenses by the Government or State Governments for part of the contract area, and the delay exceeds 2 years for reasons not attributable to the contractor, the **contractor can either relinquish the contract without paying Liquidated Damages** (as specified in Article 5.4) or **seek approval from the Government for a proportionate reduction in the Committed Work Programme (CWP)**, proportional reduction of the future license fee, and PEL area.
- Further in **clause 5.5(b) of Article 5 – Work Programme,** if the contractor does not exercise this option within three months of receipt of the communication of reduction of area but proposes to exit from the Contract later, an LD will be levied to the extent of unfinished Committed Work Programme, proportional to the reduced area.

iii. Under Discovered Small Fields (DSF) Contract

- In DSF Rounds, **clause 5.4 of Article 5 – Work Programme**, states that, notwithstanding any other provision of this Contract, in the event the contract area is reduced due to denial of clearances by government agencies, then t**he Government (acting through DGH) is empowered to exercise such powers of proportionate reduction of the Bid Work Programme**, **on the recommendations of the Management Committee.**

  In case, the contractor does not exercise his option within three months but proposes to relinquish the contract area later, liquidated damages shall be payable as per the rates in article 5.2.
- **In DSF bid round III and Special rounds, according to clause 5.4 (d), of Article 5 – Work Programme, if delay due to lack of statutory and other clearances is beyond 2 years and verified by DGH**, the contractor would be permitted to relinquish the contract area without payment of liquidated damages as specified in article 5.2. in such cases the application for such reduction/ exiting should be made within 30 days of the expiry of the 2-year period from the date of application for clearance. Any delay attributable to the contractor shall not be considered in the above mentioned 2-year period.
- Further in **clause 5.4(b) of Article 5 – Work Programme,** if contractor does not exercise this option within three months of receipt of the communication of reduction of area but proposes to exit from the contract later, an LD will be levied

to the extent of unfinished committed work programme, proportional to the reduced area.

iv. Under Coal Bed Methane (CBM) Contract

- As per the MoPNG notification, “Policy framework for early monetization of Coal Bed Methane” dated April 11, 2017, basis **Clause 2.5**, **DGH is empowered to reduce Minimum Work Programme (MWP)** in proportion to the contract area if the contract area is reduced by the government for any reason. If the contractor does not accept the reduction in contract area, operator would be permitted to exercise exit option from the contract without payment of Cost of Unfinished Work Programme (COUWP)
- As per the MoPNG notification, “Policy framework for early monetization of Coal Bed Methane” dated April 11, 2017, basis **Clause 2.7,** in cases of inordinate delays in granting clearances i.e., beyond 2 years in any block, the contractor if exercises its exit option, will be permitted to exit from the block without payment of Cost of Unfinished Work Programme. **DGH is empowered to review and examine such cases and approve exit option exercised by the Contractor from the CBM contract**. Further, policy dated April 11, 2017, for “Early monetization of CBM” is applicable for all present and past cases of CBM Blocks.
- Accordingly to **Clause 5.5 (d) of Article 5 – Work Programme**, if there is a denial or delay of necessary clearances or licenses by the Government or State Governments for part of the contract area, and the delay exceeds 2 years for reasons not attributable to the operator, the **operator can either relinquish the contract without paying Liquidated Damages** (as specified in Article 5.4) or **seek approval from the Government for a proportionate reduction in the Committed Work Programme (CWP)**, proportional reduction of the license fee, and amendment of the license.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.3.

5.3.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) If any clearances required for conducting Minimum Work Programme (MWP) or Committed Work Programme (CWP) under the exploration phase or Bid Work Programme (BWP) under the development phase, in the entire block or part of it, has been denied or delayed by the state or central government, or respective ministries or agencies, for over a period of two years, a contractor may claim proportionate reduction in contract area and work programme.

b) The approvals, clearances or permits mentioned in a) shall include – grant of PEL/ PML, Environment related Clearances (EC), Eco-Sensitive Zone (ESZ) Clearance, Forest Clearance (FC), Wildlife Clearance, Coastal Regulation Zone (CRZ) Clearance and Ministry of Defence Clearances.

c) To qualify the claim for reduction, as mentioned in above (a), the contractor shall demonstrate substantiated efforts to obtain the necessary approvals and provide timely intimation to the MC within a period of 6 months from the date of such application submitted and at such further instance as the MC may direct thereafter.

d) The above provision, as specified in (a), would be available provided the contractor submits such application for proportionate area reduction within 90 days of receiving denial or expiry of two-year period of delay or expiry of current phase, whichever is earlier.

e) The Government approval shall be required for such cases specified in above in (a), based on recommendations of the Management Committee (MC).

f) If the contractor decides not to accept any reduction in contract area and work programme or does not concur with the proposed reduction by the MC or the government, then the contractor should be permitted to exit from the contract without payment of Liquidated Damages, subject to prior approval from the government. However, this provision shall be available to be exercised by the contractor within 30 days of receiving approval of CWP/contract area reduction.

Logic adopted for formulating recommendation

Currently, the CWP and area reduction in the PSC blocks is existent and power is delegated to DG, DGH.

The recommendation standardizes the approval process by setting clear timelines, thereby enhancing ease of doing business in the sector.

5.4. Bank Guarantee (BG) renewal towards Committed/Minimum/ Bid Work Programme

5.4.1. Description of the issue

Under existing contractual regimes, operators are required to furnish a Bank Guarantee (BG) equivalent to the Liquidated Damages (LD) calculated based on the pre-defined rates specified in the respective contracts. This requirement serves as a financial safeguard or deterrent to ensure the fulfilment of contractual obligations, especially the work programme commitments. However, during the renewal of the BG, operators are mandated to secure an amount that covers the entire work programme, including portions that have already been completed.

This imposes an additional financial burden on operators as they are required to continue to furnish BG for the portions of the work programme that they have already completed. Recognizing these challenges, the General Financial Rules (GFR) 2017 have been amended to allow the use of Surety Bonds as an alternative to BGs. Issued by insurance companies and approved by the Ministry of Finance, these Surety Bonds provide a viable and efficient substitute, addressing the limitations of the existing framework.

5.4.2. Relevant provisions under various contractual regimes

i. Amendment to General Financial Rules (GFR), 2017 by Ministry of Finance to include Insurance Surety Bonds as Security Instrument

- According to rule 170(i) of Amendment to GFR 2017, The bid security may be accepted in the form of Insurance Surety Bonds, Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the Commercial Banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects.
- According to rule 170 (ii) of Amendment to GFR 2017, Performance Security may be furnished in the form of Insurance Surety Bonds, Account Payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank or online payment in an acceptable form safeguarding the purchaser interest in all respects

ii. Under Production Sharing Contracts (PSC)

- **Clause 29.2 of Article 29 – Guarantees**, contractor must furnish a Bank Guarantee (BG) in favor of Government an amount equal to 35% of the company's participating interest share of the total estimated annual expenditure in respect of the Minimum Work Programme to be undertaken by the contractor in the contract area during the relevant year of a Phase subject to Article 29.3.

- **Clause 29.3 (a) of Article 29 – Guarantees**, states at the end of each year, BG shall be automatically renewed for an amount equal to a company's participating interest share of 35% of the total estimated expenditure in respect of the Minimum Work Programme to be undertaken for the following year of an exploration phase, unless the contractor has terminated the contract in accordance with the terms thereof. The guarantee shall be renewed at the end of each year positively 30 days before the expiry of the guarantee period.
- **Clause 29.3 (b) of Article 29 – Guarantees**, states that after the completion and due performance of the Minimum Work Programme of a particular Exploration Phase, the guarantee will be released in favor of the Company on presentation to the bank of a certificate from the Government that the obligation of the Contractor has been fulfilled and the guarantee may be released, subject to Article 29.4.

iii. Under Revenue Sharing Contracts (RSC)

- **Clause 27.1 (a) of Article 27 – Guarantees** requires the contractor to furnish a Bank Guarantee (BG) in favor of the Government. The amount, as specified in Clause 27.2, corresponds to Liquidated Damages calculated using the rates in Article 5.4. This BG must be valid for the 3-year period of bid commitments outlined in Article 5.1, with a claim period of 60 days. The guaranteed amount for each contractor group member is proportional to their individual Participating Interest.
- Based on this clause, while renewing the BG, contractors are required to furnish an amount equivalent to the Liquidated Damages for all activities outlined in the initial committed work plan, rather than just for the uncompleted work. This requirement places a significant financial burden on operators.

iv. Under Discovered Small Fields (DSF) Contract

- **Clause 27.1 (a) of Article 27 – Guarantees** mandates each of the companies constituting the contractor shall procure and deliver to the Government within 30 days from the effective date of this contract an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the government, in favor of the government, for the amount specified in Article 27.2 and valid for the period (3, 4, 6 years as the case may be) specified in Article 3.2 with claim period of 90 days, in a form provided at Appendix E.
- According to **Clause 27.2 (a) of Article 27 – Guarantees**, the Bank Guarantee referred to in Article 27.1 (a) above shall be for an amount calculated at rates specified in Article 5.2. in respect of the bid work program specified in article 5.1, provided that in the absence of any Bid Work Program stipulated in Article 5.1, the bank guarantee shall be submitted for a minimum guarantee of equivalent amount of USD 0.15 million, USD 0.23 million, and USD 0.30 million respectively for contract area in on-land, shallow water, and deep-water.
- Basis **Clause 27.2 (b) of Article 27 – Guarantees**, the guarantee will be returned to the company, provided that a bank guarantee submitted in respect of the minimum amount shall be returned on commencement of commercial production or on completion of period stipulated in Article 3.2 of RSC, whichever is earlier after the completion and due performance of the Bid Work Programme.

v. Under Coal Bed Methane (CBM) Contract

Till CBM Round IV

- **Clause 26.1 (a) of Article 26 – Financial and Performance Guarantees** mandates the contractor to furnish an irrevocable, unconditional Bank Guarantee (BG) in favor of Government with an amount as per **Clause 26.2** which is equal to a **company's participating interest share and shall be 35% of the total estimated annual expenditure in respect of the work programme to be undertaken by the contractor in the contract area during each year of a Phase up to Phase-II**, and subject to Article 26.3.
- According to **Clause 26.3 (a) of Article 26 – Financial and Performance Guarantees**, the amount referred to in Article 26.2 shall be automatically adjusted at the end of each Year for an amount equal to a **Company's Participating Share of 35% of the total estimated expenditure in respect of the work programme to be undertaken for the following year of the relevant phase till Phase-II.** The guarantee shall be renewed at the end of each year positively 30 days before the expiry of guarantee period.
- Basis **Clause 26.3 (b) of Article 26 – Financial and Performance Guarantees**, at the end of the relevant phase, the guarantee will be released in favor of the contractor on presentation to the bank of a certificate by the Government that the obligation of the contractor has/have been fulfilled and the guarantee may be released.

In Special CBM Round

- **Clause 27.1 (a) of Article 27 – Guarantees** mandates the contractor to furnish an irrevocable, unconditional Bank Guarantee (BG) in favor of Government with an amount as per **Clause 27.2** which shall be equal to the **Liquidated Damages computed by applying the rates specified in the table in Appendix I**. The amount of guarantee of the Members comprising the Contractor under this Contract shall be to the extent of their individual Participating Interest.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.4.

5.4.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., RSC, DSF and CBM may be issued to effect following:

a) During Bank Guarantee (BG) renewal process (post completion of the time duration of BG provided in the contract), contractor should be allowed to submit BG amount equivalent only to the value of the uncompleted/ pending work programme as intimated/vetted by the DGH.
b) The contractor may be allowed to submit an unconditional and irrevocable Surety Bond against a new or existing Bank Guarantee (BG) of an equivalent amount defined in the contract or Notice Inviting Offers (NIO).

Logic adopted for formulating recommendation

The recommendation streamlines BG renewal process, and reduces capital lock-up, introduces contractual safeguards, ensuring consistency and uniformity by aligning financial commitments with actual project progress.

5.5. Field Development Plan (FDP) approvals of PSC blocks

5.5.1. Description of the issue

According to the guidance document titled "Guidance Document for Online Submission of PSC Processes as per DGH Notifications dated April 25, 2020, and July 12, 2021", the contractor must obtain an Operating Committee Resolution (OCR) before submitting the FDP. In the OCR, each party is required to agree on the technical activities proposed in the FDP.

Further, as per the contract, the contractors are required to submit the FDP to the Management Committee (MC) within 200 days of declaring an oil discovery (Clause 10.7) and within one year of discovery for gas projects (Clause 21.5.6).

However, it has been observed that delays often arise between the parties while obtaining OCR, particularly when a government nominee i.e., NOCs holds a Participating Interest along with private operators. These conflicts often consume considerable time, resulting in FDP submissions being delayed until close to the deadline, creating additional procedural burdens.

Additionally, if the FDP is approved after the annual budget has been approved, the operator has to seek further approval for any additional CAPEX incurred, which affects project timelines and cost structures.

5.5.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- According to **Clause 10.7 of Article 10 - Discovery, Development and Production**, If the Contractor declares the Discovery a Commercial Discovery after taking into account the advice of the Management Committee as referred in the Article 10.6, **within two hundred (200) days of the declaration of the Discovery as a Commercial Discovery, the Contractor shall submit to the Management Committee a comprehensive development plan of the Commercial Discovery**.

- According to **Clause 10.8 of Article 10 - Discovery, Development and Production**, A proposed development plan submitted by the Contractor pursuant to Article 10.7 may be approved by the Management Committee within 110 days of submission thereof or 80 days of receipt of any additional information requested by the Management Committee. In case the Management Committee requires any reasonable additional information, the same shall be requested by it within 80 days from the submission of the development plan. The Contractor shall provide such additional information within 30 days from the request by the Management Committee. If, within a period of 110 days after submission of a proposed development plan or 80 days from the receipt of any additional information, where asked by the Management Committee, the Management Committee fails to convey a decision to the Contractor, the Contractor shall have option to submit the proposal to the Government. Also, where, the Management Committee rejects the development plan of the Contractor, the Contractor can submit the development plan for the approval of the Government. The Government shall respond on the proposed development plan submitted by the Contractor within 110 days. In case Government refuses to approve the proposed development plan, it shall convey the reasons for such refusal and the Contractor shall be given opportunity to make appropriate modifications to meet concerns of Government and the provisions of the foregoing Article and re-submit the plan within 90 days from the date of receipt of refusal from the Government.

- According to **Clause 10.10 of Article 10 - Discovery, Development and Production**, **Work Programmes and Budgets for Development and Production Operations shall be submitted to the Management Committee** as soon as possible after the approval of a Development Plan under Article 10.8 and thereafter not later than 31st December each Year in respect of the Year immediately following.

- According to **Clause 10.13 of Article 10 - Discovery, Development and Production**, **Proposed revisions to the details of a Development Plan or an annual Work Programme or Budget in respect of Development and Production Operations** shall, for good cause and if the circumstances so justify, be **submitted for approval to the Management Committee**

In case of discovery of Non-Associated Natural Gas (NANG)

- According to **Clause 21.5.6 of Article 21 – Natural Gas**, If the Contractor declares the Discovery a Commercial Discovery after taking into account the advice of the Management Committee as referred to in the Article 21.5.5, **the Contractor shall, within 1 year of the declaration of the Discovery as a Commercial Discovery, submit a development plan for the development of the Discovery to the Management Committee for approval**. Such plan shall be supported by all relevant information including, inter alia, the information required in Article 10.7.

- According to **Clause 21.5.7 of Article 21 – Natural Gas**, Unless otherwise agreed by **the Management Committee**, it shall consider the proposed development plan and give their approval within 165 days of submission thereof or 85 days from the receipt of the clarifications/additional information from the Contractor. Any clarification/ additional information required by the Management Committee shall be asked for within 85 days of receipt of the proposal from the Contractor. The Contractor shall provide such additional information within 30 days from the receipt of request by the Management Committee. If the Management Committee fails to convey its decision within 165 days from the submission of the development plan or 85 days from the receipt of the clarifications/additional information, whichever is later, the Contractor may submit the development plan for the approval of the Government. Also, where, the Management Committee rejects the development plan of the Contractor, the Contractor can submit the development plan for the approval of the Government.

- According to **Clause 21.5.8 of Article 21 – Natural Gas**, Where **the development plan is submitted to the Government for approval** pursuant to Article 21.5.7, the Government shall convey its decision within 115 days from the date of receipt of the proposal from the Contractor. Government, where it considers necessary, may ask clarifications/additional information from the Contractor within 85 days and shall convey its decision within 55 days from the date of receipt of such clarifications/additional information.

- According to **Clause 21.5.9 of Article 21 – Natural Gas**, If the Government has failed to approve or disapproves the Contractor's proposed development plan, within 115 days from receipt or within 55 days from the receipt of clarifications/ information from the Contractor as mentioned in the Article 21.5.8, the Government shall advise the Contractor, in writing, of the reasons for such failure or disapproval and the Government and the Contractor shall meet to discuss the said development plan and the reasons for the said failure to approve or disapproval, and use their best efforts to agree on appropriate modifications thereto to meet the Government's concerns or objections. Thereafter, the Contractor shall have the right to resubmit, within 85 days of communication from the Government, the proposed development plan duly amended to meet the Government's concerns. Such right of resubmission of the proposed development plan shall be exercisable by the Contractor only once. The Government will respond to the re-submitted plan within 115 days. If no such plan is submitted to the Government within the above specified period, the Contractor shall relinquish its right to develop such Gas Discovery and such Discovery shall be excluded from the contract area.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.5.

5.5.3. Recommendation

A policy guideline applicable for contract areas under PSC regime may be issued to effect following:

a) For blocks where the Annual Work Programme and Budget (AWP&B) is approved by the Operating Committee (OC) , the Management Committee (MC) shall provide its approval on or before the start of next financial year.

b) For blocks where the AWP&B is submitted without the approval by the OC, the MC may consider approving the said AWP&B subject to concurrence of at least 75% of the Participating Interest (PI) holding.

c) For Blocks with Government Nominee has a Participating Interest (PI) along with Private Operators:

   i. Brownfield Projects: Agreement on technical and cost alignment of the Field Development Plan (FDP) or Revised Field Development Plan (RFDP), should be reached within 60 days from the submission of the same by the operator to the OC.

   ii. Greenfield Projects: Agreement on technical and cost alignment of the FDP or RFDP, should be reached within 120 days from the submission of the same by the operator to the OC.

   iii. The MC shall take a decision on the FDP/RFDP within 90 days from the date of submission of the complete FDP/RFDP, provided OC approval has been obtained.

   iv. If technical agreement is not reached within the proposed timelines, the contractor may call for an MC meeting within 15 days after the end of proposed timelines to obtain the directions of the MC.

   v. For all blocks where the static and dynamic model of the FDP/RFDP and the reserves (OIIP & GIIP) are vetted by a DGH-empaneled third party, the review may be expedited by the DGH.

d) The MC may concurrently approve the work programme and budget for the remaining part of the current fiscal year during the MC meeting at which the FDP is approved.

Logic adopted for formulating recommendation

The recommendation aims to expedite FDP approvals by introducing stringent timelines to accelerate development, without undue delays. It also enhances operational efficiency and aligns concurrent approvals for work programme and budget, driving transparency and accountability in PSC block development.

5.6. Grant of Extension in Exploration/Development Period across contractual regimes

5.6.1. Description of the issue

Currently, the Central Government or State Government based on recommendation from the Central Government, grants the PEL for the Initial Exploration Phase (IEP) and any applicable phase extensions as specified in the contracts.

However, in cases where Excusable Delays (or Extra days) or Force Majeure are granted, the relevant exploration phase is extended, requiring PEL extension for the extended duration to continue exploration activities. It has been observed that obtaining PEL extension from the government can take 2-3 months of time-period post submission of application for extension. Further, cases where other statutory approvals are already delayed, an additional requirement of PEL extension may be deterrent.

5.6.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- **Clause A** of the policy for extension of exploration phases under NELP and Pre-NELP production sharing contracts dated 04 April 2006, allows **MC or the Government** to extend the overall exploration period by 6 months for completing the unfinished work program, while maintaining the original terms and conditions of the contract. Further extensions of up to 18 months are permitted based on the terms outlined in the PSC.

ii. Under Revenue Sharing Contract (RSC)

- For all OALP rounds, as per **clause 11.2.1 of Article 11 - Petroleum Exploration License and Lease**, the application for the petroleum lease along with application fee, in respect of the proposed development area in respect of offshore blocks shall be submitted by operator to the **Government** within 30 days from the approval of TAR pursuant to Article 10.

- For the OALP Rounds I to III, **Clause 3.2 of Article 3 - License and Exploration Period**, specifies that the exploration period begins on the effective date and consists of two phases: the Initial Exploration Phase includes 3 consecutive contract years, with a provision for a single extension of up to 1 year for onland and shallow water areas, and up to two extensions of 1 year each for deep water, ultra-deep water, and specified basins.

- For OALP Rounds IV to VIII, **Clause 3.4 of Article 3 - License and Exploration Period,** allows **the contractor to extend the exploration period** by up to 9 months for onland/shallow water/CBM blocks and up to 18 months for deep water/ultra deep-water blocks by making a payment to the Government at least 30 days prior to the expiration of the Exploration Period.

iii. Under Discovered Small Fields (DSF) Contract

- According to **Clause 11.1 of Article 11 – Petroleum Exploration License and Petroleum Mining Lease**, in the event existing discovery (lies), being a discovered small field/ contract area operated by ONGC/OIL and the license/lease has already been issued in favor of ONGC/OIL, **the Government hereby agrees that it shall approve and enable the transfer of the license/lease, as applicable, by ONGC / OIL in favor of the contractor** under the provisions of rule 17 of the P&NG Rules. Provided that in the event that such transfer could not be completed within 60 days of the execution of this Contract, the issued License/Lease shall be terminated. The Contractor thereafter shall submit forthwith an application for grant of Lease in respect of the contract area.

- According to **Clause 11.2 of Article 11 – Petroleum Exploration License and Petroleum Mining Lease**, in the event the field/contract area did not have an earlier lease already issued or such lease could not be transferred, the **Government shall on the application of the contractor grant to the contractor a lease**, to enable the contractor to carry out petroleum operations in the contract area.

- Basis **Clause 11.3 (b) of Article 11 – Petroleum Exploration License and Petroleum Mining Lease**, the lease shall be granted for an **initial period of 20 years** from the date of grant thereof **subject to the lease period may be extended by mutual agreement between the government and the contractors** for such period as may be agreed after taking into account the balance recoverable reserve and balance economic life of the Field/ contract area in the contract area from the expiry of the initial period. Provided that **such extension would be for a period up to 5 years or beyond as may be mutually agreed or as per extant Government policies/ guidelines.**

iv. Under Coal Bed Methane (CBM) Contract

- As per the **clause 5 (vi)** of policy for Extension of Exploration Phases for Exploration and Production under Coal Bed Methane contracts dated November 17, 2007, first six months extensions may be granted by **Steering committee** in terms of respective contract. Further, additional extensions of 6 months or beyond 12 months and upto18 months, are permitted based on the terms outlined in the policy.

- According to **Clause 2.6** of MoPNG notification Policy framework for early monetization of Coal Bed Methane dated April 11, 2017, if delay in grant of Petroleum Exploration License (PEL) exceeds 2 years from the State Government in any block, the Contractor if exercises exit option from the CBM block, will be permitted to exit without paying cost of unfinished work programme.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.6.

5.6.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., RSC, DSF and CBM may be issued to effect following:

a) The Contractor may request a two-year extension of exploration/development period, in addition to any extensions already provided in the contract, subject to the payment of fees as provided:

   i. For Onland/Shallow Water: USD 25,000 or its INR equivalent per month or any part of the month for the duration of extension sought.

   ii. For Deep Water/Ultra-Deep-Water Blocks: USD 50,000 or its INR equivalent per month or any part of the month for the duration of extension sought.

b) In addition to (a), two one-year free extension of exploration period may be granted for blocks in Andaman basin and North-East region.

c) The above extensions shall be capped upto exploration period of 8 years for Onland and Shallow water areas and upto 10 years for Deep Water and Ultra-Deep Water areas, inline with HELP policy dated 30 March 2016.

Logic adopted for formulating recommendation

The recommendation provides contractors the flexibility to extend their exploration or development period, addressing unforeseen delays and encouraging project completion

5.7. Process for PSC extension applications and approvals

5.7.1. Description of the issue

Under the current PSC framework, Clause 1 of policy for granting extension to PSC dated March 28, 2016, permits contractors to apply for contract extensions provided applications are submitted at least two years before the contract expiry. However, there is no provision to address situations where operators request an extension within this two-year period.

This lack of flexibility creates uncertainty for contractors facing unforeseen delays or challenges that arise closer to the end of the contract term, potentially impacting project continuity, investment planning, and overall operational efficiency.

5.7.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- According to **Clause 1** of the policy for granting extension to PSC dated March 28, 2016, operators are required to submit an approval request for contract extension to MoPNG at least 2 years in advance of the expiry date of contract with a copy to DGH. DGH is required to provide recommendations to MoPNG within 6 months of submission of application by the operator. The Government will take a decision on the request for extension within 3 months of receipt of the proposal from DGH.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.7.

5.7.3. Recommendation

A policy guideline applicable for contract areas under PSC regime may be issued to effect following:

a) The approval for condonation of delay in submission of PSC extension applications upto a period of 6 months prior to the date of contract expiry may be delegated to DG, DGH.

Logic adopted for formulating recommendation

The recommendation aims to streamline the approval process and reduce procedural delays. The delegation of approval authority will provide operational flexibility, minimize project disruptions and ensure timely contract management under PSC regime.

5.8. Provisions for incentives on sale of natural gas to private operators in Northeast region

5.8.1. Description of the issue

The existing gas price mechanism in the north-east region is characterized by the coexistence of multiple gas prices, which poses significant challenges for private operators. According to the New Domestic Natural Gas Pricing Guidelines, a subsidy of 40% on APM allocated natural gas is provided to the NOCs in the region. However, the guidelines lack clarity in applicability of the subsidy for natural gas supplied by private operators in the north-east region. This arrangement allows ONGC and OIL to benefit from discounted gas prices and undermines the competitiveness of private companies.

5.8.2. Relevant provisions under various contractual regimes

- According to **Clause 2** of notification titled **"Price of APM natural gas produced by National Oil Companies (NOCs)**" dated 31 May 2010, the net consumer price of natural gas produced by NOCs for customers in Northeast would be 60% of APM price i.e., US $ 2.52/MMBTU, on NCV basis.

- According to **Clause 12** of "**New Domestic Natural Gas Pricing Guidelines, 2014**", 40% subsidy will be provided for gas supplied by NOCs (ONGC/OIL) in Northeast region. Additionally, the subsidy would also be available to private players to incentivize exploration and production.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.8.

5.8.3. Recommendation

A policy guideline applicable for natural gas supplied by operators may be issued to effect following:

a) The subsidy of 40% on supply of natural gas may be extended to every operator in the North-East region.
b) The subsidy mechanism proposed in (a), may be gradually tapered down over the next 5 years.

5.9. Transfer of Participating Interest (PI) among existing PI holders under a contract

5.9.1. Description of the issue

Under the existing contractual provisions of PSC, RSC, DSF and CBM regimes, PI transfer within the existing parties of the contractor requires prior written consent from the Government. However, this process involves a comprehensive technical, financial, and legal due diligence for each case.

In such cases, as the PI holders have already undergone verification during the initial contract award stage, evaluation for any change in PI among existing parties of the contract may be foregone. Further, in many cases it has been observed that internal transfer approval can take up to six months of time-period, leading to significant project delays.

5.9.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- According to **Clause 28.1 of Article 28 – Assignment of Participating Interest**, any Party comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government.

ii. Under Revenue Sharing Contract (RSC)

Till OALP Round VII

- According to **Clause 26.1 of Article 26 – Assignment of Participating Interest**; any Member comprising **the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government**.

In OALP Round VIII

- According to **Clause 26.3 of Article 26 – Assignment of Participating Interest,** In case of any change in the status of a member or its shareholding resulting in a change in its relationship with any company providing the guarantee specified under Article 27.1(a) and 27.1 (b). Such change or changes, as the case may be, shall be deemed as an assignment of Participating Interest of the Member and the concerned Member shall seek prior written consent of the Government for any such change or changes

- According to **Clause 26.7 of Article 26 – Assignment of Participating Interest**, nothing in this Article 26 shall prevent a **Party comprising the Contractor from assigning or transferring a part or all of its Participating Interest to an Affiliate, with the approval of the Government**, provided that:

iii. Under Discovered Small Fields (DSF) Contract

- According **to Clause 26.1 of Article 26 – Assignment of Participating Interest,** any Party comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, **with the prior written consent of the Government**.

iv. Under Coal Bed Methane (CBM) Contract

- According to **Clause 25.1 of Article 25 - Assignment of Participating Interest**, a Company may assign, or transfer, a part or in whole of its Participating Interest, with the **prior written consent of the Government.**

Under SCBM Rounds

- According to **Clause 26.1 of Article 26 - Assignment of Participating Interest**; any Member comprising the Contractor may assign, or transfer, a part or all of its Participating Interest**, with the prior written consent of the Government.**

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.12.

5.9.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) The Management Committee (MC) may be empowered to approve Participating Interest (PI) transfer cases where contractor intends to transfer the PI within the existing parties of the contract, subject to no change in operatorship.

b) The proposed provision for amendment in a) may continue to be signed by the representative from the Government of India.

c) PI holders should be required to comply with all the existing conditions of the contract.

Logic adopted for formulating recommendation

The recommendation aims to expedite the approval process and reduce project delays, thereby promoting transparency and ease of doing business

5.10. Annual Work Programme (AWP) and Budget approval under CBM regime

5.10.1. Description of the issue

Under CBM contracts, contractors are mandated to submit their Annual Work Program to the Steering Committee by the 31st of December each year. However, since CBM contracts do not include a cost recovery mechanism, the requirement for steering committee approval of the annual work program adds a layer of procedural burden. Streamlining this process could enhance operational efficiency by reducing regulatory oversight.

5.10.2. Relevant provisions under various contractual regimes

i. Under Coal Bed Methane Contract (Round I-IV)
   - According to **clause 10.3 of Article 10 – Development and Production**, annual work programmes and budgets for development operations shall be submitted to the steering committee as soon as possible after the approval of the development plan and thereafter not later than 31st December of each year immediately following.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.10.

5.10.3. Recommendation

A policy guideline applicable for contracts areas under CBM regime may be issued to effect following:

a) Contractors may be allowed to submit the Annual Work Programme (AWP) and Budget for development and production phase on a self-certification basis, with an intimation to the Steering Committee, subject to no decline in production in the last three years in the field.

Logic adopted for formulating recommendation

The recommendation aims to streamlines the approval process by granting autonomy to the contractors, thereby improving the EoDB in the sector.

B. Recommendations for Short-term Resolution (within 1 year)

5.11. Flexibility to deploy new exploration technology/ methods for meeting Minimum, Committed or Bid Work Programme

5.11.1. Description of the issue

The existing work programme requirements under PSC, RSC, DSF, and SCBM contracts, allows swapping of traditional 2D seismic and 3D seismic survey against each other, to meet the work program commitments. With advent of new emerging exploration techniques such as Airborne Gravity Gradiometry and Electromagnetic Surveys, it is observed that globally many E&P players are deploying such techniques to either overcome any technical, operational or logistical challenges or to improve the exploration outcomes. At present, operators are not adequately incentivized to consider such techniques and adopt them to meet their work program commitments. This limits the integration of new technologies which could accelerate exploration in logistically challenging areas and potentially lead to new hydrocarbon discoveries.

However, from OALP round VIII onwards, new exploration technologies such as Gravity Magnetic Potential API has been allowed for swapping with traditional 2D seismic and 3D seismic survey.

5.11.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contracts (PSC)
   - According to **clause 4.1** of the MoPNG notification, Policy Framework for Relaxations, Extensions and Clarifications at the development and Production Stage under the PSC dated November 10, 2014, there is **no provision in PSC to swap 2D seismic survey program of MWP with 3D survey program** which may be required due to technical or logistical reasons.

- However, **clause 4.2** states that **DGH is empowered to approve the swapping of 2D Acquisition Processing and Interpretation (API) data and 3D API data with each other**, where it is justified on the basis of technical and logistical merits, after proper scrutiny on recommendations of MC. However, when the contractor has bid for entire area for 2D seismic and full entire area for 3D seismic, then substitution would not be allowed.

ii. Under Revenue Sharing Contract (RSC)

Till OALP Round VII,

- As per **Clause 5.4 of Article 5 – Work Programme**, **DGH shall approve the swapping of 2D Acquisition, processing and interpretation data and 3D acquisition, processing and interpretation data with each other,** in a manner such that the weighted seismic programme quoted, and the marks obtained at the time of bidding remains the same or are higher. In case of swapping of 2D and 3D acquisition, processing and interpretation data, the LD will be levied as per committed work programme.

Under OALP Round VIII,

- According to **clause 5.7 of Article 5 – Work Programme**, **for blocks falling in Category I basin**, DGH shall approve the **swapping of 2D acquisition, processing and interpretation data and 3D acquisition, processing and interpretation data with each othe**r, in a manner such that the weighted seismic programme quoted, and the marks obtained at the time of bidding remains the same or are higher. In case of swapping of 2D and 3D acquisition, processing and interpretation data, the LD will be levied as per committed work programme.

  For blocks falling in Category II/III basin, DGH shall permit the swapping of committed work programme under phase-I of exploration period, with other work programme(s) as per ratios defined in Appendix–M. In case the swapping is permitted for any block, the LD will be levied as per committed work programme. Note that the mandatory exploratory wells, including wells opted for drilling for retaining relinquished area, under Phase-II (Part A& B) of exploration period for blocks falling in Category-II/III basins, shall not be interchangeable with any other work programme.

iii. Under Discovered Small Fields (DSF) Contract, there is no clause for swapping in Bid Work Programme

iv. Under Coal Bed Methane (CBM) Contract

Till CBM Round IV, there are no provisions for swapping in Committed Work Programme

In Special CBM round,

- According to **Clause 5.4 of Article 5 – Work Programme**, DGH shall approve the swapping of 2D Acquisition, Processing and Interpretation data and 3D

Acquisition, Processing and Interpretation data with each other, in a manner such that the weighted seismic programme quoted, and the marks obtained at the time of bidding remains the same or are higher. In case of swapping of 2D and 3D Acquisition, Processing and Interpretation data, the LD will be levied as per Committed Work Programme.

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.11.

5.11.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) The existing provisions for swapping MWP/CWP/BWP as provided in OALP Round VIII (Appendix-M) should be extended to the OALP Rounds I-VII and other contractual regimes.
b) For emerging exploration techniques such Airborne Gravity Gradiometry (AGG) or Artificial Intelligence (AI) / Machine Learning (ML) driven seismic survey methods,
    i) Contractors may be allowed the flexibility to swap MWP/CWP/BWP with such techniques , subject to the Management Committee (MC) approval. The said data of survey should be generated/acquired by the contractor but not purchased from NDR.
    ii) Standardized conversion equivalence ratios would be pre-specified by Directorate General of Hydrocarbons (DGH) for ready reference of the industry based on the GIPIP guielines. DGH may form a standing committee consisting of national and international exploration experts to review and update these ratios every two years.

Logic adopted for formulating recommendation

The recommendation aims to spur the adoption of advanced technologies, thereby improving results from exploration activities and increase possibilities for new discoveries.

5.12. Flexibility to swap exploration activities across contracts within the same or higher category basin

5.12.1. Description of the issue

Under the current provisions of PSC, RSC, CBM and DSF contracts, contractors are required to complete activities as outlined in their work programmes. However, in case the initial exploration efforts do not yield the envisioned results, the contractor is still required to complete the entire work programme and incur the associated capital expenditure. This mechanism limits the flexibility for contractors to reallocate resources for exploration efforts to other contract areas that may offer better prospects based on evolving geological insights.

At present, there is no provision in these contracts that allows contractors to transfer or swap CWP/MWP/BWP activities between different contract areas within the same or higher basin category and geological regions (Onland/Shallow-water/Deep-water), which could have enabled efficient utilization of resources.

Note: Higher Category basin denotes either Category II basins (basin which have contingent resources pending commercial production) or Category III basins (basin which have prospective resources awaiting discovery). Since, Category II and Category III basins are relatively less explored than Category I, therefore swapping in lower Category basin may not be considered.

5.12.2. Recommendations

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) Contractors may be allowed to swap MWP/CWP/BWP activities across contracts but within the same contractual regime (Pre-NELP PSC, NELP PSC, OALP, DSF and CBM) and within the same or higher basin category and geological region (Onland/ Shallow-water/Deepwater), provided the number of units of each activity remains same.

b) The above provision stated in (a) shall be available to the contractor subject to:
   i. All remaining work programme activities or equivalent value of work programme in the transferor block shall be completely swapped.
   ii. The swapped work programme shall be completed by the contractor within the remaining exploration/development period of transferor block as on date of swapping.
   iii. No extensions except for Extra Days or Force Majure to the exploration/development period as provided in the relevant contracts shall be provided for the swapped work programme.
   iv. The time taken for swapping the work programme shall not be considered as Extra Days.
   v. Swapping may only be undertaken if no Extra Days have been availed in the transferor block.

c) The swapping proposed in above (a), shall be subject to the Management Committee (MC) approval.

Logic adopted for formulating recommendation

The recommendation allows operators to redirect efforts towards either the same or higher category basins (basins which are relatively less explored) based on updated geological data, thereby optimizing exploration and development outcomes. Such measures may encourage more adaptive and economically viable exploration activities.

5.13. Field Handover process in DSF contracts

5.13.1. Description of the issue

At present, there is no Standard Operating Procedure (SOP) for the handover of DSF between the transferor and the transferee , resulting in significant delays due to issues related to land maintenance and transfers, PML approvals, or EC certificate transfers. This delay can disrupt production timelines and lead to financial consequences, including increased costs or lost revenue opportunities. There is also ambiguity in the provision for transfer of the assets in the DSF contracts particularly related to transfer of assets at zero value, leading to issues related to land transfer. This may not only affect parties but can also impact the broader industry landscape, delaying the development of resources that are critical for ensuring energy supply.

5.13.2. Recommendation

A policy guideline applicable for contract areas under DSF regime may be issued to effect following:

a) For land owned by the transferor,

   i. The transferee may choose to purchase the land from the transferor, subject to the consent of the transferor and at the rates determined by the relevant government authority.

   ii. Alternatively, the transferee may choose to lease the land from the transferor at the rates agreed upon by the parties.

b) For land leased from a third party,

   i. The transferor shall provide for the land maintenance, including rental payments, for upto a period of two years from the date of signing of the contract or till the field is handed over to the transferee, whichever is earlier.

   ii. The transferee shall assume responsibility for land maintenance, including rental payments, after the initial two-year period or the field handover, whichever is earlier.

   iii. The above provisions as stated in (b). i) and (b). ii) shall be available, provided the transferee signs an amendment to the principal contract, confirming the above provisions.

c) The NOCs shall submit the inputs for SOP for field handover process to DGH within a period of one month. The DGH shall review and adopt the SOP accordingly.

Logic adopted for formulating recommendation

The recommendation aims to mitigate delays and ambiguities currently experienced during asset transfers under DSF handover process. The standardized approach will enhance the EoDB and streamline the transfer process, fostering smoother operations and development within the sector.

5.14. Exchange rate conversion methodology across contract regimes

5.14.1. Description of the issue

Under the current contractual framework, different exchange rate conversion methodologies are applied across contract regimes. For instance, PSCs uses exchange rates published by the State Bank of India (SBI), while RSCs from OALP Rounds I to VII use rates determined by Financial Benchmarks India (FBIL) or RBI. OALP Round VIII utilizes exchange rates published by the Reserve Bank of India (RBI), FBIL, or RBIL.

Meanwhile, DSF Rounds I and II employ London Interbank Offered Rate (LIBOR) rates, DSF Round III and Special Rounds use the Secured Overnight Financing Rate (SOFR), and CBM contracts also rely on RBI exchange rates.

These inconsistencies in exchange rate conversion methodologies create significant accounting and auditing challenges for contractors managing assets across multiple contractual regimes. The lack of a standardized approach complicates financial reporting, cost calculations, and compliance processes, as contractors must adapt to different requirements depending on the contract regime.

5.14.2. Relevant provisions under various contractual regimes

i. Under Production Sharing Contract (PSC)

- According to **Clause 1.6.1 of Appendix C – Accounting Procedure, Section 1 – General Provisions**, For conversion purposes between United States Dollars and Indian Rupees or any other currency, the monthly average of the daily mean of the buying and selling rates of exchange as quoted by the **State Bank of India** (or any other financial body as may be mutually agreed by the Parties) for the Month in which the revenues, costs, expenditures, receipts or income are recorded, shall be used. However, in the case of any single non-US Dollar transaction in excess of the equivalent of fifty thousand (50,000) US Dollars, the conversion into US Dollars shall be performed on the basis of the average of the applicable exchange rates for the day on which the transaction occurred.

ii. Under Revenue Sharing Contract (RSC)

Under OALP Round VII

- **According to Clause 15.6 of Article 15 – Revenue Share,** The Contractor shall remit Royalty and Government share of Revenue in Indian Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency, the Reserve **Bank of India Reference Rate of Exchange** for the transaction day on which the revenues receipts or income are recorded shall be used.
- **According to Appendix G – Performa of Bank Guarantee to be provided pursuant to Article 29,** Bank Guarantee can be submitted in INR. For exchange rate from USD to INR, exchange rate published **by FBIL** for the same day or immediate previous working day can be used.

Under OALP Round VIII

- **According to Clause 15.6 of Article 15 – Revenue Share,** The Contractor shall remit Royalty and Government share of Revenue or any other Government dues under the Contract in Indian Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency**, the RBI/FBIL/RBI authorized agency** reference rate of Exchange on the transaction day on which such remittance is made shall be used.

iii. Under Discovered Small Fields Contract (DSF)

Under DSF Round I & II

- **According to Clause 15.5 of Article 15 – Revenue Share,** The Government's share of Revenue for a month shall be paid by the Contractor to the Government latest by the end of succeeding Month. In the event of any failure to pay Government's share of Revenue within the due date, the Contractor shall pay interest compounded on daily basis for the entire period of delay at **LIBOR** as defined in Article 1.60 plus two (2) percentage points used.

Under DSF III & SDSF

- **According to Clause 15.6 of Article 15 – Revenue Share,** The Government's share of Revenue for a month shall be paid by the Contractor to the Government latest by the end of succeeding Month. In the event of any failure to pay Government's share of Revenue within the due date, the Contractor shall pay interest compounded on daily basis for the entire period of delay at "**SOFR** plus 0.42826 percentage points" plus 2 (two) percentage points/200 basis points.

iv. Under Coal Bed Methane Contract (CBM)

Under CBM Round I to IV

- **According to Clause 17.3 of Article 17 – Currency and Exchange Control Provisions,** The rates of exchange for the purchase and sale of currency by the Contractor and its constituents shall be the prevailing rates of general application determined by the **Reserve Bank of India** or such other financial body as may be mutually agreed by the Parties and, for accounting purpose under this Contract, these rates shall apply as provided in Section 1.6 of Appendix C. points.

Under SCBM Round

- **According to Clause 15.6 of Article 15 – Revenue Share,** The Contractor shall remit Royalty and Government share of Revenue in Indian Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency, the **Reserve Bank of India Reference Rate of Exchange** for the transaction day on which the revenues receipts or income are recorded shall be used

The detailed relevant provisions under various contractual regimes may be referred in Annexure 4.3.13.

The detailed analysis of RBI and SBI exchange rate may be referred in Annexure V

5.14.3. Recommendation

A policy guideline applicable for contract areas under various contractual regimes i.e., PSC, RSC, DSF and CBM may be issued to effect following:

a) Operators with more than one block may be allowed the flexibility to choose a single, standardized exchange rate methodology, as prescribed by the RBI or SBI, for all their existing contracts across regimes on prospective basis. Contractors

b) with more than one block may be allowed the flexibility to choose a single, standardized exchange rate methodology, as prescribed by the RBI or SBI, for all their existing contracts across regimes on prospective basis. Proposals for such cases for a standardized exchange rate conversion methodology may be done on a self-certification basis with an intimation to the MC.

c) The exchange rate methodology as stated in above (a) shall supersede the previously specified methodology in the respective contracts.

Logic adopted for formulating recommendation

Since operators use either RBI or SBI prescribed exchange rates, extending the flexibility to choose the methodology is advisable. Over time, it has been observed that both exchange rates show nominal differences. The recommendation aims to standardize the exchange rate conversion methodology across all contractual regimes This uniform approach eliminates the complexities and inconsistencies currently experienced in financial reporting by the contractors

5.15. Open-Source National Data Repository (NDR)

5.15.1. Description of the issue

In India, seismic and other geological data are currently not available as open-source information, which restricts access for potential investors and limits transparency in the country's energy sector. Such data, if provided accessible to the public could attract Indian and global players by providing them with the critical information needed to identify exploration and production opportunities.

Open sourcing the data could also foster a collaborative environment among E&P companies, encouraging Joint Ventures (JVs), resource sharing, and technological partnerships. This initiative would allow the use of the data for various purposes, including training Large Language Models (LLMs) to improve the industry’s understanding of geological surveys and subsurface conditions.

5.15.2. Recommendation

A policy guideline may be issued to effect following:

a) Open sharing of NDR data at zero charge may be enabled to MSME, startups and academic institutions.

b) NDR data may be integrated with the repositories of the National Oil Companies (NOCs), such as ONGC and OIL, and other ministries such as Ministry of Mines, Ministry of Coal, Ministry of Earth Sciences, Central Ground Water Board etc. ensuring seamless access to comprehensive datasets, including seismic, well, and other geological information.

c) The cost of data transfer and associated media shall be borne by the beneficiary.

d) Transfer of data should comply with the government guidelines, including restriction on sharing with entities or countries subject to government-imposed limitations

Logic adopted for formulating recommendation

The recommendation promotes knowledge sharing, collaborative ventures, and technological advancements through enhanced data accessibility. thereby encouraging innovations in the oil and gas industry

5.16. Collaborative resource-sharing among operators in E&P sector

5.16.1. Description of the issue

E&P operators in the oil and gas industry face significant challenges due to the substantial capital expenditure required to acquire and maintain specialized equipment, tools, and materials. These challenges are particularly acute during the development and production phases, where timely access to critical resources is essential.

Resource-sharing among operators offers a solution by pooling assets, which reduces both capital and operational costs. This can include shared use of drilling resources, infrastructure, and other tangible assets, leading to more cost-efficient operations. Further, in emergency situations, access to shared resources allows for quicker response times and minimizes operational downtime.

This collaborative approach not only streamlines exploration activities but also accelerates project timelines and improves overall operational efficiency.

5.16.2. Recommendation

A policy guideline may be issued to effect following:

a) The existing Upstream Portal should be upgraded as a dedicated and centralized marketplace for the upstream oil and gas sector for resource transfer and sharing. This marketplace, operating on a lease or sale model, would allow operators to access a wide range of equipment, such as drilling rigs, and various services such as inventory pooling and inventory loan from different providers.

Logic adopted for formulating recommendation

The recommendation aims to promote resource sharing among the operators which will enhance operating efficiency and reduce capital expenditure through facilitating access to shared equipment and services.

Part B: Issues to be resolved with cross-ministerial support

Besides the issues highlighted in Part A of the section, there are several identified issues that remain under review and require either further analysis or cross-ministerial collaboration before final recommendations can be submitted. A brief summary of some of these issues along with potential solution suggested by the operator is provided below:

- Environmental Clearances (EC): Procedural delays remain a significant challenge. Proposed solutions include a single-window clearance system, aligning EC validity with the Production Mining Lease (PML) period, and introducing a unified consent process for social licenses under a single application.

- Forest Clearances (FC): The requirement for approvals from the Standing Committee of the National Board for Wildlife (SC-NBWL) creates delays, particularly for projects within protected areas (PAs) and eco-sensitive zones (ESZs). Potential measures suggested including creation of a land bank for Compensatory Afforestation and delinking FC approvals from the Parivesh portal's EC application process.

- Taxation on Procurement of Goods and Services: Contractual disputes have arisen regarding the applicability of the concessional 12% GST rate, the imposition of GST-TDS on advance payments for Non-Resident Taxable Persons, and other taxation ambiguities, leading to litigation and project delays. Resolution requires policy clarity and engagement with the Ministry of Finance (MoF).

- Deductions under Section 42 for Revenue-Sharing Contracts (RSC): Issues related to tax deductions for RSC blocks remain unresolved and require policy intervention to ensure clarity and consistency across contracts.

- One-Time PESO Approval for HSD Tanks: Unlike approvals granted for pressure vessels, there is no one-time PESO license for High-Speed Diesel (HSD) tanks used in mobile rigs. A streamlined licensing framework as a potential solution would reduce administrative burdens.

- Approvals from the Standing Committee of the National Board for Wildlife (SC-NBWL): Projects located in eco-sensitive zones (ESZs) outside protected area boundaries face delays in securing approvals despite due recommendations from the State Board for Wildlife.

- Multiple Statutory Approvals and Inter-Departmental Conflicts: E&P projects require clearances from multiple central and state government agencies, leading to delays and cost overruns. A streamlined single-window clearance mechanism has been proposed to address these inefficiencies.

- Global Tender Enquiries (GTEs): The existing regulation does not permit GTE for procurements up to Rs. 200 Crores in various categories including goods, services, and turnkey projects. However, the DoE has allowed exceptions valid until the end of December 2025 for certain critical operational items and services, provided these exceptions are approved by the Secretary of the MoPNG. While the GTE exemption applies to goods procured on a Nomination or Proprietary basis, there is ambiguity regarding whether the exemption also pertains to services procured in the same way.

- Extension of Tax Holiday under Income Tax Act, 1961: A restoration of the 100% tax holiday under Section 80IB (9) should be granted for undertakings engaged in natural gas exploration and production where commercial operations commenced post-31st March 2017. This is suggested to be extended to a minimum of 15 years, aligning with tax incentives provided to infrastructure sectors such as power generation.

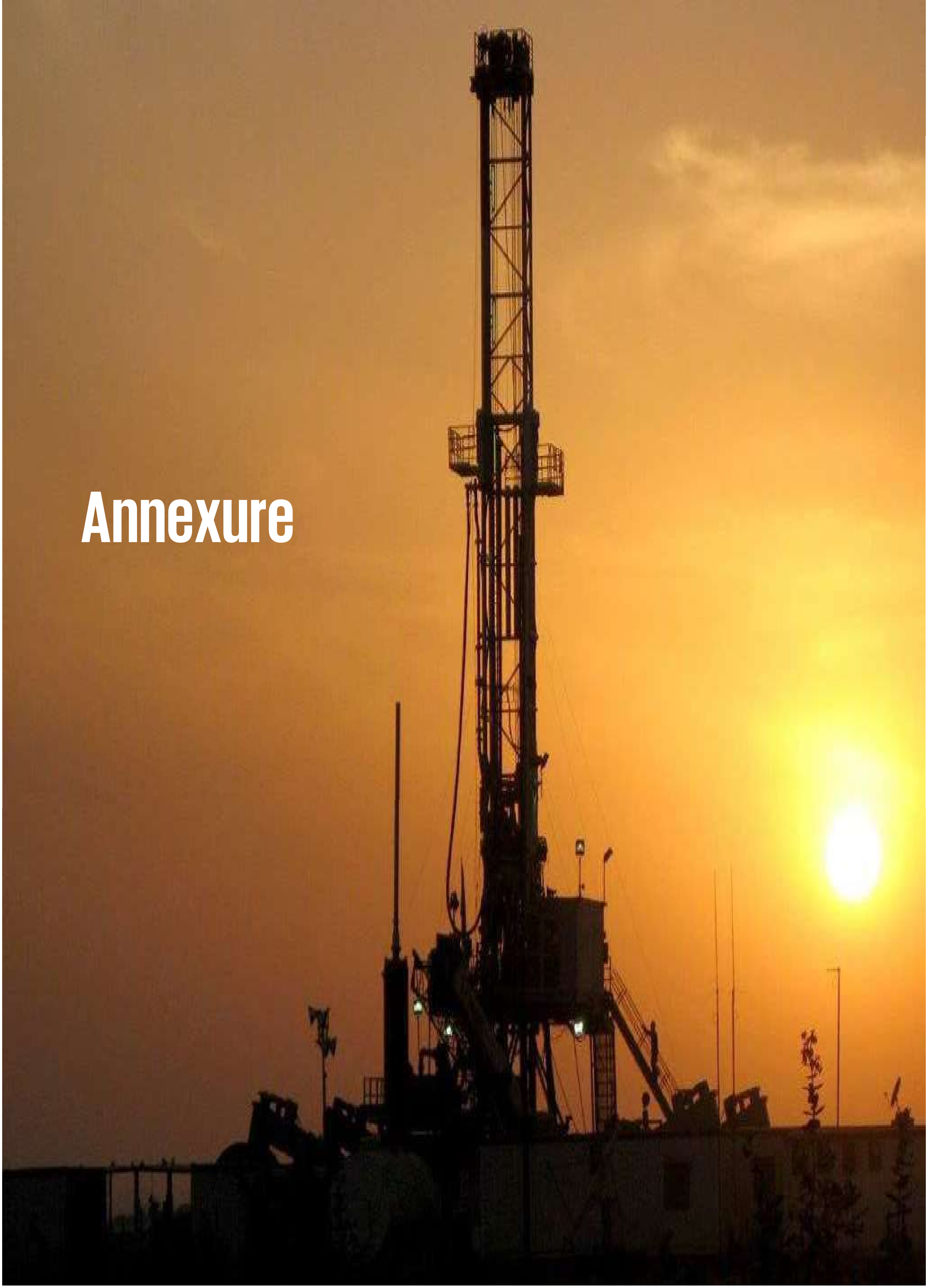
- VAT Refund on Natural Gas: Until natural gas is brought under the GST regime, a VAT refund mechanism is suggested to be introduced to ease the tax burden on operators. China offers a 7% VAT refund along with a 7% state subsidy for CBM production, a model that could be considered for India.

- Depletion Accounting Based on 2P Reserves: The current ICAI guidance mandates using Proved Developed Reserves (1P) for calculating the Unit of Production (UOP) rate. However, it is suggested that industry players be given the flexibility to use either 1P or Proved and Probable Reserves (2P), in alignment with IFRS standards, to allow for a more accurate reflection of future economic benefits and asset depreciation.

- Reconsideration of GST Levy on Corporate Guarantees: Corporate guarantees, being fiduciary in nature, is suggested not to be classified as taxable services. The imposition of GST on such guarantees could discourage financial support mechanisms that are critical to capital-intensive sectors, warranting a review of this policy.

The JWG proposes that such issues be addressed in the next phase of deliberations, involving wider collaboration with other ministries, such as the Ministry of Environment, Forest and Climate Change (MoEFCC), the Ministry of Mines (MoM), and the Ministry of Finance (MoF), etc. This collaborative approach will aim to resolve cross-jurisdictional concerns effectively and ensure enhanced EODB for the upstream sector.

Annexure



6. Annexures

6.1. Annexure I: Definitions

1 “Article” means an article of the respective Contract and the term “Articles” means more than one Article.
2 “Bid Work Programme” means the Work Programme specified by the Contractor in its Bid that is provided under Article 5 of the DSF contract.
3 “Contract” means agreement between contractor and Government for the purpose of carrying out Petroleum Operations
4 “contract area” means that part of the Original contract area or any portion of the said area remaining after relinquishment or surrender from time to time pursuant to the terms of the Contract and shall include any additional area granted as per the provisions of the Contract, for which Contractor has valid License(s)/Lease(s) at any point during the currency of the Contract.
5 “Contractor” means pursuant to the NIO the company(ies) submitting the Bid accepted by the Government, and have been awarded, through this Contract with the Government, to carry out Petroleum Operations. If there is more than one Party Constituting Contractor, they shall be individually referred as “Member” and collectively referred as “Contractor”, including their respective successors and permitted assigns under the Contract.
6 “Contractual Regime” means frameworks governing Petroleum Operations agreements stating the roles, responsibilities, accounting mechanisms etc. between Government and Contractors such as PSC, RSC, DSF and CBM
7 “Discovery” means the finding, during Petroleum Operations, of a deposit or several deposits of Petroleum in the same well not previously known to have existed, which can be demonstrated as recoverable at the surface, by testing methods which are in adherence to Good International Petroleum Industry Practices (GIPIP). Discoveries within the same pool shall not be treated as separate discoveries
8 “Field Development Plan” or “FDP” means the comprehensive plan formulated by the Contractor in relation to the development of a Discovery(ies), in accordance with corresponding article in Contract.
9 “Lease” means a Petroleum Mining Lease (“PML”) granted pursuant to the Rules
10 “LIBOR” means the London Inter-Bank Offer Rate for six-month maturates of United States Dollars as quoted by the International Swaps and Derivative Association or such other bank being an ICE LIBOR contributor panel bank as the Parties may agree.
11 “License” means a Petroleum Exploration License (“PEL”) granted pursuant to the Rules
12 “Liquidated Damages” or “LD” with respect to Committed Work Programme shall have the meaning ascribed to the term in Contract.
13 “NIO” or “Notice Inviting Offers” means the notice inviting offers issued by the Government of India dated dd-mm-yyyy pursuant to which Contractor had submitted their Bid for the Block
14 “Participating Interest” means, in respect of each Party constituting the Contractor, the undivided share expressed as a percentage of such Party’s participation in the rights and obligations stated in the respective Contract
15 “Petroleum Operations” means, as the context may require, Exploration Operations, Development Operations or Production Operations or any combination of two or more of such operations, including construction, operation and maintenance of all necessary facilities, plugging and abandonment of wells, safety, environmental protection, transportation, storage, sale or disposition of Petroleum to the Delivery

Point, Site Restoration and any or all other incidental operations or activities as may be necessary.

16 "Royalty" means the royalty payable by the Contractor to the Government, payable at the rates specified under the respective contract

17 "Work Programme" means MWP/CWP or additional work programme in accordance with the respective Contract, for the purpose of carrying out Petroleum Operations

6.2. Annexure II: MoPNG and DGH Office Orders

6.2.1. Constitution of DGH. (OM dated 8 April 1993)

No.O-20013/2/92-ONG, D-III
Government of India
Ministry of Petroleum & Natural Gas

New Delhi, Dated: 8th April, 1993

RESOLUTION

The Government of India, in the Ministry of Petroleum and Natural Gas have had under consideration, the need to have an appropriate agency to regulate and oversee the upstream activities in the petroleum and natural gas sector and also advise the Government in these areas. The Dasgupta committee, which had reviewed the management of the Bombay High reservoir, had recommended the creation of an autonomous conservation board to oversee and review that oilfield development conforms to sound reservoir engineering practices in line with national interests. The Kaul committee, which examined ONGC's organizational structure also recommended the establishment of an independent regulatory body called the Directorate General of Hydrocarbons.

2 Hitherto the upstream petroleum sector was largely a monopoly of public sector companies and this is now being increasingly lead to a number of new operating companies in the private and joint sectors entering the field. There would thus be a need to establish an agency that could effectively supervise the activities of all these companies in the national interest. Taking all the above into consideration Government of India have decided to set up a Directorate General of Hydrocarbons under the administrative control of the Ministry of Petroleum and Natural Gas.

3 The objective of the Directorate General of Hydrocarbons would be to promote sound management of the Indian petroleum and natural gas resources having a balanced regard for the environment, safety, technological and economic aspects of the petroleum activity.

4 The Directorate General shall have the following functions and responsibilities:-

a) To provide technical advice to the Ministry of Petroleum and Natural Gas on issues relevant to the exploration and optimal exploitation of hydrocarbons in the country and on the strategy of taking up exploration and exploitation of oil and gas reserves abroad by the national oil companies;

b) To review the exploration programmes of companies operating under Petroleum Exploration Liscences granted under the Oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1959 with a view to advising Government on the adequacy of these programmes;

c) To reassess the hydrocarbon reserves discovered and estimated by the operating companies in discussion with them;

d) To advise the Government on the offering of acreage for exploration to companies as well as matters relating to relinquishment of acreage by companies.

e) To review the development plans for commercial discoveries of hydrocarbon reserves proposed by the operating companies and advise Government on the adequacy of such plans and the exploitation rates proposed and matters relating thereto;

f) To review and audit concurrently the management of petroleum reservoirs by operating companies and advise on any mid course correction required to ensure sound reservoir management practices in line with the optimal exploitation of reserves and the conservation of petroleum resources;

g) To regulate the preservation, upkeep and storage of data and samples pertaining to petroleum exploration, drilling, production of reservoirs etc. and to cause the preparation of data packages for acreage on offer to companies;

h) To advise Government on the laying down of safety norms and framing regulations on safety in oil field operations, prescribe pollution control measures and assist in inspection and periodic safety audit;

i) All other matters incidental thereto and such other functions as may be assigned by Government from time to time.

5. The Directorate General would have an Advisory Council, appointed by Government comprising a Chairman and members, who will be eminent persons in the field of oil exploration and production. The Advisory Council will be serviced by the Directorate which will be headed by a Director General who will also be the Member Secretary to the Council.

6. The Directorate General will be manned by such staff as the Ministry in consultation with the Director General decide and shall also be drawn from

the oil industry on deputation/tenure basis. The Director General will be appointed by Government on tenure/deputation basis and drawn from the oil industry/Government. Specialists from outside the oil companies, as considered necessary, may also be appointed as consultants/ advisers on contractual basis.

7. The expenditure of the Directorate General will be fully funded by grants from the oil Industry Development Board.

8. The headquarters of the Directorate General will be at New Delhi.

(NARESH DAYAL)
Joint Secretary to the Government of India

6.2.2. MoPNG Order for the constitution of Joint Working Group (JWG)

No. Expl -11032(11)/10/2024-Expl-I-PNG (E-49999)
Government of India
Ministry of Petroleum & Natural Gas
(Exploration Division)

Shastri Bhawan, New Delhi
Dated: 25th July 2024

ORDER

Subject: Formation of Joint Working Group (JWG) to examine issues relating to EoDB in Indian Upstream Sector-reg

Ease of Doing Business (EoDB) is a key consideration that attracts investments into any sector. At the same time, EoDB is a continuous process of dialogue, review of processes & procedures, concomitant simplifications, improvements to make the systems efficient and effective.

2. With a view to address industry concerns that persist in E&P sector, it has been decided to constitute a **Joint Working Group (JWG)** with Additional Secretary, Ministry of Petroleum and Natural Gas as Chairperson, to examine various issues related to EoDB in the Indian E&P sector in regard to policies and procedures and assessing the need for their revisions.

3. The composition of the Joint Working Group (JWG) shall be as under:

i)	Shri Praveen M. Khanooja, Additional Secretary, MoPNG	:	Chairperson
ii)	Shri Akash Goyal, Additional Director General (Coordination), DGH	:	Member
iii)	Shri Vinod Seshan, Dir(E-I), MoPNG	:	Member Secretary & Convenor
iv)	Shri Pankaj Kumar, Director (Production), ONGC	:	Member
v)	Shri Saloma Yomdo, Director (E&D), OIL	:	Member
vi)	Shri Pankaj Kalra, CEO, Essar Oil and Gas Exploration and Production Limited	:	Member
vii)	Shri Mannish Maheshwari, Chairman & CEO, Invenire Energy	:	Member
viii)	Shri Kapil Garg, CMD, Oilmax Energy Private Limited	:	Member
ix)	Shri Avinash K. Pathak, Senior Vice President, RIL	:	Member
x)	Shri Rahul Sharma, CEO (Strategy), Vedanta Ltd.	:	Member
xi)	Shri Padam Singh, President, Sun Petro Ltd.	:	Member

4. DGH will provide secretarial assistance to the JWG. The JWG may co-opt members from PSUs / Private operators, if required.

5. The Terms of Reference (TORs) for the Joint Working Group shall be as under:

a. Identify areas of concern and cause of delay in grant of clearances / licenses / approvals to Operators and possible simplifications / process re-engineering.

b. Identify processes under Contract regimes which can be brought under Self-certification route and verifiable post Audit of accounts based on the experience of extant Self-Certification Processes and global leading practices.

c. To provide recommendations along with appropriate safeguards for revisions and improvements to address the identified issues and promote EoDB in the sector.

6. The JWG shall study and submit its recommendations within 2 (two) months from the date of its constitution.

(Ravi Pande)
Under Secretary to Govt. of India
Tel: 011-23074369

To

i. All Joint Working Group Members } For information and
ii. Chairman / CMD / CEO / Head of concerned organisation } necessary action

Copy for information to:

i. PS to Minister (PNG)
ii. PS to MoS (PNG)
iii. PS to Secretary (PNG)
iv. Sr. PPS to Additional Secretary, MoPNG

6.2.3. MoPNG Policy "Upgradation of Powers and Functions of DGH" dated 20 March 2007

No.O-32011/33/2000-ONG.D-IV(Pt)
Government of India
Ministry of Petroleum & Natural Gas
****

Shastri Bhawan, New Delhi
March 20, 2007

To

The DG
DGH
New Delhi

Subject: Gazette Notification dated 1st September 2006, regarding upgradation of powers and functions of DGH

Sir,

I am directed to refer to this Ministry's earlier letter No.O-19024/17/2000-ONGDV dated 15th February 2007 and your letter No.DO/DGH/MOP&NG/GN/2007 dated 27th February 2007 on the above subject.

2. The matter has been considered in the Ministry. It is clarified that the main objective of delegation of power is to utilize the technical expertise of DGH for better management of petroleum reservoirs and to help them function as a repository of relevant technical data.

3. As regards DGH approving payments for contractors, such as payments towards unfinished committed work programme under the PSC and accepting such payments on behalf of GOI, it is clarified that this falls within the purview of the Government. DGH need to make recommendations to the Government on all payment matters.

4. This issues with the approval of the competent authority.

Yours faithfully,

(Maninder Singh)
Director (E-II &IC)
Tel. 23381467

MINISTRY OF PETROLEUM AND NATURAL GAS

NOTIFICATION

New Delhi, the 1st September, 2006

S.O. 1391(E).—In exercise of the powers conferred by Section 8 of the Oil Fields (Regulation and Development) Act, 1948 (53 of 1948) read with rule 32 of the Petroleum and Natural Gas Rules, 1959, the Central Government hereby designates Directorate General of Hydrocarbons as the authority or agency, with effect from the date of publication of this notification in the Official Gazette, to exercise the powers and functions of the Central Government with a view to promoting sound management of the hydrocarbon resources in the country having balanced regard for environmental safety, technological and economic aspects, namely :—

1. The Directorate General of Hydrocarbons shall exercise the following powers and functions, namely :-

(i) to monitor the upstream petroleum operations in India including coalbed methane and gas hydrates operations in accordance with the Act and the Rules;

(ii) review and monitor the exploration programme and development plans for commercial discoveries of hydrocarbons reserves proposed by licensee or lessee with a view to optimizing hydrocarbon recovery from a reservoir in accordance with generally accepted international petroleum industry practices;

(iii) review the management of petroleum reservoirs by licensee or lessee and advise them on any action which may ensure proper management of the petroleum reservoirs including their conservation in accordance with generally accepted international petroleum industry practices;

(iv) to ask for and maintain in a readily retrievable form all geo-scientific data, reports and information from licensee or lessee and store and preserve data and samples pertaining to petroleum exploration, drilling, production and connected operations;

(v) review the reserves discovered by the licensee or lessee in accordance with generally accepted international petroleum industry practices;

(vi) to lay down norms for declaration or announcement of discoveries by licensee or lessee;

(vii) to exercise the powers of the Central Government as given in rules 24,25,26,27 and 30 of the Petroleum and Natural Gas Rules, 1959 ;

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(viii) to monitor oil and gas production and royalty or any other charges or fees or levies, and where applicable, cost petroleum, etc., due to the Central Government and obtain necessary reports from licensee or lessee to facilitate the Central Government in receiving accurate royalty and other statutory charges by the due date.

2. The Directorate General of Hydrocarbons with the approval of the Central Government, shall prepare detailed and transparent guidelines including time lines, keeping in view accepted international petroleum industry practices, in exercise of powers as prescribed above in a consistent, fair and transparent manner :

Provided that in case where the Central Government has signed a Production Sharing Contract or a contract or an agreement for exploration and production of hydrocarbons, the powers and functions shall be discharged by Directorate General of Hydrocarbons in accordance and consistent with the respective Production Sharing Contract or contract or agreement.

[F. No. O-32011/33/2000-ONG.D-IV-Pt.]

PRABH DAS, Jt. Secy.

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6.2.4. MoPNG Policy "Delegation of Powers to DGH for appointment of advocate and counsels, Law Firms

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM & NATURAL GAS
(EXPLORATION DIVISION)
*****

Ref. No.O-19026/4/2010-ONG-DV(pt.I) New Delhi 2nd February, 2016
FTS NO. 13107

To,

The Director General
Directorate General of Hydrocarbons
Plot No.2, Sector-73
Noida-201301 (UP)

Subject: **Delegation of Powers to DGH for appointment of advocates, counsels, Law firms**

Sir,

I directed to refer to this Ministry's letters no. 32012/1/95-ONG.III(pt). dated 31/10/2000, O-23012/13/2011-ONG-I dated 28.02.2014, O-32011/73/2013-ONG-I dated 8/05/2014 and 2/03/2015 on the above mentioned subject and to say that in partial modification of the delegated powers of DGH, the Competent Authority has approved the following:-

I. That all appointments of the advocates, Counsels, Law Firms, Specialist, Solicitors, etc., shall be done by DGH in consultation with this Ministry.

II. The terms and conditions of appointment, fee structures, payments, clearance of bills etc., shall be done by DG, DGH in accordance with the delegation of powers issued by this Ministry from time to time, after getting concurrence of FA & CAO of DGH on such terms of appointment.

2. This issues with the approval of MOS(I/C), P&NG.

Yours faithfully,

(D K Ghosh)
Under Secretary to the Govt. of India
T.No.23388164

Copy to: US(ONG-I)/US(EO)/US(E-II) and SOs of Exploration Division for information.

1422/2016/DG-Cell-DGD
3-2-16

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6.2.5. Policy framework for streamlining the operations, relaxation of timelines and delegation of powers to Director General, Directorate General of Hydrocarbons (DGH) under Production Sharing Contracts (PSCs). (OM dated 25 June 2018)

No. O- 22013/6/2016-ONG-D-V(Part) (FTS-44334)
Government of India
Ministry of Petroleum & Natural Gas
(Exploration Division)
*****

Shastri Bhawan, New Delhi
Dated: 25th June, 2018

OFFICE MEMORANDUM

Subject:- Policy framework for streamlining the operations, relaxation of timelines and delegation of powers to Director General, Directorate General of Hydrocarbons (DGH) under Production Sharing Contracts (PSCs).

To streamline the operations under Production Sharing Contracts (PSCs), the following policy guidelines have been approved by the Government:

1. **Allow entry to next exploration phase pending resolution on amount payable for Unfinished Minimum Work Programme (MWP) against submission of Bank Guarantee for differential amount in Operational blocks**

In terms of Article 5.7 of PSCs, Contractor has to compute and pay the amount of unfinished MWP within 60 days of expiry of the exploration phase. Further, as per the extant policy dated 10th November, 2014, Contractor can enter into next exploration phase by paying cost of unfinished Minimum Work Programme (MWP) of the previous phase. To expedite the exploration activities, in case of disagreement on the cost of unfinished minimum work programme, and pending resolution of such disagreement, it has been decided that the Contractor would be allowed to enter into subsequent exploration phase subject to the following:

i) On submission of Bank Guarantee (BG) for the differential unpaid amount of unfinished MWP i.e. the difference of cost of unfinished work programme determined as per policy and approved by Government, and amount paid by the Contractor towards unfinished MWP.

ii) The decision regarding liquidated damages (LD) amount payable towards cost of unfinished MWP will be conveyed to the Contractor within one year from entering into next phase but not later than three months before expiry of the exploration phase.

2. **Grant of area extending beyond Contract Area for appraisal prior to Development Area**

Article 10.15 and Article 11.2 of PSCs contain provisions of enlargement of Development Area in case commercial discovery extends beyond Contract Area. To remove the ambiguity as to whether the Contractor can be permitted to conduct appraisal activity outside the Contract Area during appraisal phase, it has

Page 1 of 3

now been decided to allow the Contractor to carry out the appraisal activities and grant Petroleum Exploration Licence (PEL) in the adjacent area outside the Contract Area on the recommendations of Management Committee to ascertain the extent of the commercial discovery and area thereof provided such area is not of strategic importance, or such area has not been awarded to any other company by the Government or is not held by any other party or is not on offer by Government and no application for a license or lease or Expression of Interest in Hydrocarbon Exploration Licensing Policy (HELP) is pending with the Government.

3. Delegating powers to Director General, Directorate General of Hydrocarbons (DGH) under Production Sharing Contracts

i) Empowering DG, DGH for approval of Excusable Delays under the Policy for Extension in Exploration Phase, dated 18.04.2006

a) Government issued the policy dated 18.04.2006 which *inter-alia* states that demonstrable delays on account of getting government approvals/permits/clearances will be counted as excusable delays. The excusable delays are approved by Government. To expedite the approval process, it has now been decided to delegate the power to DG, DGH to approve cases of demonstrable delays as excusable delays after confirming demonstrable delays within the extant policy framework of 2006.

b) The DGH will constitute a Multi- Disciplinary Committee to review and recommend the proposal for final approval of DG, DGH. The DGH would properly define excusable delays and prescribe detailed procedure for allowing excusable delays.

c) The DGH would furnish a statement listing out the cases decided with brief facts of each case on quarterly basis to this Ministry.

ii) Empowering DG, DGH for approval of cost recovery in excess of Appendix H estimates in respect of PSCs signed under NELP-V to NELP-IX, except in case of S-type exploration blocks

a) Article 15.13 of PSCs of NELP-V to NELP-IX provides that any material increase in expenditure over benchmark estimates provided in Appendix-H of PSCs shall not be allowed for cost recovery unless the Government, on the recommendations of the Management Committee (MC), agrees that the cost increase is due to change in circumstances after the contract comes into effect. Such excess cost recovery is approved by the Government. It has now been decided to delegate the powers to DGH to approve the cases of excess cost recovery up to 20% in excess of

Page 2 of 3

Appendix -H estimates in respect of PSCs signed under NELP-V to NELP-IX except in case of S-type exploration blocks, subject to the following:

i) Approval of excess cost recovery would be subject to compliance of conditions/qualifications as laid down in Article 15.13 of PSC read with Section 3 of Accounting Procedure to PSC and principles of cost recovery as prescribed under PSC.

ii) DG, DGH will constitute a Multi-Disciplinary Committee to review and recommend the proposal for final approval of DG, DGH.

b) The cases of excess cost recovery beyond 20% in excess of Appendix-H estimates will be approved by the Government.

iii) Empowerment to DG, DGH for notification of Audit Exceptions in PSC and prescribing timeframe for appointment of auditors and carrying out of audit.

a) In order to streamline the appointment of auditor and carrying out of audit, under sections 1.9.1 and 1.9.4 of Accounting Procedure to PSC, the following timelines, read with the relevant Articles of PSCs, have been decided:

i) Auditor would be appointed in advance but not later than 6 months from the closure of financial year to conduct audit for that financial year.

ii) Audit should be carried out within 6 months from the award of the audit.

b) DG, DGH will notify the audit exceptions under Section 1.9.4 of Accounting Procedure to PSC. DG, DGH would notify Audit exceptions to the Contractor within 60 days from the date of receipt of audit report.

Ghosh

(D.K. Ghosh)
Under Secretary to the Government of India

To,

The Director General, DGH - with a request to convey the above Policy to the E&P Operators and also to host the same on the website of DGH.

Page 3 of 3

6.2.6. Revised instructions related to Work Programme & Budget Proposals for E&P contracts (Office Order 25 July 2024)

DGH

DIRECTORATE GENERAL OF HYDROCARBONS
Noida

DGH/DG/WP&B/2024 — 25th July 2024

OFFICE ORDER

Sub: Revised instructions related to Work Programme & Budget Proposals for E&P contracts

Timely decision on Work Programme & Budget (WP&B) proposals received from the E&P Operator is critical for facilitating continued Exploration & Production operations in the block. The same cannot be attained without active participation from the E&P operators. Thus, in order to ensure that WP&B proposals are processed in a time bound manner, following processes are directed to be followed:

1. **General:**
    a. The processing of Annual WP&B shall be segregated into two distinct activities i.e (1) Work Programme (WP) and (2) Budget (RE of current year and BE of next year)
    b. The alignment on the WP with the Operator shall be the responsibility of the respective Division at DGH
    c. Budget proposals shall be responsibility of Contract Finance (CF) department.

2. **Work Programme:**
    a. Work Programmes for a year shall be submitted one year in advance on or before 31st March. e.g. WP for the year 2026-27 shall be submitted on or before 31.03.2025.
    b. The review of Work Programmes for next year shall be completed in the Q1 of the current year by DGH.
    c. In case of any pending FDPs for approval or under consideration of operator at the time of WP review, the activities proposed to be taken in the next FY shall be included in WP.
    d. In case a new FDP is submitted post the review of WP, then the next year's WP shall be revised immediately after approval of FDP/RFDP.
    e. The final WP for next year shall be jointly signed between Operator / Contractor and respective Divisional Head.
    f. All time lines mentioned above shall be relaxed by 6 months for the current year.

1 of 2

3. **Budget:**
   a. All Budget proposals should be in line with the WP.
   b. Budget proposals shall be submitted to CF department through the DGH–Contract Management System (CMS) from the current year.
   c. It shall be mandatory to fill all the fields of Budget format in the CMS.
   d. The last date for submission of Budget for next FY shall be 15th November.
   e. In case the budget is not submitted by 15th November, then no increase in RE for current year shall be considered.
   f. It shall be compulsory to submit Audited Financial Statements as per provision of the contract for the FY completed as on the date of submission of RE/BE to be able to submit Budget proposal.
   g. CF department shall examine all budget proposals keeping in view the industry benchmark rates for similar activities, Appendix H limits, Appraisal Plan / FDP / RFDP approved estimates etc. Thus, the operator shall be mandated to provide the basis of estimation in Budget with necessary supporting documents.
   h. Queries on the Budget Proposals shall be raised by CF department in a consolidated manner after obtaining inputs from technical departments.
   i. Operators shall be responsible to reply to queries raised by DGH within 5 working days to expedite the process.

4. An internal SoP on examination of WP and Budget shall be ordered separately.

5. This issues with the approval of competent authority.

25/07/2024
(Sanjay K. Lale)
CTO to Director General, DGH

To,
1. Additional Secretary, MoPNG for information
2. Director, MoPNG for information
3. ADG (C) / ADG (E) and ADG (D)
4. All HODs
5. All Operators through Nodal Officers

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6.2.7. Re-engineering of Internal Standard Operating Procedure (SOP) for processing of Appraisal Plan/ FDP or its revision in Contract Management System for PSC's (Office Order dated 16 July 2024)

DGH

DIRECTORATE GENERAL OF HYDROCARBONS
Noida

DGH/Tech/SOP/2024 | 16th July 2024

OFFICE ORDER

Re-engineering of Internal Standard Operating Procedure (SOP) for processing of Appraisal Plan/ FDP or its revision in Contract Management System for PSC's

MoPNG vide Memorandum dated 28.02.2020 conveyed approval of Government for simplification of procedures and processes under PSCs. Based on the same various internal processes were formulated prescribing the workflow and timeline for approval of various proposals from the E&P operators (DGH O/o dated 12.07.2021).

It has been observed that the operators are facing delays in the approval of Appraisal plans /FDP's / RFDP's. Thus, in order to streamline the approval of FDP's/RFDP's the following is ordered:

1. All FDP's or its revision which are submitted by operator without conducting the Pre submission meetings at least 15 days prior to submission shall be kept on hold by the Nodal Department and operator be directed to conduct a pre submission meeting.
2. All FDP/RFDP's shall be received by the Nodal Department and the data adequacy shall be checked as per the SoP.
3. Once the data is complete, then the proposal shall be forwarded by the Nodal department to all the four technical departments along with CF department.
4. All technical departments as well as CF department shall examine the proposal on trust basis i.e. the reservoir shall vet the production profile assuming the submissions of operator are vetted as such by G&G **or** the production department shall vet the proposal from production departments' view point assuming the profile of operator is vetted as such by the reservoir department **or** the CF department shall conduct techno economic analysis and other examination from CF view point without waiting for technical alignment etc.
5. The queries from all departments (including CF) shall be provided to the Nodal department with the approval of respective ADG within the prescribed timelines plus another 2 days for ADG's timeline and the Nodal department shall consolidate the queries and issue in a single communication to the operator with due approval of the respective division head.

1 of 2

6. The Operator shall be allowed a span of 5 working days to prepare the response and present the same in a technical meeting to DGH where the GoI nominee from MoPNG may also be invited. The minutes of this meeting shall be documented.

7. These technical meeting shall be preferably scheduled mid-week and all HoD's /ADG's should avoid travel plans on these days.

8. Post the technical meeting, the operator shall be given another 5 working days to submit his responses including the issues discussed in the technical meeting.

9. If any of the technical department still desires any further meetings post the technical meeting, the same shall be scheduled within these 5 days. In any case the departments shall be able to firm up their view within these days.

10. Technical departments shall avoid seeking simulation model results with differing variables unless they can justify that the said variable can change the results by more than 10 percent and take express approval of respective ADG for the same.

11. Once the responses are received from the operator, the Nodal department shall check whether all the responses have been duly provided by the operator along with necessary supporting documents. If yes, then the response shall be provided to the technical departments and CF department for their final comments.

12. The technical departments shall provide their final recommendation on the proposal clearly recommending / not recommending the proposal within the prescribed time line as per SoP.

13. The comments of technical departments and CF which are provided in an annexure shall clearly segregate the examination and the comments of the department which are to be included in the DGH views in MC for consideration of MC members. Agenda for MC to be circulated with atleast 5 days' prior notice.

14. The nodal department shall compile the draft MCR as per the recommendations / comments received from departments and prepare a draft of MCR.

15. First MC meeting on the proposal shall be held on the 30th working day / 45 days from the day of the submission of proposal where the GoI nominee from MoPNG shall also be invited. This MC shall review the status of proposal including delays on part of operator or DGH, if any and in the alternate if the proposal is ready for final decision the same shall be made.

Generally, the time lines as prescribed in the SOP circulated dated 12.07.2021 shall stand, however, owing to above changes in the processes these timelines shall stand amended to the extent ordered above.

This has approval of DG,DGH.

16/7/2024
(Sanjay Kashinanth Lale)
CTO

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6.2.8. **Further simplification and standardization of procedures and processes under Production Sharing Contract of Pre-NELP/NELP Blocks. (Office Order dated 12 July 2024)**

DGH

हाइड्रोकार्बन महानिदेशालय

पेट्रोलियम और प्राकृतिक गैस मंत्रालय

भारत सरकार

DIRECTORATE GENERAL OF HYDROCARBONS

Ministry of Petroleum & Natural Gas

Government of India

Ref.: DGH/PSC/Self-certification/21-22 Date: 12.07.2021

Subject: Further simplification and standardization of procedures and processes under Production Sharing Contract of Pre-NELP/NELP Blocks.

Ease of doing business is one of the key focus areas of the Government in Exploration and Production (E&P) sector with the objective to increase investment and production. Simplification and standardization of procedures and processes makes the system transparent and efficient.

2. A review of the processes for various approvals and submission of documents under Production Sharing Contracts (PSC) of NELP/Pre-NELP blocks was undertaken and the extant processes were divided into three categories: (A) Processes where documents shall be accepted on self-certification basis and no approval is required:**22**; (B) Processes where approval will be deemed on expiry of 30 days of submission of self-certification of documents:**03**; (C) Processes where approvals shall be required under the Act/Rules or contracts:**12**. These were duly conveyed by DGH vide letter No. DGH/PSC/Self-Certification/20-21 dated 25.04.2020 (***Annexure I***).

3. In order to enhance the ease of doing business, the above processes have been further rationalized and limited to: (A) Processes where documents shall be accepted on self-certification basis and no approval is required:**09**; (B) Processes where approval will be deemed on expiry of 30 days of submission of self-certification of documents:**03**; (C) Processes where approvals shall be required under the Act/Rules or contracts:**06**. Thus the 37 erstwhile processes of contract compliance are now covered by 18 processes of contract compliance by merging or subsuming in other process or in the Factsheet, as per ***Annexure II***. Further, submission of all documents will be made online as per the given templates. These further simplified processes are as follows:

3.1 **Category A: Processes where documents shall be accepted on self-certification basis and no approval is required:**

In respect of the following **09** processes, documents shall be accepted on self-certification basis online as per the given templates, and no further approval will be required.

Sr. No.	Process
1.	Bank Guarantee and Legal Opinion, and renewal and revised Bank Guarantee
2.	Inventory Report
3.	Submission of Insurance and Indemnity
4.	Quarterly Reports
5.	Appointment of Auditor
6.	Well Location Review/ Change/ Deepening
7.	Measurement of Petroleum
8.	Notice for entering next Phase or Relinquishment
9.	Format-C: Commercial Discovery (Declaration of Commerciality)

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3.2 **Category B: Processes where approval will be deemed on expiry of 30 days of submission of documents under self-certification:**

In respect of the following **03** processes, documents may be submitted by the Contractor online under self-certification, and approval of Management Committee (MC) or Directorate General of Hydrocarbons (DGH) or Ministry of Petroleum and Natural Gas (MoPNG), as the case may be, will be deemed, unless the documents are returned or rejected earlier, on expiry of 30 days of submission of the complete documents.

Sr. No	Process	Timeline
1.	Work Programme & Budget – BE and RE	30
2.	Appraisal Programme or its revision	30
3.	Field Development Plan or its revision	30

3.3 **Processes where approvals shall be required under the Act/Rules or Contracts:**

In respect of the following **06** processes, prior approval of MC, DGH or MoPNG will be required as per the Act/Rules or contracts. Further, documents will be submitted online as per the given templates.

Sr. No.	Process
1.	Extension of Exploration Phase
2.	Liquidated damages on account of Cost of Unfinished Work Programme
3.	Assignment/Transfer of Participating Interest
4.	Site Restoration Plan/Abandonment Plan
5.	Extension of Production Sharing Contract
6.	End of Year Statement (audited) and Annual Audited Accounts in accordance with relevant article and accounting procedure of PSC.

4. All the above 18 processes and Factsheet have been standardized and made online, in consultation with stakeholders, and may be accessed through the following link: PSC Management System Link: https://online.dghindia.org/PSCDashboard/Login
5. Against all the aforementioned processes, Contractor shall make submissions in the prescribed online mode only and no hard copy will be entertained in DGH after 15th August 2021. DGH will separately issue Guidance Document for facilitation of Contractors in this regard.
6. This has the approval of the competent authority.

Encl. ***Annexures I and II***

(Dr. C. Laxma Reddy)
ADG (Exploration)

Annexure-I

(1/a)

DGH

हाइड्रोकार्बन महानिदेशालय
पेट्रोलियम और प्राकृतिक गैस मंत्रालय
भारत सरकार

DIRECTORATE GENERAL OF HYDROCARBONS

Ministry of Petroleum & Natural Gas
Government of India

File Ref: DGH/PSC/Self-Certification/20-21

25-04-2020

Subject: Simplification of procedures and processes under Production Sharing Contract of Pre-NELP/NELP Blocks.

Ease of doing business is one of the focus areas of the Government in Exploration and Production (E&P) sector, with the objective to increase investment and production. Simplification of procedures and processes makes the system transparent and faster which facilitates investments in the sector.

2. A review of the processes for various approvals and submission of documents for the same under Production Sharing Contracts (PSC) under NELP/Pre-NELP was undertaken by the Government, following which the said processes were divided into the following three categories:

(A) Processes where documents shall be accepted on self-certification basis and no approval is required;

(B) Processes where approval will be deemed on expiry of 30 days of submission of documents under self-certification; and

(C) Processes where approvals shall be required under the Act/Rules or Contracts.

In all, 22 processes were identified under Category (A), 3 processes under Category (B) and 12 processes under Category (C).

3. Accordingly, following the said review of processes for various approvals and submission of documents for the same to Directorate General of Hydrocarbons and/or Ministry of Petroleum and Natural Gas (MoPNG) under PSC of Pre-NELP / NELP,

Page 1 of 4

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Government has prescribed the following procedures in respect of the aforesaid Contracts.

3.1 Category A: Processes where documents shall be accepted on self-certification basis and no approval is required.

In respect of the following 22 processes, documents shall be accepted on self-certification basis and no further approval will be required:

S.N.	Process
1	Format-A: Information of discovery
2	Format-B: Potential Commercial Interest
3	Bank Guarantee and Legal Opinion, and renewal and revised Bank Guarantee
4	Notification to DGH for Test (DST/Well testing/Production testing)
5	Calibration of flow-meters, witness custody transfer operations
6	Inventory Report
7	Local goods & service report
8	Information about hiring of vendors through tenders
9	Change of MC members
10	Submission of G&G data
11	Submission of Insurance & Indemnity
12	Submission of operating agreement
13	Environment Impact Assessment report 1 & 2
14	Contingency Plan
15	Value of Production and Pricing Statement
16	Quarterly Reports
17	Vendor qualification Criteria
18	Appointment of Auditor by Operator under PSC
19	Well Location Review/ Change/ Deepening
20	Procedure for Measurement of Petroleum
21	Notice for entering next Phase or Relinquishment
22	Format-C: Commercial Discovery

3.2 **Category B: Processes where approval will be deemed on expiry of 30 days of submission of documents under self-certification.**

In respect of the following 03 processes, approval of Management Committee (MC)/Directorate General of Hydrocarbons (DGH)/Ministry of Petroleum and Natural Gas (MoPNG) is required at present. The documents against these processes may be submitted by the Contractor under self-certification; and approval will be deemed,

3/4

unless the documents are returned or rejected earlier, on expiry of 30 days of submission of the complete documents:

S.N.	Process
1	Work Programme & Budget — BE and RE
2	Appraisal Programme or its revisions
3	Field Development Plan or its revisions

3.3 Category C: Processes where approvals shall be required under the Act/Rules or Contracts.

(i) In respect of the following 12 processes, prior approval of Management Committee (MC)/Directorate General of Hydrocarbons (DGH)/Ministry of Petroleum and Natural Gas (MoPNG) will be required as per the requirements under the Act/Rules or Contracts.

S.N.	Process
1	Extension of Exploration Phase
2	Grant of Petroleum Exploration License (PEL) or extension application
3	Grant of Petroleum Mining Lease (PML) or re-grant application
4	Unit Development Plan
5	Liquidated Damages on account of Cost of Unfinished Work Programme
6	Assignment/Transfer of Participating Interest
7	Site Restoration Plan/Abandonment Plan
8	Extension of Production Sharing Contract (PSC)
9	Cost and Profit Petroleum Calculations
10	Accounting Procedure
11	End of the Year Annual Audited Statements
12	Audited Accounts

4. All self-certified documents shall be as per provisions of PSC and shall be duly supported with all the relevant documents duly attested by the authorized signatory/signatories of the Contractor.

5. All self-certified documents shall be subject to review by MoPNG/DGH at any time for alignment with the relevant provisions of PSC, policies/guidelines issued by

4/4

Government/DGH, Good International Petroleum Industry Practices (GIPIP) and other statutory requirements.

5. In case any material deviation is observed in facts/figures and substance submitted by the Contractor during review by MoPNG /DGH, the Contractor shall be notified for modification/rectification of the same as per provisions of PSC in a time bound manner.

6. DGH has, in consultation with the various stakeholders, developed standard formats which need to be submitted online for processes under Category A and B above. These are attached herewith as **Annexures-I and II** respectively.

7. This has the approval of the competent authority.

Encl: Annexures I and II

25.4.20

(Dr Anand Gupta)
ED, ADG(Development).

Page 4 of 4

Annexure II

PSC Self-Certification: Further simplification of processes for ease of doing business

Sl. No.	Category-A: Processes where documents shall be accepted on self-certification basis and no approval is required	Further simplification and standardization
1	Information of discovery	Update in Factsheet
2	Potential Commercial Interest	Update in Factsheet
3	Bank Guarantee and Legal Opinion, and renewal and revised Bank Guarantee	Retained
4	Notify DGH for Test (DST/Well testing/Production testing)	Witnessing not required. Operator to maintain detailed report of the testing.
5	Calibration of flowmeters, witness custody transfer operations	Subsumed in "Measurement of Petroleum"
6	Inventory Report	Retained
7	Local goods & service report	Monitored through ECMS.
8	Information about hiring of vendors through tenders	Operator to maintain the documents as per relevant PSC article.
9	Change of MC members	Subsumed in Factsheet
10	Submission of G&G data	Operator to keep sending E&P data (including G&G) data to NDR with intimation to respective Coordinator
11	Submission of Insurance & Indemnity	Retained
12	Submission of operating agreement	Upload in Factsheet
13	Environment Impact Assessment report 1 & 2	Upload in Factsheet
14	Contingency Plan	Upload in Factsheet. Operator to prepare and follow Contingency Plan as per provisions of PSC and GOI policy/guidelines issued in this regard.
15	Value of Production and Pricing Statement	Subsumed in "Quarterly Reports"
16	Quarterly Reports	Retained
17	Vendor qualification Criteria	Operator to maintain record of vendor qualification criteria.
18	Appointment of auditor	Retained
19	Well Location Review/ Change/ Deepening-Exploration	Retained
20	Procedure for Measurement of Petroleum	Retained
21	Notice for entering next Phase or Relinquishment	Retained
22	Commercial Discovery (Declaration of Commerciality)	Retained

	Category-B: Processes where approval will be deemed on expiry of 30 days of submission of documents under self-certification	**Further simplification and standardization**
1	Work Programme & Budget – BE & RE	Retained
2	Appraisal programme or its revision	Retained
3	Field Development Plan or its revisions	Retained

	Category C: Processes where approvals shall be required under the Act/Rules or Contracts	**Further simplification and standardization**
1	Extension of Exploration Phase	Retained.
2	Grant of Petroleum Exploration License (PEL) or extension application	Contractor to submit the application in existing online PEL-PML application system.
3	Grant of Petroleum Mining Lease (PML) or re-grant application	Contractor to submit the application in existing online PEL-PML application system.
4	Unit Development Plan	Merged with "Field Development Plan or its revisions" in Category-B
5	Liquidated damages on account of Cost of Unfinished Work Programme	Retained
6	Assignment/Transfer of Participating Interest	Retained
7	Site Restoration Plan/Abandonment Plan	Retained
8	Extension of Production Sharing Contract (PSC)	Retained
9	Cost & Profit petroleum calculation	Subsumed in "Quarterly Report" in Category-A
10	Accounting Procedure	Merged
11	End of Year Statement	
12	Audited Accounts	

6.2.9. **Approval process in Management of PSCs/RSCs. (Office order dated 3 July 2024)**

DGH

हाईड्रोकार्बन महानिदेशालय

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय
भारत सरकार

DIRECTORATE GENERAL OF HYDROCARBONS

Ministry of Petroleum & Natural Gas
Government of India

DG/DGH/MCM/2024 03.07.2024

Office Order

Subject: Approval process in Management of PSCs/RSCs.

As per the provisions of PSCs/RSCs, the Management Committee / Steering Committee shall take decisions in respect of matters submitted to it for review / approval and indicate the same with utmost expedition to the Parties.

It is observed that too many agendas are scheduled in a day for MCM/SCM which defeats the objective of thorough review by MC/SC for taking a rightful decision making. To expedite & make the process of approval efficient at DGH, the following procedure need to be adhered:

1. Agendas of only three blocks should be scheduled for the Management Committee Meeting / Steering Committee Meeting on a single day. In case of a high production block, only the agenda(s) of that block need to be scheduled for that day.
2. A pre-MC internal meeting with MoPNG to be organised before scheduling a MC Meeting in case of high production blocks.
3. Preferably MC/SC meeting should be conducted in a physical mode.
4. MC/SC minutes should be signed by the contractor and DGH representative immediately after the meeting and sent to MOPNG representative for final signatures.

This has approval of DG, DGH.

(Sanjay Kashinath Lale)
CTO to DG

Copy to:

ADG C / ADG E / ADG E / Sectional Heads / File.

We Care

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6.3. Annexure III: Relevant Policies/Clauses

6.3.1. Approval for delivery point(s) within and outside the contract area

i. Under Production Sharing Contract

a) **Clause 1.31** of Article 1 of MPSC

"Delivery Point" means, except as otherwise herein provided or as may be otherwise agreed between the Parties having regard to international practice, the point at which Petroleum reaches the outlet flange of the delivery facility, either offshore or onshore and different Delivery Point(s) may be established for purposes of sales. Delivery Point(s) shall be approved by the Management Committee.

b) **Appendix C, Section 3, Clause 3.2 (iii)** of PSC

3.2 Costs not recoverable and not allowable under the Contract

The following costs and expenses shall not be recoverable or allowable (whether directly as such or indirectly as part of any other charges or expense) for cost recovery and profit-sharing purposes under the Contract:

(i) costs and charges incurred before the Effective Date including costs in respect of preparation, signature or ratification of this Contract;

Explanatory Note: It is clarified that Costs and expenditures, incurred prior to the Effective Date but after the execution of the Contract, for making statutory payments in connection with the

Petroleum Operations such as Petroleum Exploration License (PEL) fee and application fee shall be allowed as Contract Cost and shall be cost recoverable.

(ii) expenditures in respect of any financial transaction to negotiate, float or otherwise obtain or secure funds for Petroleum Operations including, but not limited to, interest, commission, brokerage and fees related to such transactions, as well as exchange losses on loans or other financing, whether between Affiliates or otherwise;

(iii) costs of marketing or transportation of Petroleum beyond the Delivery Point;

(iv) expenditures incurred in obtaining, furnishing and maintaining the guarantees required under the Contract and any other amounts spent on indemnities with regard to non-fulfillment of contractual obligations;

(v) attorney's fees and other costs and charges in connection with arbitration proceedings and sole expert determination pursuant to the Contract;

(vi) fines, interest and penalties imposed by Courts of law of the Republic of India;

(vii) donations and contributions;

(viii) expenditures on creation of any partnership or joint venture arrangement;

(ix) amounts paid with respect to non-fulfillment of contractual obligations;

(x) costs incurred as a result of failure to insure where insurance is required pursuant to the Contract, or of failure to follow procedures laid down by an insurance policy or where the Contractor has elected to self-insure, or has under-insured;

(xi) costs and expenditures incurred as a result of misconduct or negligence of the Contractor;

(xii) expenses of the members of the Management Committee as per Article 6.12:

(xiii) financing cost of inventory, loss on disposal of inventory; and

(xiv) Costs which are not adequately supported and documented.

ii. **Under Revenue Sharing Contract**

a) **Clause 1.1.34** of Article 1 of MRSC

“Delivery Point” means, except as otherwise herein provided or as may be otherwise agreed between the Parties having regard to international practice, the point at which Petroleum reaches the outlet flange of the delivery facility, either offshore or onshore and different Delivery Point(s) may be established for purposes of sales.

iii. Under DSF Contracts

a) **Clause 1.29** of Article 1 of DSF Contract

“Delivery Point” means, except as otherwise herein provided or as may be otherwise agreed between the Parties having regard to international practice, the point at which Petroleum reaches the outlet flange of the delivery facility, either offshore or onshore and different Delivery Point(s) may be established for purposes of sales.

iv. Under CBM Contracts

a) **Clause 1.29** of Article 1 of CBM Contract

"Delivery Point" means, except as otherwise herein provided or as may be otherwise agreed between the Parties having regard to international practice, the point at which CBM reaches the outlet flange of the delivery facility and different Delivery Points may be established for purposes of sales. Delivery Point(s) for the purpose of sale(s) of CBM from the contract area shall be approved by the Steering Committee.

6.3.2. **Grant of Excusable Delays/ Extra Days for delays in government related approvals**

i. Under Production Sharing Contracts

a) **Clause 3** of Office Memorandum “Policy framework for streamlining the operations, relaxation of timelines and delegation of powers to Director General, Directorate General of Hydrocarbons (DGH) under Production Sharing Contracts (PSCs)” (OM dated 25 June 2018)

3. Delegating powers to Director General, Directorate General of Hydrocarbons (DGH) under Production Sharing Contracts

i) Empowering DG, DGH for approval of Excusable Delays under the Policy for Extension in Exploration Phase, dated 18.04.2006

a) Government issued the policy dated 18.04.2006 which inter-alia states that demonstrable delays on account of getting government approvals/permits/clearances will be counted as excusable delays. The excusable delays are approved by Government. To expedite the approval process, it has now been decided to delegate the power to DG, DGH to. approve cases of demonstrable delays as excusable delays after confirming demonstrable delays within the extant policy framework of 2006.

b) The DGH will constitute a Multi- Disciplinary Committee to review and recommend the proposal for final approval of DG, DGH. The DGH would properly define· excusable delays and prescribe detailed procedure for allowing excusable delays.

c) The DGH would furnish a statement listing out the cases decided with brief facts of each case on quarterly basis to this Ministry.

b) Standard Operating Procedure (SoP) for implementation of Para 3 of Policy framework dated November 10, 2014, for PSC regime, Relinquishment cases under and Excusable delay cases under Policy dated April 18, 2006, and Exit cases under Policy dated April 11, 2017, for early monetization of CBM

A. Background

Government of India on 10.11.2014 approved a policy wherein DGH was empowered to relax, extend and clarify on provisions of Production Sharing Contracts (PSC) for early monetization of PSC blocks. Further vide policy dated 11.04.2017, Govt. of India empowered DGH to debottleneck Coal Bed Methane (CBM) contractual issues, examine and approve exit cases and take decisions on behalf of Govt. of India on select issues and provide clarity on CBM contract. Now, vide policy dated 25.06.2018, Govt. has delegated its power to DGH to examine and approve excusable delays on account of Govt. approval/clearances/permits that are demonstrable. For this a multi-disciplinary committee has to be constituted that would prescribe detailed procedure for allowing excusable delays. Taking cognizance of empowerment of DGH vide Govt. policies dated 10.11.2014, 11.04.2017 and 25.06.2018 to examine and approve select cases pertaining to exit due to delay in clearances and excusable delays/force majeure, DGH has constituted a Multi-Disciplinary Committee that has framed the Standard Operating Procedures (SOP) to examine cases that may be referred to under the three policies. The primary objective of these SOPs is to bring transparency and objectivity for assessment of cases referred to under the said policies. Following are the SOPs under respective policies.

ii. Under Revenue Sharing Contract

- Till OALP Round VII

a) **Clause 14.5** of Article 14 in MRSC of OALP Round VII

14.5 Subject to the provisions of all Applicable Laws and Notifications on protection of environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal is submitted by the Contractor, the Government and relevant State Government shall accord environmental clearance in accordance with the relevant notifications, rules, regulations and orders concerning Environmental Impact Assessment issued by the Ministry of Environment, Forests and Climate Change from time to time. However, wherever forest land is involved, the Contractor shall have to obtain approval of the Central Government through the relevant State Government concerned under the Forest (Conservation) Act, 1980 and Rules made thereunder. In the event the Government or the State Government takes more than the time period stipulated under the Applicable Laws for providing such clearances, or where no specific time period is provided for grant of such clearance, more than 120 (one hundred and twenty) days (Approval Period), then the days taken by the Government or State Government in addition to the Approval Period to grant such approval (Extra Days) shall be taken into account in determining all time periods provided for discharge of obligations of the Contractor under the Contract and such time periods, if already determined, shall stand extended by the number of Extra Days.

b) **Clause 5.5 (d)** of Article 5 in MRSC of OALP Round VII

d) *If delay due to lack of statutory and other clearances is beyond two (2) years in any of the Blocks, then the Contractor will be given a choice to choose between (a) and (c) above. In such cases the application for such reduction /exiting should be made within three (3) months of the expiry of the two (2) year period from the date of application for clearance. Any delay attributable to the Contractor shall not be considered in the above-mentioned two-year period*

- Under OALP VIII

  - **Clause 33.10** of Article 33 in MRSC of OALP Round VIII

33.10 *In the event that the Contractor has taken all the requisite, and necessary steps for obtaining any requisite permits, clearances, approvals or consents as may be required for performance of its obligations under this Contract, and the requisite permits, clearances, approvals or consents is not granted by the Government or the relevant State Government or any of their respective agencies, ministries, institutions or authorities within the time period stipulated under Applicable Laws of India for providing such permits, clearances, approvals or consents (or where no time period is provided for grant of such permits, clearances, approvals or consents, within 120 (one hundred and twenty) days) ("Approval Period"), then the period taken by the Government or relevant State Government or their respective agencies, ministries, institutions or authorities in addition to the Approval Period to provide such permits, clearances, approvals or consents ("Extra Days") shall be added to the relevant time period(s) for discharge of obligations of the Contractor under the Contract; subject to a maximum cumulative of 720 Extra Days for the entire Exploration Period; and such time period(s), if already determined, shall stand extended by the number of Extra Days, and any obligation to pay liquidated damages for any delay under this Contract shall calculated only after taking into the account the Extra Days.*

The obligation of the Contractor to take all the requisite, and necessary steps for obtaining any requisite permits, clearances, approvals or consents as may be required for performance of its obligations under this Contract shall include but not be limited to make the requisite applications, pay the necessary fees and comply with all pre-conditions as *may be applicable for grant of the such permits, clearances, approvals or consents, respond to any queries that may be received from the relevant authority and liaise with, and follow up with the relevant authorities after making of the relevant applications. In the event the Contractor fails to undertake the necessary steps for obtaining any requisite permits, clearances, approvals or consents, the Extra Days shall not be added to the time period for completion of the Contractor's obligations under the Contract.*

If delay due to lack of statutory and other clearances is beyond two (2) years and verified by DGH, then the Contractor would be permitted to relinquish the Contract area without payment of Liquidated Damages as specified in Article 5.4. In such cases, the application for such exiting should be made within 60 days prior to the expiry of the two (2) year period. Any delay attributable to the Contractor shall not be considered in the above mentioned two (2) year period.

iii. Under DSF Contract

- Under DSF Round I & II

a) **Clause 14.5** of Article 14 of MRSC of DSF Round I & II

14.5 Subject to the provisions of all applicable laws and notifications on protection of environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal is submitted by the Contractor, the Government shall accord environmental clearance in accordance with the relevant notifications, rules, regulations and orders concerning Environmental Impact Assessment issued by the Ministry of Environment, Forests and Climate Change from time to time. However, wherever forest land is involved, the Contractor shall have to obtain approval of the Central Government through the State Government concerned under the Forest (Conservation) Act, 1980 and Rules made thereunder. In the event the Government or the State Government takes more than the time period stipulated under the applicable laws for providing such clearances, or where no specific time period is provided for grant of such clearance, more than 120 (one hundred and twenty) days ("Approval Period"), then the days taken by the Government or State Government in addition to the Approval Period to grant such approval ("Extra Days") shall be taken into account in determining all time periods provided for discharge of obligations of the Contractor under the Contract and such time periods, if already determined, shall stand extended by the number of extra days.

Under **DSF III & Special Round contract**, there is no clause which defines the provision of Extra Days due to delay in getting clearances from the Government or the State Government

iv. Under Coal Bed Methane (CBM) Contract

a) **Clause 2 and 2.4** of MoPNG notification Policy framework for early monetization of Coal Bed Methane dated 11 April 2017

2. Contractual Issues

Director General, Directorate General of Hydrocarbons (DG, DGH) is empowered for condoning the delays in notice periods, annual work program and budgets and to approve the excusable delays regarding clearances from State and Central Government. The DG, DGH will dispose such cases within the time-limits below:

2.4 Excusable delay in development phase due to land acquisition / force majeure issues or any other such matter beyond the control of Operator

DGH is empowered to approve the excusable delays, without set off from subsequent Phases, in development phase due to Land Acquisition / Force Majeure condition or any other such matter beyond the control of Operator after confirming demonstrable delays.

6.3.3. Reduction in contract area and work programme, due to denial or delay in statutory clearances for exploratory activities

i. Under Production Sharing Contract

a) **Clause 3.1** of MoPNG notification 'Policy Framework for relaxations, extensions and Clarifications at the development and production stage under the PSC' dated November 10, 2014

3.1 *The blocks are offered for bidding after securing clearance from six agencies. Subsequently, after the grant of PEL for the entire block area, the contractor is required to complete the MWP as per PSC. For completion of MWP, · contractor proposes annual work programme for review of MC every year. In some cases, while executing the seismic work and drilling of exploration ells in the block as per MWP, some of the agencies like Ministry of Defence (MOD), Ministry of Environment and Forest (MoEF) and State Government/Departments, who had earlier accorded 'in principle' approval, have denied permission to carry out work in the entire block or a part of it. It has been decided that where the contract area has been reduced due to denial of clearances by Government agencies, DGH is empowered to exercise such powers of proportionate reduction of MWP on the recommendation of MC as follows:*

a) the Contractor decides not to accept any reduction in area at any stage before Petroleum Mining Lease (PML) is granted, the contractor would be permitted to exit from the Contract without payment of cost of Unfinished Work Programme. In such cases, the proposal for relinquishment shall be submitted within three months of the communication received by the contractor for such reduction.

b) If the contractor agrees to continue exploration in the reduced area, then he· may be allowed a proportional reduction in MWP in 2D, 3D work programme and also for drilling of wells rounded off to the nearest integer with a minimum number of one. The choice of the wells to be drilled would be left to the contractor.

c) PEL for the area not made available for exploration ·will be cancelled arid future PEL fee for the future years would be reduced proportionately in all cases in 3 (b) above.

d) In case, the Contractor does not exercise his option -within three months but proposes to exit from the contract later, it has been decided to impose penalty of liquidated damages to the extent of cost of unfinished MWP proportional to the reduced area. This will be applicable to all existing PSCs.

e) If delay due to lack of statutory and other clearances is beyond two years in any of the blocks, then the contractor will be given a choice to choose between (a) and (b) above. In such cases the application for such reduction/exiting should be submitted within 3 months of the expiry of the two-year period from date of application for clearance.

ii. Under Revenue Sharing Contract

a) **Clause 5.5 (b) and Clause 5.5 (d)** of Article 5 in MRSC

5.5 In case of reduction in the contract area due to reasons including but not limited to denial of License(s) by Government/State Government(s), lack of necessary clearances such as Blocks overlapping with Special Economic Zone (SEZ), Reserve Forest, Naval Exercise Areas, Defence Research and Development Organization (DRDO), Danger Zones, National parks, urban areas, firing ranges of police/armed forces etc., Government, shall approve proportionate reduction in Committed Work Programme, as the case may be as follows:

a) If the Contractor decides not to accept any reduction in contract area at any stage before the Petroleum Mining Lease (PML) is granted, the Contractor would be permitted to exit from the contract without payment of Liquidated Damages as specified in Article 5.4. In such cases, the proposal for relinquishment shall be submitted within three months of the communication received by the Contractor for such reduction.

b) In case the Contractor does not exercise this option within three months of receipt of the communication of reduction of area but proposes to exit from the Contract later, an LD will be levied to the extent of unfinished Committed Work Programme, proportional to the reduced area.

c) If the Contractor continues exploration in the reduced area, then proportional reduction in Committed Work Programme shall be allowed, rounded off to the nearest integer with a minimum number of one. PEL for area not made available will be cancelled and future PEL fee would be reduced proportionately.

d) If delay due to lack of statutory and other clearances is beyond two (2) years in any of the Blocks, then the Contractor will be given a choice to choose between (a) and (c) above. In such cases the application for such reduction /exiting should be made within three (3) months of the expiry of the two (2) year period from the date of application for clearance. Any delay attributable to the Contractor shall not be considered in the above-mentioned two-year period.

iii. Under DSF Contract

- In all DSF Rounds

a) **Clause 5.4** of Article 5 in DSF Contract

5.4 Notwithstanding any other provision of this Contract, in the event the contract area is reduced due to denial of clearances by Government agencies, then the Government (acting through DGH) is empowered to exercise such powers of proportionate reduction of the Bid Work Programme, on the recommendations of the Management Committee, as under:

a) If the Contractor does not accept any reduction in the contract area at any stage before the Lease is granted, the Contractor would be permitted to relinquish the Contract area without payment of Liquidated Damages as specified in Article 5.2. In such cases, the proposal for relinquishment shall be submitted by the Contractor within three months of the communication received by the Contractor for such reduction of the contract area.

b) If the Contractor agrees for the reduced contract area, then the Contractor may be allowed a proportional reduction in Bid Work Programme. In case of wells, the number of wells shall be rounded off to the nearest integer with a minimum number of one. The choice of the wells to be drilled may be decided by the Contractor.

c) In case, the Contractor does not exercise his option within three months but proposes to relinquish the contract area later, Liquidated Damages shall be payable as per the rates in Article 5.2.

- In DSF III and SDSF Round

b) **Clause 5.4 (b) and Clause 5.4 (b)** of Article 5 in DSF Contract

5.4 Notwithstanding any other provision of this Contract, in the event the contract area is reduced due to denial of clearances by Government agencies, etc., then the Government (acting through DGH) is empowered to exercise such powers of proportionate reduction of the Bid Work Programme, on the recommendations of the Management Committee, as under:

a) If the Contractor does not accept any reduction in the contract area at any stage before the Lease is granted, the Contractor would be permitted to relinquish the contract area without payment of Liquidated Damages as specified in Article 5.2. In such cases, the proposal for relinquishment shall be submitted by the Contractor within three months of the communication received by the Contractor for such reduction of the contract area.

b) If the Contractor agrees for the reduced contract area, then the Contractor may be allowed a proportional reduction in Bid Work Programme. In case of wells, the number of wells shall be rounded off to the nearest integer with a minimum number of one. The choice of the wells to be drilled may be decided by the Contractor.

c) In case, the Contractor does not exercise his option within three months but proposes to relinquish the contract area later, Liquidated Damages shall be payable as per the rates in Article 5.2.

d) If delay due to lack of statutory and other clearances is beyond two (2) years and verified by DGH, then the Contractor would be permitted to relinquish the Contract area without payment of Liquidated Damages as specified in Article 5.2. In such cases the application for such reduction/ exiting should be made within 30 days of the expiry of the two (2) year period from the date of application for clearance. Any delay attributable to the Contractor shall not be considered in the above mentioned two (2) year period.

iv. Under CBM Contract

a) **Clause 2.5 and Clause 2.7** of MoPNG notification Policy framework for early monetization of Coal Bed Methane dated April 11, 2017

2.5 Reduction in minimum work programme

DGH is empowered to reduce Minimum Work Programme (MWP) in proportion to the contract area if contract area is reduced by Government for any reason. If the Contractor decides not to accept any reduction in contract area, the Contractor would be permitted *to exercise exit option from the contract without payment of Cost of Unfinished Work Programme (COUWP).*

2.7 Non-grant or delayed permission of clearances by State Government and Central Government*.*

In cases of inordinate delays in granting clearances i.e., beyond two (2) years in any block, the Contractor if exercises is exit option, will be permitted to exit from the contract without paying Cost of Unfinished Work Programme. DGH is empowered to review and examine such cases and approve exit option exercised by the Contractor from the CBM Contract.

b) **Clause 5.5 (d)** of Article 5 of SCBM contract

5.5 In case of reduction in the contract area due to reasons including but not limited to denial of License(s) by Government/State Government(s), lack of necessary clearances such as Blocks overlapping with Special Economic Zone (SEZ), Reserve Forest, Naval Exercise Areas, Defence Research and Development Organization (DRDO), Danger Zones, National parks, urban areas, firing ranges of police/armed forces etc., Government, shall approve proportionate reduction in Committed Work Programme, as the case may be as follows:

a) If the Contractor decides not to accept any reduction in contract area at any stage before the Petroleum Mining Lease (PML) is granted, the Contractor would be permitted to exit from the contract without payment of Liquidated Damages as specified in Article 5.4. In such cases, the proposal for relinquishment shall be submitted within three months of the communication received by the Contractor for such reduction.

b) In case the Contractor does not exercise this option within three months of receipt of the communication of reduction of area but proposes to exit from the Contract later, an LD will be levied to the extent of unfinished Committed Work Programme, proportional to the reduced area.

c) If the Contractor continues exploration in the reduced area, then proportional reduction in Committed Work Programme shall be allowed, rounded off to the nearest integer with a minimum number of one. PEL for area not made available will be cancelled and future PEL fee would be reduced proportionately.

d) If delay due to lack of statutory and other clearances is beyond two (2) years in any of the Blocks, then the Contractor will be given a choice to choose between (a) and (c) above. In such cases the application for such reduction /exiting should be made within three (3) months of the expiry of the two (2) year period from the date of application for clearance. Any delay attributable to the Contractor shall not be considered in the above-mentioned two-year period.

6.3.4. **Bank Guarantee (BG) renewal towards unfinished Work Programme**

i. Under Production Sharing Contract

a) **Clause 29.2, Clause 29.3 (a) and Clause 29.3 (b)** of Article 29 of PSC Contract

29.2 If the Contractor elects to retain the contract area during the Subsequent Exploration Period by committing to drill Exploration Wells after completing the Minimum Work Programme, under Article 3.4 (a), each of the Companies constituting the Contractor shall procure and deliver to the Government before the expiry of the Initial Exploration Period an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article 29.3 and valid for the Subsequent Exploration Period opted by the Contractor, in a form provided at Appendix-G.

29.3

(a) The amount of the guarantee referred to in Articles 29.1 (a) and 29.2 above shall be an amount equal to seven and one half percent (7 ½ %) of the Company's Participating Interest share of the total estimated expenditure in respect of Minimum Work Programme including Mandatory Work Programme or Work Program as the case may be, to be undertaken by the Contractor in the contract area during the Initial or Subsequent Exploration Period. The total estimated expenditure for the Exploration Period for the purpose of furnishing bank guarantee by the Contractor shall be higher of the cost estimates by the Contractor or the Budget estimates presented to the Management Committee, or the amount of Liquidated damages specified in Article 5.

(b) after the completion and due performance of the Minimum Work Programme including Mandatory Work Programme or committed Work Programme during Initial Exploration Period or the Subsequent Exploration Period, as the case may be, the guarantee will be released in favour of the Company on presentation to the bank of a certificate from the Government that the obligation of the Contractor has been fulfilled and the guarantee may be released. Such certificate shall be provided within thirty (30) days from the completion of the said Work Programme and fulfilment of obligations under the Contract to the satisfaction of the Government.

ii. Under Revenue Sharing Contract

a) **Clause 27.1 (a)** of Article 27 of RSC Contract

27.1 Each of the Members constituting the Contractor or their Parent Companies or the Operator on behalf of the other Members, shall procure and deliver to the Government within thirty (30) days from the Effective Date, or within thirty (30) days from the date of opting for the mandatory Exploratory well(s) for Phase-II (Part-A and Part-B), as applicable:

(a) an irrevocable, unconditional Bank Guarantee from a Scheduled Commercial Bank of good standing in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27.2 and valid for the Exploration Period for which bid commitments are made as specified in Article 5.1 with claim period of sixty (60) days, in a form provided at Appendix G;

iii. Under DSF Contract

a) **Clause 27.1 (a), Clause 27.2 (a) and Clause 27.2 (b)** of Article 27 of DSF Contract

27.1 Each of the Companies constituting the Contractor shall procure and deliver to the Government within thirty (30) days from the Effective Date of this Contract:

(a) an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article27.2 and valid for the period (3, 4, 6 years as the case may be) specified in Article 3.2 with claim period of 90 days, in a form provided at Appendix E;

27.2 (a) The bank guarantee referred to in Article 27.1 (a) above shall be for an amount calculated at rates specified in Article 5.2. in respect of the Bid Work Program Specified in Article 5.1, provided that in the absence of any Bid Work Program stipulated in Article 5.1, the bank guarantee shall be submitted for a minimum guarantee of equivalent amount of USD 0.15 million, USD 0.23 million and USD 0.30 million respectively for contract area in on-land, shallow water and deep water.

(b) After the completion and due performance of the Bid Work Program, the guarantee will be returned to the Company, provided that a bank guarantee submitted in respect of the minimum amount shall be returned on commencement of commercial production or on completion of period stipulated in Article 3.2 of RSC, whichever is earlier.

iv. **Under CBM Contract**

- Till CBM Round IV

a) **Clause 26.1 (a), Clause 26.3 (a) and Clause 26.3 (b)** of Article 26 of CBM Contract

26.1 Subject to Article 26.1 (d), each of the Companies constituting the Contractor shall produce and deliver to the Government on the Effective Date of this Contract:

(a) an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in ·favour of the Government, for the amount specified in Article 26.2 in a form and substance acceptable to the Government as set out in Appendix-F;

26.3 The guarantee shall provide that:

(a) the amount referred to in Article 26.2 shall be automatically adjusted at the end of each Year for an amount equal to a Company's participating share of thirty five percent (35%) of the total estimated expenditure in respect of the Work Programme to be undertaken for the following Year of the relevant Phase till Phase-II. The guarantee shall be renewed at the end of each Year positively thirty (30) days before the expiry of the guarantee period; and

(b) after the completion and due performance of the Minimum Work Programme of Phase-I or Phase-II, as the case may be, the guarantee will be released in favour of the Company on presentation of a certificate from the Government to the bank that the obligation of the Contractor has been fulfilled and the guarantee may be released, subject to Article 26.4. Such certificate shall be provided within thirty (30) days from the completion of the Minimum Work Programme and fulfillment of obligation under the contract to the satisfaction of the government.

- Under SCBM Round

a) **Clause 27.1 (a)** of Article 27 of SCBM Contract

27.1 Each of the Members constituting the Contractor or their Parent Companies or the Operator on behalf of the other Members, shall procure and deliver to the Government within thirty (30) days from the date on which this Contract is executed by the Parties:

(a) an irrevocable, unconditional Bank Guarantee from a Scheduled Commercial Bank of good standing in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27 .2 and valid for the Exploration Period for which bid commitments are made as specified in Article 5.1 with claim period of sixty (60) days, in a form provided at Appendix G;

6.3.5. **Field Development Plan (FDP) approvals of PSC blocks with GoI nominee**

a) **Clause 10.7** of Article 10 of PSC Contract

10.7 If the Contractor declares the Discovery a Commercial Discovery after taking into account the advice of the Management Committee as referred in the Article 10.6, within two hundred (200) days of the declaration of the Discovery as a Commercial Discovery, the Contractor shall submit to the Management Committee a comprehensive development plan of the Commercial Discovery which shall:

(a) relate to the Discovery Area and contain a Reservoir or part thereof and the boundaries of the proposed Development Area;

(b) be designed to ensure the most efficient, beneficial and timely use of the Petroleum resources discovered; and

(c) be prepared in accordance with sound engineering, economic, safety and environmental principles recognised in the generally accepted modern oilfield and petroleum industry practices.

Such plan shall contain detailed proposals by the Contractor for the construction, establishment and operation of all facilities and services for and incidental to the recovery, storage and transportation of the Petroleum from the proposed Development Area to the Delivery Point together with all data and supporting information including but not limited to:

(i) description of the nature and characteristic of the Reservoir, data, statistics, interpretations and conclusions on all aspects of the geology, Reservoir evaluation, Petroleum engineering factors, Reservoir models, estimates of reserve in place, possible production magnitude, nature and ratio of Petroleum fluids and analysis of producible Petroleum;

(ii) outlines of the development project and/or alternative development projects, if any, describing the production facilities to be installed and the number of Wells to be drilled under such development project and/or alternative development projects, if any;

(iii) estimate of the rate of production to be established and projection of the possible sustained rate of production in accordance with modern oilfield and petroleum industry practices under such development project and/or alternative development projects, if any, which will ensure that the area does not suffer an excessive rate of decline of production or an excessive loss of Reservoir pressure;

(iv) estimates of Development Costs and Production Costs under such development project and/or alternative development projects, if any;

(v) Contractor's recommendations as to the particular project that it would prefer;

(vi) Work Programme and Budget for development proposals relating to the proposed Development Area;

(vii) anticipated adverse impact on the environment and measures to be taken for prevention or minimisation thereof and for general protection of the environment in conduct of operations;

(viii) measures to be taken for the health and safety of persons employed in Petroleum Operations;

(ix) the information required in Article 21.

(x) schedule of implementation and targets

b) **Clause 10.8** of Article 10 of PSC Contract

10.8 A proposed development plan submitted by the Contractor pursuant to Article 10.7 may be approved by the Management Committee within one hundred and ten (110) days of submission thereof or eighty (80) days of receipt of any additional information requested by the Management Committee. In case the Management Committee requires any reasonable additional information, the same shall be requested by it within eighty (80) days from the submission of the development plan. The Contractor shall provide such additional information within thirty (30) days from the request by the Management Committee. If, within a period of one hundred and ten (110) days after submission of a proposed development plan or eighty (80) days from the receipt of any additional information, where asked by the Management Committee, the Management Committee fails to convey a decision to the Contractor, the Contractor shall have option to submit the proposal to the Government. Also, where, the Management Committee rejects the development plan of the Contractor, the Contractor can submit the development plan for the approval of the Government. The Government shall respond on the proposed development plan submitted by the Contractor within one hundred and ten (110) days. In case Government refuses to approve the proposed development plan, it shall convey the reasons for such refusal and the Contractor shall be given opportunity to make appropriate modifications to meet concerns of Government and the provisions of the foregoing Article and re-submit the plan within ninety (90) days from the date of receipt of refusal from the Government.

c) **Clause 10.10** of Article 10 of PSC Contract

10.10 Work Programmes and Budgets for Development and Production Operations shall be submitted to the Management Committee as soon as possible after the approval of a Development Plan under Article 10.8 and thereafter not later than 31st December each Year in respect of the Year immediately following.

d) **Clause 10.13** of Article 10 of PSC Contract

Proposed revisions to the details of a Development Plan or an annual Work Programme or Budget in respect of Development and Production Operations shall, for good cause and if the circumstances so justify, be submitted for approval to the Management Committee.

e) **Clause 21.5.6** of Article 21 of PSC Contract

21.5.6 If the Contractor declares the Discovery a Commercial Discovery after taking into account the advice of the Management Committee as referred to in the Article 21.5.5, the Contractor shall, within one (1) year of the declaration of the Discovery as a Commercial Discovery, submit a development plan for the development of the Discovery to the

Management Committee for approval. Such plan shall be supported by all relevant information including, inter alia, the information required in Article 10.7.

f) **Clause 21.5.7** of Article 21 of PSC Contract

21.5.7 Unless otherwise agreed by the Management Committee, it shall consider the proposed development plan and give their approval within one hundred and sixty five (165) days of submission thereof or eighty five (85) days from the receipt of the clarifications/additional information from the Contractor. Any clarification/ additional information required by the Management Committee shall be asked for within eighty five (85) days of receipt of the proposal from the Contractor. The Contractor shall provide such additional information within thirty (30) days from the receipt of request by the Management Committee. If the Management Committee fails to convey its decision within one hundred and sixty five (165) days from the submission of the development plan or eighty five (85) days from the receipt of the clarifications/additional information, whichever is later, the Contractor may submit the development plan for the approval of the Government. Also, where, the Management Committee rejects the development plan of the Contractor, the Contractor can submit the development plan for the approval of the Government.

g) **Clause 21.5.8** of Article 21 of PSC Contract

21.5.8 Where the development plan is submitted to the Government for approval pursuant to Article 21.5.7, the Government shall convey its decision within one hundred and fifteen (115) days from the date of receipt of the proposal from the Contractor. Government, where it considers necessary, may ask clarifications/additional information from the Contractor within eighty five (85) days and shall convey its decision within fifty five (55) days from the date of receipt of such clarifications/additional information.

h) **Clause 21.5.9** of Article 21 of PSC Contract

21.5.9 If the Government has failed to approve or disapproves the Contractor's proposed development plan, within one hundred and fifteen (115) days from receipt or within fifty five (55) days from the receipt of clarifications/ information from the Contractor as mentioned in the Article 21.5.8, the Government shall advise the Contractor, in writing, of the reasons for such failure or disapproval and the Government and the Contractor shall meet to discuss the said development plan and the reasons for the said failure to approve or disapproval, and use their best efforts to agree on appropriate modifications thereto to meet the Government's concerns or objections. Thereafter, the Contractor shall have the right to resubmit, within eighty five (85) days of communication from the Government, the proposed development plan duly amended to meet the Government's concerns. Such right of resubmission of the proposed development plan shall be exercisable by the Contractor only once. The Government will respond to the re-submitted plan within one hundred and fifteen (115) days. If no such plan is submitted to the Government within the above specified period, the Contractor shall relinquish its right to develop such Gas Discovery and such Discovery shall be excluded from the contract area.

6.3.6. **Grant of Extension in Exploration Period across contractual regimes**

i. Under Production Sharing Contract

a) **Clause A** of the policy for extension of exploration phases under NELP and Pre-NELP production sharing contracts dated 04 April 2016

A. Extension within the overall exploration period of 7 years or 8 years in phase I & II (but excluding any proposed excusable delays on account of the Government approvals / permits / clearance etc.)

Sl. No.	Type of proposal (applicable for extension in phase I & II)	Suggestion along with proposed conditions
1.	**Where Minimum Work Programme (MWP) of the relevant phase has not been completed within the stipulated period of that phase and no hydrocarbon discovery (as defined in the PSC) made**	Where MWP has not been completed and no hydrocarbon discovery have been made by the contractor, the following procedure shall apply: a) First 6 months extension may be granted by MC or the Government in terms of the provisions of respective PSCs maintaining the same terms and conditions of the PSCs. b) An additional upto 6 months extension (that is between 6 – upto 12 months) may be granted on the following terms and conditions: • The contractor will provide 100% bank guarantee and 10% cash payment as agreed pre- estimated liquidated damages for the unfinished minimum work programme as reasonably determined by DGH, keeping in view the relevant factors in computing cost of such unfinished minimum work programme. • The contractor would be required to relinquish the area in terms of the provisions of the PSC at the beginning of this extension period. • This period of extension will be set off from the next exploration phase c) Any extension beyond 12 months and upto 18 months may be considered subject to the following: • The contractor would be required to relinquish the area as applicable at the end of relevant phase. • The contractor would be required to give 100% bank guarantee for unfinished minimum work programme and deposit a cash payment as agreed pre-estimated

		liquidated damages of 30% of the unfinished minimum work programme as reasonably determined by DGH, keeping in view the relevant factors in computing cost of such unfinished minimum work programme. • This period of extension will be set off from the next exploration phase.
2.	**Where MWP has not been completed within the stipulated period of an exploration phase and the operator feels that the prospectivity is too poor to undertake further exploration / drilling:**	In case the contractor and DGH, based on available information at that time, come to a conclusion that the prospectivity of the block / area is poor and does not warrant completion of MWP (say drilling of exploration wells due to lack of techno- commercial viable prospects), DGH will reasonably decide based on the available information whether the prospectivity of the block is indeed poor and also determine an alternative work programme in consultation with the contractor, which will be atleast equal in terms of investment and effort (in physical terms) the unfinished minimum work programme. Such substitution of work programme would require the Governments approval. In this scenario with a substitute work programme, extension may be granted as under: a) For the first 6 months by the Management Committee or the Government in terms of the provisions of respective PSCs maintaining same terms and conditions of the PSCs (except for unfinished substituted work programme to be approved by the Government). b) Next 6 months extension (i.e. 6-upto 12 months) may be granted on the following terms and conditions: • The contractor will provide a 100% bank guarantee of the unfinished minimum work programme (equivalent unfinished substituted work programme to be approved by the Government). • The block will come in the domain of open acreage and may be offered in a bidding round or under open acreage system (as and when it comes in force). However, in case of any discovery or any drilling under implementation during this period, the contractor will have the right to retain such areas as reasonably determined by DGH. In case the

		contractor as a result of exploration during this extended period desires to go to the next phase of exploration, the contractor would be allowed to proceed to the next phase for only such areas for which no licenses / leases have been issued or which has not been placed under a bidding process by such time. • No further extension will be given beyond 12 months and the contractor shall be required to relinquish the entire area along with payment, if any, equivalent to the unfinished minimum work programme, to the Government in terms of the provisions of the PSCs.
3.	**Where MWP has not been completed but a hydrocarbon discovery is made within the exploration phase and does not want to relinquish the area at the end of phase:**	In this scenario, DGH will reasonably decide the work programme, in addition to the unfinished minimum work programme, required to be carried out in the area which is not proposed for relinquishment by the contractor. The following extension may be granted: • First 6 months extension may be given in terms of the provisions of the respective PSCs. • Another extension of upto 12 months (i.e., 6-upto 18 months) may be given subject to the contractor providing 50% bank guarantee of the unfinished minimum work programme and the additional work programme (for retaining additional area) reasonably decided by DGH. • The contractor would undertake to appraise, decide on commerciality and development of the discovery within the time frame provided in the PSCs for these activities.
4	**Where MWP has been completed with no hydrocarbon discovery and additional work programme is proposed:**	In this scenario, the contractor may be given extension as under: (a) 6 months extension may be given in terms of the provisions of the PSC. (b) Additional upto 6 months (6-upto 12 months) extension may be given subject to the following: • The contractor will provide bank guarantee of 35% amount of the unfinished additional work programme.

		• Will not be able to set off this work programme from subsequent phase (s). • DGH will reasonably determine the expected time required for completing additional work programme.
5	**Where MWP has been completed and hydrocarbon discovery has been made and the contractor wants to retain the area for additional exploration**	In this scenario, the extension may be granted in the following manner: a) 6 months extension may be given in terms of the provisions of the PSCs. b) Additional extension of upto 12 months (6 – upto 18 months) may be given subject to the following: • DGH will reasonably determine the estimated time required for completing additional exploration work programme. • the contractor would be required to give a bank guarantee of 35% amount of the unfinished additional work programme. • Will not be able to set off this work programme from subsequent phase. • In case the contractor is unable to complete the additional work programme within this period, the contractor will pay for 50% of the unfinished additional work programme
6	**Where MWP has been completed and hydrocarbon discovery has been made and the contractor is willing to relinquish the area as per the PSC, however, wants extension to carry out additional exploration:**	In this scenario, the extension may be granted in the following manner: a) 6 months extension may be given in terms of the PSCs. b) Additional 6 months (6 – upto 12 months) extension may be given on the following conditions: • DGH will reasonably determine the estimated time required for completing additional work programme. • Will not be able to set off this work programme from subsequent phase.

		• the contractor would be required to give a bank guarantee of 35% amount of the unfinished additional work programme. • In case unable to complete the additional work programme within this period, will pay for 35% of the unfinished additional work programme. c) Another 6 months (12-upto 18 months) extension (beyond 12 months) may be granted subject to the following: • DGH will reasonably determine the estimated time required for completing additional work programme. • the contractor would be required to give a bank guarantee of 50% of the unfinished additional work programme. • Will not be able to set off this work programme from subsequent phase. • In case unable to complete the additional work programme within this period, will pay for 50% of the unfinished minimum work programme.
7	**Blocks falling in unprospective area, MWP has not been completed (these may be blocks, which were awarded on a single bid basis)**	In this scenario, the extension may be granted in following manner: a) 6 months extension may be given in terms of the provisions of the PSCs. b) Another upto 12 months (6-upto 18 months) extension may be given subject to the following: • DGH to determine the block falls in unprospective area along with the supporting documents / data. • DGHto reasonably determine the time for completing the unfinished minimum work programme. • The contractor will provide bank guarantee of 50% amount of the unfinished minimum work programme. • The contractor will relinquish the area in terms of the provisions of the PSC at the

		beginning of this extension period. • The block will come in the domain of open acreage and may be offered in a bidding round or under open acreage system (as and when it comes in force). However, in case of any discovery as a result of work programme under implementation during this period, the contractor will have the right to retain the relevant discovery areas as reasonably determined by DGH / MC. In case, the contractor as a result of exploration during this extended period desires to go to the next phase of exploration, the contractor would be allowed to proceed to the next phase provided no licenses / leases have been issued or the area has not been offered under bidding process at the time. • Will be required to pay equivalent amount of the unfinished minimum work programme, if MWP is not completed in the extended period.
8	**Block falling in unprospective area and MWP have been completed but the contractor wants to retain the area to carry out additional work (these may be blocks, which were awarded on a single bid basis):**	In this scenario, extension may be given in the following manner: a) 6 months extension may be given in terms of the provisions of the PSCs. b) Another 12 months (6-upto 18 months) extension may be given subject to the following: • DGH to determine whether the block falls in unprospective area on the basis of supporting documents / data. • DGH to reasonably determine the time for completing the unfinished additional work programme • The contractor to provide bank guarantee of 35% amount of the unfinished minimum work programme. • The contractor to relinquish any area in terms of the provisions of the PSC at the beginning of this extension period. • The contractor will not be able to set off the additional work programme from the next phase. • The block will come in the domain of open acreage and may be offered in a bidding

		round or under open acreage system (as and when it comes in force). However, in case of any discovery as a result of work programme under implementation during this period, the contractor will have the right to retain the relevant discovery areas as reasonably determined by DGH / MC. In case, the contractor as a result of exploration during this extended period desires to go to the next phase of exploration, the contractor would be allowed to proceed to the next phase for such remaining area as is still open i.e., no licenses / leases have been issued or has not been offered under any bidding process at the time • Will be required to pay 50% of the equivalent amount of the unfinished additional work programme, if MWP is not completed in the extended period.

ii. Under Revenue Sharing Contract

- Under all OALP Rounds

a) **Clause 11.2.1** of Article 11 of MRSC

11.2.1 (a) The application for the Lease along with application fee, in respect of the approved Development Area in respect of Offshore Blocks shall be submitted to the Government within thirty (30) days from the approval of Development Area pursuant to Article 10.

(b) The application for the Lease along with application fee, in respect of the approved Development Area located in onshore area shall be submitted to the relevant State Government within thirty (30) days from the approval of Development Area pursuant to Article 10.

- Under OALP Rounds I to III

a) **Clause 3.2** of Article 3 of MRSC

3.2 Except as otherwise provided in Articles 3.3 and 3.4, the Exploration Period shall begin on the Effective Date, shall consist of two phases – Initial Exploration Phase and Subsequent Exploration Phase. The Exploration period will be of six (6) years for all types of Blocks. The Initial Exploration Phase shall consist of

a) Initial three (3) consecutive Contract Years with a provision for single extension of maximum one (1) year for contract areas falling in Onland and Shallow Water; and *b) Initial three (3) consecutive Contract Years with a provision for up to two extensions of maximum one (1) year each in case of contract areas falling in Deep Water, Ultra Deep Water and Specified Basin*

The Contractor shall have an option to proceed to the Subsequent Exploration Phase as per Article 3.3. Subsequent Exploration Phase shall consist of

a) Maximum of three (3) consecutive Contract Years as per Article 3.3 with a provision for single extension of maximum one year for contract areas falling in Onland and Shallow Water; and

b) Maximum of three (3) consecutive Contract Years as per Article 3.3 with a provision for up to two extensions of maximum one year each in case of contract areas falling in Deepwater, Ultra-Deepwater and Specified Basin

Provided that the Lease period granted for an initial period of twenty (20) years in the manner as prescribed under Article 11 shall not comprise of the Exploration Period under Clause 3.

Exploration Period shall be for a duration not exceeding the time period as given in the table in Appendix K.

- Under OALP Rounds IV to VIII

a) **Clause 3.4** of Article 3 of MRSC

3.4 For the purpose of completion of Committed Work Programme, the Contractor may extend the Exploration Period specified in Article 3.2 for a maximum period of nine (9) months in case of Onland/Shallow Water/CBM Blocks and eighteen (18) months in case of Deep Water/ Ultra-Deep Water Blocks by making a payment to the Government at least thirty (30) days prior to the expiry of Exploration Period as follows:

i) For Onland/Shallow Water/CBM Blocks: USD 25,000 or its INR equivalent per month or any part of the month for the duration of extension sought.

ii) For Deep Water/Ultra-Deep Water Blocks: USD 50,000 or its INR equivalent per month or any part of the month for the duration of extension sought.

The payment for seeking extension shall be made to the Bank Account prescribed by Government. The extension shall be automatic on making the payment in the account. The extensions can be sought multiple times by making requisite payment subject to cumulative maximum period prescribed above.

iii. Under DSF Contract

a) **Clause 11.1, Clause 11.2 and Clause 11.3 (b)** of Article 11 of MRSC

11.1 Petroleum Exploration License and Lease

11.1.1 In the event Existing Discovery (ies), being a discovered small field/ contract area operated by ONGC/OIL and the License/Lease has already been issued in favour of ONGC/OIL, the Government hereby agrees that it shall approve and enable the transfer of the License/Lease, as applicable, by ONGC / OIL in favour of the Contractor under the provisions of Rule 17 of the P&NG Rules. Provided that in the event that such transfer could not be completed within [60] sixty days of the execution of this Contract, the issued License/Lease shall be terminated. The Contractor thereafter shall submit forthwith an application for grant of Lease in respect of the contract area.

11.1.2 In the event the Field/contract area did not have an earlier Lease already issued or such Lease could not be transferred, then the Government shall on the application of the Contractor grant to the Contractor a Lease, to enable the Contractor to carry out Petroleum Operations in the contract area.

11.1.3 The Lease shall be granted for an initial period of twenty (20) years from the date of grant thereof subject to: a. cancellation in accordance with its terms, or on termination of this Contract in accordance with its terms;

b. the Lease period may be extended by mutual agreement between the Government and the Contractors for such period as may be agreed after taking into account the balance recoverable reserve and balance economic life of the Field/ contract area in the contract area from the expiry of the initial period. Provided that such extension would be for a period up to five (5) years or beyond as may be mutually agreed or as per extant Government policies/ guidelines.

c. the terms of this Contract and other terms and conditions as set forth in such Lease be consistent with this Contract and the relevant legislation.

11.2 Right to undertake Exploration for the duration of the Lease The Contractor shall have the right to explore for Petroleum (of any type) within the area covered by the mining Lease for the entire duration of the said Lease.

11.3 Where a Discovery extends beyond the Development Area designated in the Field Development Plan, subject to Article 10, such area may be included in the proposed Development Area, in relation to which application for a Lease is made, on such terms and conditions as decided by the Government; provided that such area is:

a. not subject to a License or Lease granted to any other person;

b. not the subject of negotiations/bidding for a License or Lease; and

c. Available for licensing (i.e., is not an area over which Petroleum Operations are excluded; and in relation to all areas which are not subject to any litigation or arbitration).

iv. Under CBM Contract

a) **Clause 5** of Policy for Extension of Exploration Phases for Exploration and Production under Coal Bed Methane contracts dated November 17, 2007

In order to adopt a transparent and consistent framework for granting extension in exploration phases, 'the Government in line with the existing policy of extension under NELP contract has framed. an extension policy for considering proposals seeking. extension in exploration phases under CBM contracts, which are either pending with the Government or may be received in future. The extension in phases under CBM Contracts in terms of, this policy. guidelines ·would be considered within the validity of the exploration period of 8 years. The broad objective of the extension policy is as under:

To maintain the integrity of the bidding process and the spirit of the Contract to explore ·and produce CBM gas early.

To grant reasonable extension of time so as. to enable contractors to complete MWP or additional exploration work programme;

Not to delay the execution of development plan or production or the life cycle of the entire project and payment of Royalty, taxes and contractual payments

iv) To act as deterrent for seeking unnecessary extension or holding on acreages without doing any or little expl6ration activities or activity at slow pace.

v) The. policy envisages a system of penalty by way of submission of bank guarantee and pre-estimated agreed Liquidated damages (in some cases/situations in lieu of unfinished or additional work programme. While proposing the amount of Bank guarantee, situations/factors. such as whether extension. is for completing MWP or additional Work Programme, whether commerciality has been established in the contract area, whether contract wants to retain the area for further exploration have been kept in mind.

vi) Up to 6 months extension may be given by the Steering Committee or the Government. on merit in terms of the provisions of the respective Contracts.

vii) Demonstrable delays on account of getting Government approvals /permits / clearances which are not attributable to the contractors will be counted as excusable delays and such delays shall be condoned. In this regard, if some extensions have already been granted by Steering Committee/Government on account of excusable delays, which took place from effective date of the Contract i.e., including delays prior to the extension policy coming in force the same will be regulated as CBM extension policy

viii) In case, the contractor does not fulfill the work programme within the stipulated period or extended period, as may be the case, he shall be required to pay money for the unfinished work programme, if any, to the Government in terms of the respective provisions of the contracts.

b) **Clause 2.6** of MoPNG notification Policy framework for early monetization of Coal Bed Methane dated 11 April 2017

2.6 Effective date of the contract

If delay in grant of Petroleum Exploration License (PEL) exceeds two (2) years from the State Governments in any Block, the Contractor if exercises exit option from the CBM Block, will be permitted to exit without paying cost of unfinished work program.

6.3.7. Process for PSC extension applications and approvals

a) **Clause 1** of the policy for granting extension to PSC dated March 28, 2016

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*

6.3.8. Provisions of incentives on sale for natural gas to private operators in Northeast region

a) **Clause 2** of notification titled “Price of APM natural gas produced by National Oil Companies (NOCs)” dated 31 May 2010

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.

b) **Clause 12** of “New Domestic Natural Gas Pricing Guidelines, 2014”

12. In the Northeastern Region (NER), the 40% subsidy would continue to be available for gas supplied by ONGC/OIL. However, as private operators are also likely to start production of gas in NER, and would be operating in the same market, this subsidy would also be available to them to incentivize exploration and production.

6.3.9. Transfer of Participating Interest (PI) among existing PI holders under a contract

i. Under Production Sharing Contract

a) **Clause 28.1, Clause 28.1.1 and Clause 28.2** of Article 28 of MPSC

28.1 Subject to the terms of this Article and other terms of this Contract, any Party comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that:

(a) the prospective assignee or transferee is of good standing, has the capacity and ability to meet its obligations hereunder, and is willing to provide an unconditional undertaking to the Government to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;

(b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;

(c) the prospective assignor or transferor and assignee or transferee respectively are willing to comply with any reasonable conditions of the Government as may be necessary in the circumstances with a view to ensuring performance under the Contract;

(d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.

(e) the prospective assignor or transferor of small size onland block having contract area less than 200 Sq. Km has completed the Minimum Work Programme committed under Initial Exploration Period as specified in Article 5.2 and 5.2.1

28.1.1 Subject to Article 28.7, nothing in this Article 28 shall prevent a Party comprising the Contractor from assigning or transferring a part or all of its Participating Interest to an Affiliate, with the approval of the Management Committee, provided that;

(a) the assignee provides an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article 29.3, in a form provided at Appendix-G;

(b) the assignee provides a parent financial and performance guarantee issued by the guarantor which furnished the guarantee pursuant to Article 29 in respect of the assignor Party's obligations under this Contract in favour of the Government, of the performance of such Affiliate assignee of its obligations under this Contract;

(c) the prospective Affiliate is not a company incorporated in a country with which the Government, for policy reason, has restricted trade or business;

(d) the assignment will not adversely affect the performance or obligations under this Contract or be contrary to the interest of India.

(e) the prospective assignor or transferor of small size onland block having contract area less than 200 Sq. Km has completed the Minimum Work Programme committed under Initial Exploration Period as specified in Article 5.2 and 5.2.1

28.2 In case of any change in the status of a Company or its shareholding resulting in a change in:

(a) the control of the Company; or

(b) its relationship with the company(ies) providing the guarantee under Article 29.1 (a), 29.1 (b) and 29.2;

the Company shall seek prior written consent of the Government for assigning the Participating Interest under the changed circumstances and the provisions of this Article 28 shall apply, mutatis mutandis, to be obtaining of such consent. For the purpose of this Article 28.2, control has the same meaning as in Article1.3.

ii. **Under Revenue Sharing Contract**

- Till OALP Round VII

a) **Clause 26.1** of Article 26 of MRSC

26.1 Subject to the terms of this Article and other terms of this Contract, any Member comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that:

(a) the prospective assignee or transferee, has the capacity and ability to meet its obligations hereunder, and is willing to provide an unconditional undertaking to the Government to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;

(b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;

(c) the prospective assignor or transferor and the assignee or transferee are willing to comply with any reasonable conditions of the Government as may be necessary in the circumstances with a view to ensuring performance under the Contract; and

(d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.

- Under OALP Round VIII

a) **Clause 26.3 and Clause 26.7** of Article 26 of MRSC

26.3 In case of any change in the:

(a) status of a Member or its shareholding resulting in a change in the “control” of any Member comprising the Contractor; or

(b) the “control” of the Parent Company of any Member; or

(c) status of a Member or its shareholding resulting in a change in its relationship with any company providing the guarantee specified under Article 27.1(a) and 27.1 (b);

Such change or changes, as the case may be, shall be deemed as an assignment of Participating Interest of the Member and the concerned Member shall seek prior written consent of the Government for any such change or changes and the provisions of this Article 26 shall apply, mutatis mutandis, to the obtaining of such consent and approval thereof by the Government. For the purpose of this Article, "control" shall have the same meaning as in Article 1.1.2.

iii. Under DSF Contract

a) **Clause 26.1 and Clause 26.2** of Article 26 of DSF Contract

26.1 Subject to the terms of this Article and other terms of this Contract, any Party comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that:

(a) the prospective assignee or transferee is of good standing, has the capacity and ability to meet its obligations hereunder, and is willing to provide an unconditional undertaking to the Government to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;

(b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;

(c) the prospective assignor or transferor and assignee or transferee respectively are willing to comply with any reasonable conditions of the Government as may be necessary in the circumstances with a view to ensuring performance under the Contract; and

(d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.

26.2 In case of any change in the status of a Company or its shareholding resulting in a change in:

(a) the control of the Company; or

(b) its relationship with the company(ies) providing the guarantee under Article 27; the Company shall seek prior written consent of the Government and the provisions of this Article 26 shall apply, mutatis mutandis, to be obtaining of such consent. For the purpose of this Article 26.2, control has the same meaning as in Article1.3.

iv. Under CBM Contract

- Till CBM Round IV

a) **Clause 25.1 and Clause 25.2** of Article 25 of CBM Contract

25.1 Subject to the terms of this Article and other terms of this Contract, a Company may assign, or transfer, a part or in whole of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that;

(a) the prospective assignee or transferee has financial capability and technical competence where relevant to the satisfaction of Government to meet its obligations hereunder, and is willing to provide an unconditional undertaking to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;

(b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;

(c) the assignor or transferor and the prospective assignee or transferee respectively are willing to comply with any reasonable conditions of the Government as may be necessary in the circumstances with a view to ensuring performance under the Contract; and

(d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.

25.2 In case of any change in the status of a Company or its shareholding resulting in a change in:

a) the control of the Company; or

b) its relationship with the company(ies) providing the guarantee under Articles 26.1 (a) and 26.1 (b);

the Company shall seek the consent of the Government for assigning the Participating Interest under the changed circumstances and the provisions of this Article 25 shall apply, mutatis mutandis, to be obtaining of such consent. For the purpose of this Article 25.2, control has the same meaning as in Article 1.3.

- Under SCBM Round

a) **Clause 26.1** of Article 26 of SCBM Contract

26.1 Subject to the terms of this Article and other terms of this Contract, any Member comprising the Contractor may assign, or transfer, a part or all of its Participating Interest, with the prior written consent of the Government, which consent shall not be unreasonably withheld, provided that the Government is satisfied that:

(a) the prospective assignee or transferee, has the capacity and ability to meet its obligations hereunder, and is willing to provide an unconditional undertaking to the

Government to assume its Participating Interest share of obligations and to provide guarantees in respect thereof as provided in the Contract;

(b) the prospective assignee or transferee is not a company incorporated in a country with which the Government, for policy reasons, has restricted trade or business;

(c) the prospective assignor or transferor and the assignee or transferee are willing to comply with any reasonable conditions of the Government as may be necessary in the circumstances with a view to ensuring performance under the Contract; and

(d) the assignment or transfer will not adversely affect the performance or obligations under this Contract or be contrary to the interests of India.

6.3.10. **Annual Work Programme (AWP) approval under CBM regime**

a) **Clause 10.3** of Article 10 of CBM Contract

10.3 Annual Work Programmes and Budgets for Development Operations shall be submitted to the Steering Committee as soon as possible after the approval of the Development Plan and thereafter not later than 31 December of each Year immediately following.

6.3.11. **Flexibility to deploy new exploration technology/ methods for meeting Minimum, Committed or Bid Work Programme**

i. Under Production Sharing Contract

a) **Clause 4** of the MoPNG notification, Policy Framework for Relaxations, Extensions and Clarifications at the development and Production Stage under the PSC dated November 10, 2014

4 Swapping of 2D (Dimensional) and 3D Seismic in Minimum Work Programme (MWP)

4.1 There is no provision in PSC to swap 2D seismic survey program of MWP with 3D survey program which may be required due to technical or logistical reasons and vice versa.

4.2 DGH is empowered to approve the swapping of 2D Acquisition Processing and Interpretation (API) data and 3D API data ·with each other, where it.is justified on the basis of technical and logistical merits, after proper scrutiny on recommendations of MC. The basis of conversion would be 1sq.km of 3D would be equivalent 10 Line Kilometer (km). of 2D. This would cover mandatory 2D Seismic API also and will be applicable to the existing and future cases in all PSCs. However, when the contractor has bid for full area 2D and full area 3D, then substitution would not be allowed.

ii. Under Revenue Sharing Contract

- Till OALP Round VII

a) **Clause 5.4** of Article 5 of MRSC

5.4 Subject to Article 29, in the event that the Contractor fails to fulfill the said Committed Work Programme, then each Member constituting the Contractor shall pay to the Government its Participating Interest share for an amount which shall be equivalent to Liquidated Damages as specified in Appendix I.

LD shall be payable for the quantum that falls short against Committed Work Programme. However, in case of Well(s) which have not been drilled upto the depth specified in the Committed Work Programme stated under article 5.1, the Contractor shall pay LD for the entire Well, irrespective of the meterage left to be drilled.

DGH shall approve the swapping of 2D Acquisition, Processing and Interpretation data and 3D Acquisition, Processing and Interpretation data with each other, in a manner such that the weighted seismic programme quoted, and the marks obtained at the time of bidding remains the same or are higher.

In case of swapping of 2D and 3D Acquisition, Processing and Interpretation data, the LD will be levied as per Committed Work Programme.

- Under OALP Round VIII

a) **Clause 5.7** of Article 5 of MRSC

5.4 Subject to Article 29, in the event that the Contractor fails to fulfill the said Committed Work Programme, then each Member constituting the Contractor shall pay to the Government its Participating Interest share for an amount which shall be equivalent to Liquidated Damages as specified in Appendix I.

LD shall be payable for the quantum that falls short against Committed Work Programme. However, in case of Well(s) which have not been drilled upto the depth specified in the Committed Work Programme stated under article 5.1, the Contractor shall pay LD for the entire Well, irrespective of the meterage left to be drilled.

DGH shall approve the swapping of 2D Acquisition, Processing and Interpretation data and 3D Acquisition, Processing and Interpretation data with each other, in a manner such that the weighted seismic programme quoted, and the marks obtained at the time of bidding remains the same or are higher.

In case of swapping of 2D and 3D Acquisition, Processing and Interpretation data, the LD will be levied as per Committed Work Programme.

iii. Under CBM Contract

- Till CBM Round IV, there are no provisions for swapping in Committed Work Programme
- Under SCBM Round

a) **Clause 5.4** of Article 5 of SCBM Contract

5.4 Subject to Article 29, in the event that the Contractor fails to fulfill the said Committed Work Programme, then each Member constituting the Contractor shall pay to the Government its Participating Interest share for an amount which shall be equivalent to Liquidated Damages as specified in Appendix I.

LO shall be payable for the quantum that falls short against Committed Work Programme. However, in case of Well{s) which have not been drilled upto the depth specified in the Committed Work Programme stated under article 5.1, the Contractor shall pay LO for the entire Well(s), irrespective of the meterage left to be drilled.

DGH shall approve the swapping of 2D Acquisition, Processing and Interpretation data and 3D Acquisition, Processing and Interpretation data with each other, in a manner such that the weighted seismic programme quoted, and the marks obtained at the time of bidding remains the same or are higher. In case of swapping of 2D and 3D Acquisition, Processing and Interpretation data, the LD will be levied as per Committed Work Programme.

6.3.12. Exchange rate conversion methodology across contract regimes

i. Under Production Sharing Contract

a) **Clause 1.6.1** of Appendix C Section 1 of MPSC

1.6 Currency Exchange Rates

1.6.1 For conversion purposes between United States Dollars and Indian Rupees or any other currency the Reserve Bank of India Reference Rate of Exchange for the transaction day on which the revenues, costs, expenditure, receipts or income are recorded shall be used.

If Royalty or Government share of Profit Petroleum is remitted in Indian Rupees, the Reserve Bank of India Reference Rate of exchange of the day preceding the payment day shall be used.

1.6.2 Any realized or unrealized gains or losses from the exchange of currency in respect of Petroleum Operations shall be credited or charged to the accounts. A record of the exchange rates used in converting Indian Rupees or any other currencies into United States Dollars as specified in Section 1.6.1 shall be maintained by the Contractor and shall be identified in the relevant Statements required to be submitted by the Contractor in accordance with Section 1.4.2.

ii. Under Revenue Sharing Contract

- Till OALP Round VII

a) **Clause 15.6** of Article 15 of MRSC

15.6 The Contractor shall remit Royalty and Government share of Revenue in Indian Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency, the Reserve Bank of India Reference Rate of Exchange *for the transaction day on which the revenues receipts or income are recorded shall be used.*

b) Under Appendix G of MRSC

** Bank Guarantee can be submitted in INR. For exchange rate from USD to INR, exchange rate published by FBIL for the same day or immediate previous working day can be used.*

***Jurisdiction of the BG shall be New Delhi or Place of issuance of BG.*

- Under OALP Round VIII

a) **Clause 15.6** of Article 15 of MRSC

15.6 The Contractor shall remit Royalty and Government share of Revenue or any other Government dues under the Contract in Indian Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency, the RBI/FBIL/RBI authorized agency reference rate of Exchange on the transaction day on which such remittance is made shall be used. The abbreviation of RBI and FBIL shall mean Reserve Bank of India and Financial Benchmarks India (P) Limited, respectively.

iii. Under DSF Contract

- Till DSF Round II

a) **Clause 15.5** of Article 15 of DSF Contract

15.5 The Government's share of Revenue for a month shall be paid by the Contractor to the Government latest by the end of succeeding Month. In the event of any failure to pay Government's share of Revenue within the due date, the Contractor shall pay interest compounded on daily basis for the entire period of delay at LIBOR as defined in Article 1.60 plus two (2) percentage points.

- Under DSF Round III and SDSF Round

a) **Clause 15.6** of Article 15 of DSF Contract

15.6 The Government's share of Revenue for a month shall be paid by the Contractor to the Government latest by the end of succeeding Month. In the event of any failure to pay Government's share of Revenue within the due date, the Contractor shall pay interest compounded on daily basis for the entire period of delay at "SOFR plus 0.42826 percentage points" plus 2 (two) percentage points/200 basis points.

iv. Under CBM Contract

- Till CBM Round IV

a) **Clause 17.3** of Article 17 of CBM Contract

17.3 The rates of exchange for the purchase and sale of currency by the Contractor and its constituents shall be the prevailing rates of general application determined by the Reserve Bank of India or such other financial body as may be mutually agreed by the Parties and, for accounting purpose under this Contract, these rates shall apply as provided in Section 1.6 of Appendix C.

- Under SCBM Round

a) **Clause 15.6** of Article 15 of SCBM Contract

15.6 The Contractor shall remit Royalty and Government share of Revenue in Indian Rupees (INR). For conversion purposes between United States Dollars and Indian Rupees or any other currency, the Reserve Bank of India Reference Rate of Exchange for the transaction day on which the revenues receipts or income are recorded shall be used.

6.3.13. Acceptance of Unconditional and Irrevocable Surety Bonds In lieu of Bank Guarantee (BG)

i. Amendment to General Financial Rules (GFR), 2017 to include Insurance Surety Bonds as Security Instrument

No.F.1/1/2022-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

264-C, North Block, New Delhi.
2nd February, 2022

OFFICE MEMORANDUM

Subject: Amendment to General Financial Rules (GFR), 2017 to include Insurance Surety Bonds as Security Instrument.

It has been decided to partially amend Rule 170(i) and Rule 171(i) of General Financial Rules (GFR), 2017 regarding 'Bid Security and Performance Security respectively' as under:

Rule/ Para	Existing provision	Amended Rule
170(i)	The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the Commercial Banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects.	The bid security may be accepted in the form of **Insurance Surety Bonds**, Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the Commercial Banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects.
171(i)	Performance Security may be furnished in the form of an Account Payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank or online payment in an acceptable form safeguarding the purchaser's interest in all respects.	Performance Security may be furnished in the form of **Insurance Surety Bonds**, Account Payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank or online payment in an acceptable form safeguarding the purchaser's interest in all respects.

2. This OM is also available on website of Department of Expenditure; www.doe.gov.in -> Notification -> Circular --> Procurement Policy OM. Hindi version of this OM will follow.

2/2/22
Kanwalpreet
Director (Procurement Policy)
Tel.: 23093811
Email: kanwal.irss@gov.in

To
Secretaries to All Central Government Ministries/ Departments

ii. Under Production Sharing Contract

b) **Clause 29.2, Clause 29.3 (a) and Clause 29.3 (b)** of Article 29 of PSC Contract

29.2 If the Contractor elects to retain the contract area during the Subsequent Exploration Period by committing to drill Exploration Wells after completing the Minimum Work Programme, under Article 3.4 (a), each of the Companies constituting the Contractor shall procure and deliver to the Government before the expiry of the Initial Exploration Period an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article 29.3 and valid for the Subsequent Exploration Period opted by the Contractor, in a form provided at Appendix-G.

29.3

(a) The amount of the guarantee referred to in Articles 29.1 (a) and 29.2 above shall be an amount equal to seven and one half percent (7 ½ %) of the Company's Participating Interest share of the total estimated expenditure in respect of Minimum Work Programme including Mandatory Work Programme or Work Program as the case may be, to be

undertaken by the Contractor in the contract area during the Initial or Subsequent Exploration Period. The total estimated expenditure for the Exploration Period for the purpose of furnishing bank guarantee by the Contractor shall be higher of the cost estimates by the Contractor or the Budget estimates presented to the Management Committee, or the amount of Liquidated damages specified in Article 5.

(b) after the completion and due performance of the Minimum Work Programme including Mandatory Work Programme or committed Work Programme during Initial Exploration Period or the Subsequent Exploration Period, as the case may be, the guarantee will be released in favour of the Company on presentation to the bank of a certificate from the Government that the obligation of the Contractor has been fulfilled and the guarantee may be released. Such certificate shall be provided within thirty (30) days from the completion of the said Work Programme and fulfilment of obligations under the Contract to the satisfaction of the Government.

iii. Under Revenue Sharing Contract

b) **Clause 27.1 (a)** of Article 27 of RSC Contract

27.1 Each of the Members constituting the Contractor or their Parent Companies or the Operator on behalf of the other Members, shall procure and deliver to the Government within thirty (30) days from the Effective Date, or within thirty (30) days from the date of opting for the mandatory Exploratory well(s) for Phase-II (Part-A and Part-B), as applicable:

(a) an irrevocable, unconditional Bank Guarantee from a Scheduled Commercial Bank of good standing in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27.2 and valid for the Exploration Period for which bid commitments are made as specified in Article 5.1 with claim period of sixty (60) days, in a form provided at Appendix G;

iv. Under DSF Contract

b) **Clause 27.1 (a), Clause 27.2 (a) and Clause 27.2 (b)** of Article 27 of DSF Contract

27.1 Each of the Companies constituting the Contractor shall procure and deliver to the Government within thirty (30) days from the Effective Date of this Contract:

(a) an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in favour of the Government, for the amount specified in Article27.2 and valid for the period (3, 4, 6 years as the case may be) specified in Article 3.2 with claim period of 90 days, in a form provided at Appendix E;

27.2 (a) The bank guarantee referred to in Article 27.1 (a) above shall be for an amount calculated at rates specified in Article 5.2. in respect of the Bid Work Program Specified in Article 5.1, provided that in the absence of any Bid Work Program stipulated in Article 5.1, the bank guarantee shall be submitted for a minimum guarantee of equivalent amount of USD 0.15 million, USD 0.23 million and USD 0.30 million respectively for contract area in on-land, shallow water and deep water.

(b) After the completion and due performance of the Bid Work Program, the guarantee will be returned to the Company, provided that a bank guarantee submitted in respect of the minimum amount shall be returned on commencement of commercial production or on completion of period stipulated in Article 3.2 of RSC, whichever is earlier.

v. **Under CBM Contract**

- Till CBM Round IV

b) **Clause 26.1 (a), Clause 26.3 (a) and Clause 26.3 (b)** of Article 26 of CBM Contract

26.1 Subject to Article 26.1 (d), each of the Companies constituting the Contractor shall produce and deliver to the Government on the Effective Date of this Contract:

(a) an irrevocable, unconditional bank guarantee from a reputed bank of good standing in India, acceptable to the Government, in ·favour of the Government, for the amount specified in Article 26.2 in a form and substance acceptable to the Government as set out in Appendix-F;

26.3 The guarantee shall provide that:

(a) the amount referred to in Article 26.2 shall be automatically adjusted at the end of each Year for an amount equal to a Company's participating share of thirty five percent (35%) of the total estimated expenditure in respect of the Work Programme to be undertaken for the following Year of the relevant Phase till Phase-II. The guarantee shall be renewed at the end of each Year positively thirty (30) days before the expiry of the guarantee period; and

(b) after the completion and due performance of the Minimum Work Programme of Phase-I or Phase-II, as the case may be, the guarantee will be released in favour of the Company on presentation of a certificate from the Government to the bank that the obligation of the Contractor has been fulfilled and the guarantee may be released, subject to Article 26.4. Such certificate shall be provided within thirty (30) days from the completion of the Minimum Work Programme and fulfillment of obligation under the contract to the satisfaction of the government.

- Under SCBM Round

b) **Clause 27.1 (a)** of Article 27 of SCBM Contract

27.1 Each of the Members constituting the Contractor or their Parent Companies or the Operator on behalf of the other Members, shall procure and deliver to the Government within thirty (30) days from the date on which this Contract is executed by the Parties:

(a) an irrevocable, unconditional Bank Guarantee from a Scheduled Commercial Bank of good standing in India, acceptable to the Government, in favor of the Government, for the amount specified in Article 27 .2 and valid for the Exploration Period for which bid commitments are made as specified in Article 5.1 with claim period of sixty (60) days, in a form provided at Appendix G.

6.4. Annexure IV: Regime-wise issues pending for deliberation for next phase of JWG

Resolution Time	Short Term	Medium Term	Long Term

S. No.	Issues	Submission by JWG Members	Regime	Category
1	**Withdrawal and Utilization of amount deposited as per Site Restoration Fund Scheme (Section 33ABA read with Site Restoration Fund Scheme, 1999)**	Para 8 of the Site Restoration Fund Scheme, 1999, provides that "A depositor shall be entitled to withdraw from the amount standing to the credit of the account only such amount as is necessary to meet any expenditure to be incurred by him **on the expiry or termination of the agreement or relinquishment of part of the contract area, towards removal of all equipment and installations**, in a manner agreed with the Central Government pursuant to an abandonment plan or towards all necessary site restoration in accordance with modern oilfield and petroleum industry practices and towards meeting all other expenses necessary to prevent hazards to life or property or environment consequent on such expiry, termination or relinquishment." DGH is denying the bona fide request for withdrawal of Site Restoration Fund for carrying out the planned abandonment activities on the plea that the abandonment activities proposed to be carried out are not followed/coupled by the expiry or termination of the agreement or relinquishment of part of the contract area. It is suggested, para 8 of the Site Restoration Fund Scheme, 1999 may be modified as follows- "A depositor shall be entitled to withdraw from the amount standing to the credit of the account only such amount as is necessary to meet any expenditure to be incurred by him either on **the expiry or termination of the agreement or relinquishment of part of the**	PSC	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
		contract area or otherwise, towards removal of all equipment and installations, in a manner agreed with the Central Government pursuant to an abandonment plan or towards all necessary site restoration in accordance with modern oilfield and petroleum industry practices and towards meeting all other expenses necessary to prevent hazards to life or property or environment consequent on such expiry, termination or relinquishment." Medium Term		
2	**Issues related to deductions u/s 42 in respect of RSC Blocks**	**Methodology for determining eligible deduction u/s 42 in respect of RSC blocks** Relevant Article of RSC signed with the GoI in respect of OALP & DSF blocks has provided that all expenditure incurred on exploration, development and production shall be allowed as deduction u/s 42 of the Act. However, it does not provide for the methodology for claiming such expenditure, unlike in earlier PSCs (under NELP regime) DGH proposed for amendment in RSCs of OALP (Rounds I to VII) to incorporate the methodology in line with amendment in model RSC of OALP VIII, with retrospective effect. As per proposed amendment, tax treatment of survey expenditure would be in line with the tax treatment of exploration/drilling expenditure i.e., survey expenditure incurred before commercial production needs to be accumulated till the year of relinquishment of the area or commencement of the commercial production.	RSC	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
		Proposed amendment in RSC for OALP (Rounds I to VII), would debar the ONGC from claiming survey expenditure in such blocks on incurrence basis and tax deduction already claimed would also get impacted. MoP&NG/DGH may like to review the proposed methodology for claiming tax deduction u/s 42 of the Act being incorporated in the RSC and to make any amendment in the already signed RSCs with prospective effect. Medium Term		
3		Amendment in RSC blocks to allow exemptions under section 42 of the Income Tax Act (pending for 4 years) Long Term	RSC	Financial
4	**Complex procedure to obtain Environmental Clearances (EC) and other clearances**	Precisely defining the scope of On-shore and Off-shore Oil & Gas Exploration activities in the gazette notification S.O.236 (E) dtd 16th January 2020, through which such activities has been categorized as B2 schedule project under EIA Notification, 2006 Gazette notification S.O.236 (E) dtd 16th January 2020 need to be amended by incorporating a 3rd point in the note column of the gazette as detailed below: "Off-shore and Onshore oil and gas Exploration will include Appraisal Testing and Extended Testing with associated Flaring and required facilities like Early Production Unit (EPU) / Quick Production Unit (QPU) etc." Long Term	All regimes	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		Environmental clearance for oil and gas exploration projects located beyond 12 NM of the Indian territorial water need not to be insisted under purview of EIA Notification, 2006 or the Draft EIA Notification, 2020, which presently under public consultation since after gazette notification published on 23.03.2020 DGH to modify the clause 14.5.1 & 14.5.2 in PSC /RSC contract replacing the clause of obtaining Govt. approval of EIA reports for Off-shore Drilling activities beyond 12 NM with - “EIA report to be made as per international Standard with self-certification by the operator and duly vetted by OISD” -No approval from Govt Agency etc. should be included there OISD may be considered as the competent authority for approving the EIA Report and authorized to monitor environmental parameters beyond 12 NM, as OISD-RP-201 already prescribes Environment Management in E&P sector and there are similar other Standards/RP/GDN available with OISD for Offshore operations Long Term	All regimes	Procedural
		The validity of Environment Clearance (EC) for Oil & Gas E&P activities need to be made co-terminus with PML under provision of EIA Notification,2006 Long Term	All regimes	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		To facilitate part transfer of EC for Discovered Small Field (DSF) blocks from previous Lessee to other Operators by carving areas from the PML blocks, for which valid ECs are available with the original PML block owners-OIL/ ONGC/ Others DGH may facilitate/ mediate for such EC bifurcation/ transfer process for which valid EC is available and such are permissible under provision of clause (11) of EIA notification, 2006. which reads as: A prior environmental clearance granted for a specific project or activity to an applicant Bifurcation of original EC into two parts proposed with amendment of original EC under provision of regulation 11 (Transferability of Environmental Clearance) of EIA Notification, 2006, will facilitate the operator to save this time and start Oil & Gas extraction Process Medium Term		
		To permit construction of linear pipeline projects in non-forestland land at risk and cost of the Operator, for the EC proposals which involves both forest as well as non-forest lands Long Term	All regimes	Procedural
		Consideration of Industry suggestions on amendment of draft EIA Notification, 2020 published by MoEF&CC through gazette notification S.O 1199 (E) dtd 23rd March 2020 MoPNG may consider the suggestions put forwarded by the industry group and forward the same to MoEF&CC Long Term	All regimes	

S. No.	Issues	Submission by JWG Members	Regime	Category
		Common consent for Social Licenses (EC, FC, CRZ, PCB) under a single application Unified approval for Marine O&G Infrastructure (DGS, MOHA, Naval, Maritime Board, Customs). Zero Date to be linked to Regulatory Approvals. Long Term	All regimes	Procedural
		Streamlining and simplification of time consuming and complex procedures by involving the DGH, which may reduce delays in project execution: E.g., DGH may issue a clarifying note on reinjection of PW to SPCB & MoEF&CC requesting to allow reinjection in reservoir without requirement of treatment. MoPNG can recommend MoEF&CC to make DGH a part proponent for EC approvals: DGH could facilitate faster approval of EC Long Term	All regimes	Procedural
		Single window clearance of EC (CRZ, GPCB, Forest etc.) must be established being an important part of the new projects. It is taking more than two years' time to get these clearances. It will facilitate early field development Long Term	All regimes	Procedural
		Single Window Statutory clearances (EC, FC, CRZ etc.) may be provided for the blocks on offer for bidding or pre-approved bidding areas may be offered for carrying out exploration activities Finalization of ESZ areas in the North-East (viz. Dishing Patkai NP, Borjan-Bherjan Padumoni, Kaziranga NP) from MoEF&CC	All regimes	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		should be expedited and completed as soon as possible. It attracts WLS clearance within default 10 km radius for any project sites/ drilling locations and delays the projects Long Term		
5	**Extension of Environment Clearance (EC) upto 30 yrs.**	EC for oil and gas projects should be linked to the life of the mine Long Term	All regimes	Others
6	**Requirement of singular Regulation & Regulatory Authority for governing/ monitoring upstream Oil & Gas E&P Activities**	To bring O&G upstream E&P activities under administrative control of OISD under MoPNG under purview of Oil & Gas Regulation and Development Act, 1948/ P&NG Rules, 1959 or any other new regulation framed for the purpose, instead of involvement of multiple Ministries. OISD presently is the standing Technical Directorate for petroleum sector reporting directly to the MoPNG on Safety related issues and also functions as regulatory agency for offshore operations beyond 12 NM Long Term	Others	Procedural
7	**Grant of one time PESO approval/License for the HSD Tank for a specific Mobile Rig in line with those License/Approvals granted for pressure vessels etc.**	Either one time License to be granted or if required necessary amendment may be made in the Act/Regulation for exempting HSD tank of mobile rigs for one time storage license for storing Class B Petroleum more than 1,000 liters in a single tank. Medium Term	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
8	**Streamlining issues related to approval from Standing Committee for National Board of Wildlife (SC-NBWL) after due recommendation from State Board of Wildlife for projects executed inside Protected Areas (PAs) for projects executed in ESZ areas, outside the boundaries of PAs**	**Early Site specific Eco Sensitive Zones (ESZ) notifications around Protected Areas (PA's)** DGH to facilitate for early notification of site specific ESZ area for all pending cases around the Oil blocks by prioritization of 8 cases referred above in the States of Assam and Arunachal Pradesh Pending site specific ESZ Notifications, as a stop gap measure, to adopt recommendation of CEC (Central Empowered Committee) in its report dtd 20th September, 2012 against IA-1000- Which advises to reduce 10 Km ESZ area to (100 mtr to 2 Km) as per size of the PAs mentioned in the report. Long Term	Others	Procedural
		Revive the Wildlife Division's guideline dated 26.09.2014 regarding obtaining approval from SC-NBWL for projects executed in ESZ areas and requiring EC as well under EIA Notification, 2006 Long Term	Others	Procedural
		Oil & Gas E&P activities are not to be 'Prohibited' in site specific ESZ areas outside the forest boundary (notified or to be notified)- Such should be permitted as a 'Regulated Activities' under provision of prevailing regulations with stringent monitoring mechanisms, else the nation will lose lot of reserves in the closed proximity to forest areas Instead of prohibiting, Oil & Gas E&P activities are to be permitted as a 'Regulated Activities' under provision of prevailing regulations with stringent monitoring mechanisms in site specific ESZ areas outside the forest boundary	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		(notified or to be notified) Long Term		
		Oil & Gas Seismic Survey should be permitted inside National Park/Wildlife Sanctuary & other PAs, at least for the awarded blocks, else the reserve of hydrocarbon can't be assessed Long Term	Others	Procedural
		Standing Committee for the State Board for Wildlife (SC-SBWL) may be constituted in all State/UTs under Chairmanship of State Env Minister in line with the Standing Committee of National Board for Wildlife (SC-NBWL) under Chairmanship of Minister Env & Forests and conducting Quarterly meetings of SC-SBWL for faster approval of Wildlife Clearance proposals for projects inside PAs as well as ESZ areas, else it is taking minimum 3/ 4 years' time Long Term	Others	Procedural
		Introduce Separate Form for proposals executed in ESZ areas and requiring approval from SC-NBWL instead of using the present prescribed Five-part format designed for execution of projects with diversion of forest lands inside the Protected Areas Long Term	Others	Procedural
9	**Streamlining issues related to Forest Clearance (FC) under Purview of FC Act, 1980**	**Oil & Gas extraction and production activities are to be treated as Non mining Activity under purview of FC Act, 1980** In line with EIA Notification, 2006, Oil & Gas E&P activities need to be considered as non-mining operation MoPNG also to amend Oil Field (Regulation and Development) Act, 1948 and P&NG Rules, 1959	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		through appropriate Gazette notification Long Term		
		Creation of land bank in State/UTs in order to facilitate arranging CA land for Compensatory Afforestation (CA) in connection with Forest Clearance Proposal in the States having poor forest cover over the States with forest density more than 75% of its geographical area MoEF&CC may consider for realization of NPV in lieu of CA land for faster grant of Stage-I FC State/UTs having poor forest cover may create their land bank for CA for availing the provision made available vide MoEF&CC's OM dtd 22.05.2019 Long Term	Others	Procedural
		Compliance to "Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act (FRA), 2006" not to be stipulated while granting FC from Central Govt under section 2(iii) of FCA, 1980 for the purpose of granting on-shore PML blocks by the respective State Governments Clause of compliance of FRA, 2006 not to be stipulated by Central Govt while granting FC under section 2(iii) of FCA, 1980 for the purpose of grant of PML and either MoEF&CC or MoTA to issue a guideline to all State/Uts in line with such exemption notified through guideline dtd 17.01.2017 in connection with grant of MLs under provision of MMDR Act, 1957 Long Term	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		Exempt Extended Reach Drilling (ERD) or other deviational proposals from outside the forest boundary for obtaining FC under purview of section 2(ii) of FCA, 1980 Applicability of FC for Extended Reach Drilling (ERD) or other deviational proposals from outside the forest boundary need to be exempted under provision of FCA, 1980 and the committee constituted for the purpose after meeting at MoEF&CC on 18.03.2020 may submit its report at the earliest for necessary implementation of the same at field level Though ERD/Deviational drilling program are much costlier compared to conventional drilling program- Exempting its applicability under FCA, 1980 as well as Wildlife Clearance approval process, would encourage the PPs to use these technologies to avoid use of forest land for extraction of Oil & Gas as well as other minerals. Long Term	Others	Procedural
		Authorize Regional offices (RO), MoEF&CC (will be named as IRO wef 01.10.2020) for approving Mining proposal up to 5 ha, till Oil & Gas E&P activities are treated as Mining project In line with empowering REC of RO/IRO, MoEF&CC for approving non-mining and non-hydel projects up to 40 ha forest land, if not 40 ha, at least may be considered for authorizing for approving mining proposals up to 5 ha Long Term	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		NPV @ 2 % not to be collected during grant of PML involving forestland, as only 2% to 3% of the allotted land is used for Oil & Gas E&P activities, but high amount of NPV is realized for un-used/ un-broken 98% to 97% forest land As recommended in CEC's report dtd 25.02.2014 in conjunction with S'Çourt's order dtd 08.08.2014 against IA-3627, NPV @ 2% not to be collected during grant of FC under section 2(iii) of FCA, 1980 for the purpose of grant of PML, as PML only gives the operator preferential/access right over the area, without any right over the surface of the forest land. For surface right over the forest land, operator of PML block has to obtain FC under section 2(ii) first before start of any E&P activities in forest lands. Hence instead of realization of 2 % NPV during granting PML, NPV @ 100% may be realized while granting FC under section 2(ii) of FCA, 1980 Long Term	Others	Procedural
		De-link Forest Clearance from on-line EC applications submitted in Parivesh portal of MoEF&CC Long Term	Others	Procedural
		Exclusively for short term exploratory drilling proposals-NPV realization in lieu of land for CA in connection with forest clearance proposal under FCA, 1980 NPV realization in lieu of land for CA in connection with forest clearance proposal under FCA, 1980 may be considered exclusively for exploratory drilling proposals Long Term	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		Organizing Quarterly/Six monthly Review meetings of RO/IRO, MoEF&CC & PCCF & HoFF of the concerned State/UTs to asses/resolve the pending FC and Wildlife Clearance proposals Such Quarterly/Six monthly periodic meeting may be planned by DGH involving User Agencies, RO/IRO, MoEF&CC and the PCCF & HoFF of the concerned State/UTs for early resolve of the issues Long Term	Others	Procedural
		Digitized geo referenced based Forest & Wildlife maps need to be prepared based on latest satellite imagery for clear demarcation of forest boundaries with revenue land records of the respective States for all cases including N-Eastern States , as otherwise identification of Wildlife, PA and Forest area takes long time MoEF&CC to take initiative for preparation of digitized geo referenced based Forest & Wildlife maps based on latest satellite imagery for clear demarcation of forest boundaries with revenue land records of the respective State/UTs DGH to make Decision Support System (DSS) operational in consultation with NDR for which they have received the mail ID and password from the Forest Survey of India (FSI), Dehradun. The data on boundaries of Forest Areas, Protected Areas, National Parks etc. available in the DSS system Long Term	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
10	**Streamlining issues related to single window clearances**	**Single window clearance mechanism related to all clearances/ approvals/ Permission/NOCs etc. under the prevailing Environmental regulations is very much essential. This has to be under control of MoPNG for revival of upstream E&P activities in Indian Basins, which is utmost hurdle faced by the Operators since after allotment of the block by GoI** MoPNG may consider instituting a single window clearance mechanism under its control, who would internally follow-up and give final consent for the vital approval/clearances for the blocks since after allotment by GoI. If internal stakeholders delay, deemed approval mechanism to be formulated DGH may facilitate for grant of PEL/PML for on-shore blocks since after their allotment by GoI, and effective date should be after allotment of PEL/PML only DGH may facilitate for grant of FC under section 2(iii) if FCA, 1980 from Central Govt for the purpose of allotment of on-shore PML blocks by State Govt for blocks involving forest lands and effective date should be after allotment of PML only for such cases DGH may also facilitate for faster grant of Stage-I FC for diversion proposals under section 2(ii) of FCA, 1980 and grant of CRZ Clearance under purview of Coastal Regulation Zone (CRZ) Notification, 2011. EC is kept on hold pending submission of Stage-I FC as well as CRZ Clearance and without EC, no activities can be started in a block - Effective date should start for such cases only after grant of EC only DGH may also facilitate for faster approval from SC-NBWL for	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		projects executed in ESZ area outside the boundary of Pas Medium Term		
11	**E&P vendors face several challenges related to indirect taxation on Procurement of goods and services including specific issue with Non-Resident Taxable Persons (NRTP), leading to contractual disputes with E&P Operators**	E&P operators face contractual disputes related to procurement of goods, leading to exhaustion of time and resources in litigation proceedings and delays in execution of projects. Some challenges faced w.r.t. E&P vendors include the following: List of items for domestic procurement and through import differs significantly No uniformity in authority empowered to issue Essentiality Certificate: DGH for domestic goods and ONGC for imported goods Movement of goods from one state to another requires another EC/NOC from DGH, which is not issued in most cases, leading to non-applicability of concessional rates ONGC is not able to avail ITC of taxes paid on inputs since the main products are oil and gas that fall out of GST ambit. Frequent changes such as recent increase of GST rate from 5% to 12% and limiting of eligible items for concession in case of import have led vendors to request additional taxes resulting in increased costs and contractual disputes Long Term	Others	Fiscal
		E&P operators face contractual disputes related to procurement of services leading to exhaustion of time and resources in litigation proceedings and delays in execution of projects. Some challenges faced w.r.t. E&P service providers include the following: The applicability of the concessional GST rate of 12%	Others	Fiscal

S. No.	Issues	Submission by JWG Members	Regime	Category
		involves subjectivity due to the absence of clear definitions for terms like exploration, mining, and drilling under GST Law. Services procured by contractors often attract 18% GST, leading to an inverted tax structure when they supply services to ONGC at the concessional 12% rate. In addition to the cumbersome process of claiming refund for the inverted supply, it also leads to contractual issues with the vendors. Contractual disputes during tendering for work area falling within onshore as well as offshore, with different applicable concessional GST of 18% and 12% respectively. Long Term		
12		GST-TDS applied in addition to advance payment of estimated GST on the contract for Non-Resident Taxable Persons (NRTP) leads to contractual disputes as well. Long Term	Others	Fiscal
13	**Requirement of multiple statutory approvals from various agencies of Central Govt. and State Govt. coupled by Inter-departmental conflicts leads to delays and cost overruns.**	Extraction of oil/ gas should not be considered at par with coal, iron, and other mining activities under purview of MMDR Act 1957 in respect of forest regulations Present system require long lead time (2 years minimum) for obtaining Stage-I and Stage-II clearances One body may be identified and authorized for reporting with respect to safety related issues (PESO, DGMS, OISD etc.). PESO License: Treating drilling operations as a temporary operation, the requirement may be specifically described Covering the drilling operations as a whole. Issue PEL/PML through a single point arrangement at the time of	Others	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		signing of RSC. In other words, One-Point Lease Allotment should be arranged to save considerable time Establishing a central coordinating body or office to manage and oversee the regulatory process Long Term		
14	**Unnecessary prolonged processes resulting in lower efficiency**	Establishing clear, standardized timelines for each type of statutory clearance Setting deadlines for approvals and responses Periodically reviewing and updating regulatory procedures and requirements can ensure that they remain relevant and effective. This includes eliminating redundant processes and incorporating feedback from stakeholders. Medium Term	Others	Procedural
15	**Current Initial Exploration Period (IEP) for onshore & offshore OALP blocks with seismic and drilling program is too short and challenging for E&P operators**	Onland OALP Blocks (NER) - 5 years: 3 years existing IEP + 2 Years special dispensation for OALP Blocks in NER may be given in line with “Policy Framework for Streamlining the Working of PSC in respect of Pre-NELP & NELP blocks in NER which allowed additional extension of exploration/appraisal period in all Pre-NELP and NELP Blocks in NER, upon request by the contractors. Onland Blocks with surface relief above 150 m. asl (NER) - 7 years: 3 years existing IEP + 2 years in line with Pre-NELP & NELP NER policy + 2 years special dispensation Medium Term	OALP	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
16	**For category II & III basins, the wind-fall gain is used to determine the revenue share to the Government based on 4 revenue brackets.**	Similar wind-fall gain may also be considered in case of Remote, High altitude, Deepwater, and HPHT areas in Category-I basins . Long Term	Others	Others
17	**High Liquidated Damages (LD) for OALP blocks discourages exploration activities by E&P operators**	Liquidated Damages (LD) for OALP blocks be in line with the revised LD provided for DSF-III Round onwards Long Term	RSC	Others
18	**Modification in EOR Policy 2018 to boost EOR activities**	**Clause 4 of Policy Framework related to ER pilot may be modified** Pilot timeline may be reviewed depending upon technical considerations as well as operational/ environmental issues Reservoir Pressure must be jacked up to MMP level (for mature reservoirs), which may require some time in case of CO_2 EOR Risk Mitigation required in case of CO_2 EOR projects since technology is fairly new. Short Term	Others	Procedural
		Clause 6.1 of Policy Framework related Eligibility for Availing Fiscal Incentives may be modified Benchmark recovery factors of 45% for oil & 70% for gas may be considered to make the ER Policy more appealing Recovery factor is field/reservoir specific Benchmark RF of 60% and 80% is too optimistic in the Indian context Global Average Recovery Factor is 35%. Long Term	Others	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		Point B1 of Annexure-IV of Policy Framework related to Approval of Unconventional Hydrocarbon projects/IR Projects may be modified UHC Projects from past discoveries may also be made eligible for incentives since Huge investments required for development of such projects proactively. CSS and Tight Sand Production may be approved as UHC projects, Long Term	Others	Others
		Guidelines for Assessment of CAPEX consideration in Policy Framework may be modified CAPEX towards existing infrastructure to be considered for upper ceiling Many investments have already been made proactively for surface/ subsurface facility buildup. As additional production from existing wells is considered, CAPEX of existing wells may also be considered for upper ceiling. OPEX should also be considered. Additionally, Instead of considering only designated wells, the field's total incremental production over the Base Case should be considered. EOR is a complex process, and it is difficult to identify the beneficiary wells considering the subsurface uncertainties Assessment of EOR performance is evaluated at reservoir level rather than well level. Long Term	Others	Others
		Early implementation of inclusion of CBM under EOR Policy as recommended by ER Committee in 2023.	CBM	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		It will allow companies upto 75% waiver of royalty. Long Term		
19	**Small quantity of gas from isolated small fields should be out of e-auction**	Small quantity of associated low pressure natural gas is produced along with oil in small, isolated fields. Such gas is flared/vented at many small field sites due to low quantity. As this gas is untreated and at low pressure can be sold to nearby small industries only. Proposes to keep such gas out of e-auction and be allowed to sale on arm's length basis. Long Term	Others	Others
20	**Land Acquisition Acquiring land can involve complex negotiations and processes, particularly if the land is privately owned or if it involves resettlement of affected communities** **The DLC rates paid to landowners is inadequate in comparison to Solar companies.**	Price for calculation of Stamp Duty, to execute PML deed, shall not be considered on likely/anticipated payment. It shall be calculated from the fixed rent reserved for the respective PML Surface rent for the land, actually used for mining operation shall be payable on the notified class and area of the acquired land Officials like Tehsildar/patawaris to be sensitized/advised to expedite all pending, current, and upcoming proposals of OIL. They may be directed to sensitize local population and facilitate OIL in addressing local problems Govt dept may explore the possibility to enhance the DLC rates which will likely to encourage the private landowners to provide their land for operational activities of OIL. Medium Term	Others	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
21	**Issues with Global Tender Enquiry**	No GTE shall be invited up to Rs. 200 Crores. for procurements including Goods, Non-consulting services, Consultancy Services and Works including turnkey projects. General relaxation has been granted till 31.12.2025 by DoE w.r.t certain items/services, critical for operations, to float GTE subject to prior approval from Secretary, MoPNG. For procurement of the items not covered under the exemption list furnished by DoE, such requests for exemption are put up for approval by Cabinet Secretariat GTE exemption is applicable for procurement of goods on Nomination/Proprietary basis. However, there is no clarity on whether the GTE exemption is applicable to procurement of services awarded on Nomination basis as well as on Proprietary basis. Long Term	Others	Others
22	**Issues with Steel procurement**	As per directives, no GTE shall be invited up to Rs. 200 Crores. for tenders related to procurement of some listed iron and steel products. Any request for exemption shall be submitted to the Secretary, Ministry of Steel along with sufficient proof Expeditious approval is requested for the pending applications. Kind intervention is sought towards approval for granting one-time exemption from the provisions of DMI&SP Policy for procurement of the critical items through GTE, as a stop gap arrangement. Capacity building of the indigenous manufacturers who are constantly defaulting in delivery schedules. Possibility to be explored to enter into a Corporate MoU between OIL & ONGC for cluster procurement of common items or services in order to mitigate such stalemate in future.	Others	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		DPIIT registration process for vendors who falls under the Border Sharing clause may be eased, for smooth & expeditious entry for them, which will in turn broaden the vendor base. Long Term		
23	**Interpretation of PSC/ RSC and other contractual issues/ decisions**	All clarifications with respect to PSC/RSC interpretation and other contractual issues/ decisions in PSC/ RSC and extant GoI policies to be provided within 60 days of its receipt. In any event, Petroleum Operations to not be hindered due to pending clarifications. Further, in case of any ambiguity in contract interpretations, the Operator to be allowed to submit external legal opinions to assist in its resolution issues. (e.g., Royalty Calculation, Adjustment of NCCD/ BED) . Short Term	PSC/RSC	Procedural
24	**CAPEX approval timelines in PSC blocks**	Differentiate between Green Field and Brown Field projects with respect to approval timelines (including post facto approvals). It may be granted within 90 days for Green Field and within 30 days for Brown Field or else considered deemed approved. A third-party validation report should suffice for the Brown Field project instead of a detailed review of the RFDP proposals by DGH. Deemed approval to be formalized after expiry of 30/90 days through a written communication by the operator. Short Term	PSC	Procedural
25	**Fast-track development of Contingent Resources**	Self-certification for FDP/RFDP proposals for operator in PSC Blocks, from pre to post facto	PSC	Self-Certification

S. No.	Issues	Submission by JWG Members	Regime	Category
		approval. To be made applicable for both OC and MC approvals Medium Term		
26	**Heavy burden of taxes with implementation of Special Additional Excise Duty (SAED) /Wind falls tax**	GoI to honor the contractual provisions with respect to fiscal stability in contracts. Introduction of SAED, GST on Royalty (if applicable) and Customs Duty on imports (PSC blocks did not envisage levy of import duties), to be allowed to adjust from GoI share of Profit Petroleum as envisaged in the fiscal stability provisions of the contracts, have a negative impact on oil and gas companies. Long Term	PSC	Fiscal
27	**BG in PSC Blocks**	For PSC blocks, 10% BG should not be applicable for Production Budget under the PSC Extension Policy. Long Term	PSC	Financial
28	**Oil and Gas sale price mechanism is not based on actual discovered price as per RSC provisions**	Revenue sharing for crude oil and gas under RSC should be based on actual discovered price through competitive bidding process as per RSC provisions. It should not be linked to the Indian Crude Oil Basket and GOI administered price mechanism for Gas. Removal of multiple discounted gas price applicable to North-East state shall support in better price realisation in that region. At present 40% discount is applicable to North-East buyers on the GoI administered prices as well as the ceiling on gas prices for ONGC/OIL Long Term	RSC	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
29	**Crude Oil Marketing policy (issued on 1.10.22) does not envisage any specific guidelines with respect to e-bidding.**	DGH/MOPNG are requested to not insist on bringing specific guidelines as it can lead to negative impact on crude oil pricing due to limited refining companies in India. Long Term	Others	Financial
30	**PSC/RSC extension/renewals**	PSC/RSC should be extended to its economic life to ensure long-term investment planning. PSC/RSC extensions should not be linked to open issues in audit objection and such unresolved contractual issues should be dealt separately without hindering Petroleum Operations. Short Term	PSC/RSC	Procedural
31	**OALP Time Extension for Initial Exploration Period**	GoI may consider additional time for fulfillment of committed work program beyond 341 days granted for Covid Phase 1. The Covid Phase 2 had a cascading effect on the oil and gas industry leading to scarcity in resources to undertake the Exploration program. Also, Global benchmarking suggests 7-10 years of Exploration timeline as against 3-4 years provided in OALP blocks. Medium Term	RSC	Procedural
32	**Block Offshore/Onshore Demarcation in line with State Government**	The demarcation of offshore/ onshore portion should have clarity on the respective block. It may be resolved with state Government prior to award of block by DGH to avoid hardship by operators & delay in getting PEL/PML. Long Term	Others	Others
33	**Revenue Sharing mechanism**	Revenue sharing holiday (2-year holiday in earlier OALP rounds) should be for each field in a block instead of the production from the first field on the block as it	RSC	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		discourages early production at field level. Long Term		
34	**Fulfillment of Committed Work Program (CWP) in OALP blocks**	FTG acquisition and Seismic data purchased from DGH should be allowed for set-off against CWP for earlier OALP rounds as allowed from OALP round VIII. CWP may be allowed to be transferred into more lucrative blocks from the lesser ones. Further, shortfall in well depth due to geological reason should not attract Liquidated Damages (LD) for non-fulfillment of CWP Medium Term	RSC	Procedural
35	**Intensifying Exploration activities**	SPOC shall be appointed by MoPNG to resolve issues with State Governments for the following: • Receipt of EC/FC/WLC/CRZC/NOC and DAB issues in NE Grant/Renewal of PEL/PML in accordance with the contract period • Permissions for usage of explosives from SP/DCP Land access for Petroleum Operations Long Term	Others	Procedural
36	**Conducting MC Meetings**	The MC to meet frequently in accordance with PSC/RSC contract provisions (including post facto approvals). All MC minutes should to be finalized and signed at the end of each meeting instead of time lapse which stretches for many months at present. In the case of virtual/online meetings, the MC minutes to be signed within the next 10 days or considered deemed approved. In case meetings are cancelled, the same should be rescheduled within 48	PSC/RSC	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		hours or approved through circulation. Short Term		
37	**Pending Cases in MOPNG**	Some cases in MOPNG are pending for long, there must be proper monitoring for such cases for time bound clearances. The timelines may be fixed for all clearances required from the DGH/Government authorities. Short Term	Others	Procedural
38	**Budget not cleared at the start of financial year**	Prior to the start of the financial year, the DGH should clear the Work Programme and Budget. This would allow operators sufficient time to execute planned activities. Currently, operators submit budget proposals in December, but DGH approval is delayed until April. Streamlining this process would be beneficial. Short Term	All Regimes	Procedural
39	**Essentiality Certificate (EC)**	EC procedure may further be streamlined such that EC are available for activities done in the RSC for which the cost budget is not submitted for approval to the Management committee. Presently, in these blocks EC is given only if the activity is a part of FDP or committed work program thus disincentivizing the operator to do any extra work. Short Term	RSC	Procedural
40	**No self-certification mechanism for operator's proposals.**	Lack of cost database for facilities and absence of self-certification process for operator proposals leads to further delays at DGH JWG can design a self-certification program for operators to facilitate early clearance of operators' proposals by DGH. It will help in early development of the field. It	Others	Self-Certification

S. No.	Issues	Submission by JWG Members	Regime	Category
		can also look at creating a common databank. Medium Term		
41	**Payment of Royalty and Profit Petroleum on actual realized prices instead of Indian Basket price**	Vide gazette notification dated 11.7.2022, the sale of crude is deregulated in domestic market and marketing freedom for crude oil is provided in domestic market. Pursuant to this deregulation, royalty, cess, other statutory levies, and contractual payments such as profit petroleum, revenue share etc. on crude oil, shall be valued and paid by operator of fields PSC based on actual sale price or Indian Basket of Crude Oil Price, whichever is higher, w.e.f. 1.10.2022 onwards. Long Term	PSC	Financial
42	**Post well head cost for Royalty not applied**	Guidelines on allowing post wellhead cost for Royalty purposes may be issued to DGH for compliance of the regulation. Medium Term	PSC	Financial
43	**Small quantity of gas from isolated small fields should be out of e-auction**	Small quantity of associated low pressure natural gas is produced along with oil in small, isolated fields. Such gas is flared/vented at many small field sites due to low quantity. As this gas is untreated and at low pressure can be sold to nearby small industries only. Proposes to keep such gas out of e-auction and be allowed to sale on arm's length basis. Long Term	Others	Others
44	**All operators should be encouraged for sharing of resources/ infrastructure/ inventory for Field**	Sharing of resources/ infrastructure/ Inventory for Field Development (Offshore and Onshore) shall be beneficial for all. Incentives may be provided to operators who share infrastructure. This will help in reduction of capex thereby	Others	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
	Development (Offshore and Onshore)	benefitting both the operator and the Government. Long Term		
		Encourage collaboration between research institutions, universities, and CBM companies to develop innovative solutions. Facilitate collaboration between existing players and new entrants to leverage their respective strengths and expertise. Promote the transfer of technology from other countries with established CBM industries. Medium Term	Others	Others
		Collaborate: O&G Cos., Service Partners and DGH (as Facilitator) for knowledge sharing & risk reduction. Innovate: Fast track monetization of discoveries through plug-and-produce systems. Synergize: Sharing of drilling resources, infrastructure, and tangibles for cost effective operations. Establish Strategic Energy Security Fund (NIIF, NAIFF) Long Term	Others	Others
45	**GST on Royalty**	Bring Natural Gas and Oil under GST This will allow refund of GST paid on Goods and Services used for petroleum operations. Refunded amount will support further exploration operations It will make companies eligible for Input Tax Credit (ITC) for GST paid on such Royalty as in case of Mines. Long Term	Others	Fiscal

S. No.	Issues	Submission by JWG Members	Regime	Category
46	**Necessity for Timely Approvals of MC approvals for Annual Work Programme and Budgets (AWP&B) and FDP/RFDP under PSC**	The timelines are achievable with some process re-engineering that entails a workshop, queries and clarifications and a pre-MC meeting within 2 months to resolve all issues before the actual MC and AWP&B can be decided during the MC. A similar process can be followed for FDP/ RFDP approvals also. Short Term	PSC	Procedural
47	**CBM Blocks Procedural Delays**	Automatic renewal and extension of license for a fixed period where activity has commenced, and delays are attributable to excusable /uncontrollable items Medium Term	CBM	Procedural
		A uniform model for Stamp Duty computation for execution of PML deeds can be issued to states. While Petroleum and Gas mining is a Union subject, the PML deed execution is a State's regulatory and compliance subject. Given this is a Union subject, States should not unilaterally impose conditions on registration and content of such deeds. A uniform model for Stamp Duty computation for execution of PML deeds can be issued to states. Long Term	CBM	Procedural
		The approval of AWP&B and FDP can be fast tracked as these Contracts are revenue sharing contracts. The cost and scheduling risk rests almost entirely with the Contractor and therefore the Steering Committee (SC) can fast track entire approval process Long Term	CBM	Procedural

S. No.	Issues	Submission by JWG Members	Regime	Category
		Simplify scope of audit provision, audited accounts, and procurement procedures. Long Term	CBM	Procedural
48	**Duplication of effort**	The Contractual provisions survive and Contractors and MC obligations to follow those do not go away by self-certification. When additional formats (different from PSC formats and upload formats) are introduced as part of approval process the process becomes complicated as Contractor has to now report same information in three different formats JWG can look at harmonization of these process and work on bringing procedural efficiencies to what is already agreed under the contract. Short Term	PSC	Self-Certification
49	**Moratorium on Exploration Period**	Government should grant 3 year moratorium so that operators can not only fulfil their obligations but also find new oil and gas resources. Long Term	All Regimes	Financial
50	**C-Form Eligibility against purchase of NG**	Amendment required so that consumers pay 2% concessional rate against C Form, until NG is brought under GST regime Consumers manufacturing GST products pay CST@5% since revision on 28th March 2021. Long Term	Others	Fiscal
51	**Gas price restriction acts as a distortion and limits upstream realization**	Enable complete gas pricing freedom for gas produced from Deep/ Ultra-deep water and HPHT areas by removal of ceiling price on gas Ceiling price on deepwater gas is a hindrance for efficient price	Others	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
		discovery at the Gas exchange Balanced risk-reward framework is key to attract investment This is in line with recommendation of report by govt. appointed Kirit Parikh Committee. Long Term		
52	**Separate gas marketing and gas transportation contract till unbundling is done**	Gas/LNG aggregators being pipeline owners can result in discriminatory access/ use of the transportation pipeline Transparent/ Dynamic information on pipeline capacity should be available Long Term	Others	Financial
53	**Exploration to be allowed in Mining Lease Area, post expiry of Exploration Period under the PSC**	In accordance with GIPIP guidelines, exploration should be allowed in the mining lease area for the duration of the contract. RSC Contracts under the OALP provide for right to undertake Exploration for the duration of the Contract, even after the completion of the Exploration Phase /Period. Similar rights should be granted to the Contractor under the PSC in NELP. Medium Term	PSC	Others
54	**Compliance with Contracts**	Contracts explicitly specify approvals required from the MC for the conduct of Petroleum Operations. All parties to the Contract are obligated to comply with these provisions and therefore self-certification cannot substitute the PSC requirements. Short Term	PSC	Self-Certification
55	**Policy concerns**	PSCs/RSCs tenure for end of field(s) life. Define 'Reserved Matters' (FDP/RFDP/PSC Annual Budget) for specific approvals. Approval of all 'Non-Reserved	PSC/RSC	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		Matters' under the PSCs/RSCs on a self-certification basis. Medium Term		
56	**Fast Track process of data transfer**	Simplify & streamline the process for physical data transfer to ensure faster turn-around times. Allow using new age technology solutions (Cloud technology). Long Term	Others	Others
57	**Simplify MoHA clearances**	Procedures to have single window clearance, long term clearance of employees, contractors from MoHA and faster clearance from MoF is critical for fast growth of the sector. Long Term	Others	Procedural
58	**Simplify Approval Procedure**	Management Committee (MC) approval may be treated as Govt approval since Government (MoPNG) is part of MC. In many cases, MC recommends to Govt for approval (e.g., Delivery Point), which takes additional time. Short Term	All regimes	Procedural
59	**Evacuation of Oil and Gas outside the boundary limit of the block not allowed**	Management Committee should be empowered to approve delivery points beyond the block boundary and allow cost recovery of both opex and capex. Short Term	All regimes	Procedural
60	**Deputation of DGH executives from contractual/ commercial background**	DGH may depute Co-ordinators and Nodal Officers from Contract/ Commercial background DGH executives are mostly from technical background, however job requirement for PSC/RSC are	Others	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		more of contractual/ commercial in nature. Medium Term		
61	**Clause for Excusable Delay & Provisions of Extra Days to be included for extension of the Development Period**	A clause for Excusable Delay should be incorporated in RSC and provisions of Extra Days should be included for extension of the Development Period in order to compensate for the delay on account of Government clearances such as EC, FC, CTO, CTE etc. in DSF III. Short Term	RSC	Procedural
62	**Delays in clearing proposals**	DGH may expedite proposal clearances by including expert third-party consultants on their panel for faster clearances. Medium Term	Others	Procedural
63	**Participating Interest Transfer Procedures**	SOPs need to be redrawn, and timelines should be fixed for Participating Interest Transfer procedures will Increase Investor confidence. Short Term	All regimes	Procedural
64	**Field Handover SOPs**	To develop a SOP for handover of fields from previous operators for smooth handover and faster operationalization of Fields. Short Term	RSC	Procedural
65	**Early production Incentive in RSCs**	Incentive should be revisited, and approval delays should be checked Owing to delays beyond contractor's control, this incentive will not kick in at all Long Term	RSC	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
66	**Multiple gas prices are in play in North-East with ONGC/ OIL having advantage of discounted gas prices**	Subsidies need to be extended to private players and given a level playing field. Long Term	All Regimes	Financial
67	**Fair price is dependent on quality, supply-demand dynamics in the region and availability of alternate cheaper energy source**	Contractor should be allowed to sell both Oil and Gas below price declared by PPAC and accordingly to be allowed to calculate (1) Govt share of Revenue & (2) Royalty & Cess. Long Term	PSC	Financial
68	**Heavy burden of taxes with implementation of Special Additional Excise Duty (SAED) /Wind falls tax**	Royalty may attract GST post Hon'ble Supreme Court Order dated July 25, 2024. Inclusion of crude oil and natural gas under GST critical to allow cross utilization of input tax credit. Being a double dip, Windfall Tax (SAED) not to be applicable on crude oil production under RSCs. Long Term	RSC	Fiscal
		Some major litigation and contractual disputes arising out of the changing policy landscape challenges in E&P sector are: Disputes with vendors Contractual dispute with vendors which results into delay in project execution with Hybrid system of taxation. E&P Operators are not able to avail ITC of GST paid on inputs. This results in huge stranding of taxes Heavy burden of taxes With introduction of SAED on production of crude oil, the investible surplus of E&P sector has shrunk. Disputes under PSC with Uncertainty regarding the allocation of GST/ST attributable to the share of Royalty for specific partners i.e. whether it should be borne by them individually or solely	Others	Fiscal

S. No.	Issues	Submission by JWG Members	Regime	Category
		by the Licensee. Issue of ST/GST on Royalty This issue is under litigation before all the judicial forums resulting into substantial time and money involved in litigation. Long Term		
		Maintenance of Fiscal Stability and consistent interpretation of PSC/RSC contract terms, prompt clarification of confusion to attract long term capital Increased fiscal burden in form of SAED, Cess etc. Persistent interpretations on items such as Wellhead Royalty, Cost Recovery disallowances and restrictions of marketing and pricing freedom that are not consistent to PSC/RSC intent RSC of DSF III have clear definitions of MWP & contract area. DGH/MoPNG is requested to implement them in to-to, without linking it to a general understanding. Long Term	PSC/RSC	Procedural
69	**Fiscal instability**	Extensions of PSCs on original contracted profit split (instead of a 10% top-up). No BGs for PSCs during Production Phase. Restoration of 'nil' Custom Duty as stipulated under the PSCs Long Term	PSC	Financial
70	**Pricing structure**	'Government Take' to be based on Actual Price Realization of Crude Oil (& not on Indian Crude Basket Price). Uniform & Equitable Gas Pricing Structure to usher in Gas based economy (Ceiling Price vs. Crude	Others	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
		Price Indexed3 vs GoG Competition Price). Long Term		
71	**Operating freedom in Public Private Partnership**	Operator to be allowed to adhere to its contracting process for third party contract awards. Further, non-operator should contribute to their share of costs or else, operator should have the first right to the revenue to recover unpaid contract costs. To safeguard the interest of the non-operators, audit rights are in place. Medium Term	Others	Others
72	**Land Acquisition and Clearances (CBM)**	Clearances should be granted in less than a year, considering the shorter timelines to bring blocks into commercial production - as early within 4 yrs. Facilitate easier access to land for CBM exploration and production activities by streamlining the land acquisition process and providing clear guidelines for obtaining necessary clearances from local authorities and communities. Long Term	CBM	Procedural
73	**Revisit of Fiscal Terms under HELP Regime**	Financial incentives shall be provided to existing players considering their past investments and contributions to the CBM sector under HELP Long Term	CBM	Financial
74	**Staggered Royalty**	Currently, the Indian CBM Royalty (10%) is based on sales volume of CBM gas (ad valorem) Hence, instead of a flat Royalty of 10%, a production linked & time staggered Royalty may be best suited. Zero royalty up to 1.0 MMSCMD, rebate in royalty as proposed in draft ER committee (2023) for volumes more than 1.0 mmscmd	CBM	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
		would bring more quality participation CBM exploration and development. Long Term		
75	**GST Levy on Corporate Guarantee**	Fiduciary nature of corporate guarantees suggests they should not be treated as taxable services Levying GST on CG needs reconsideration as this could deter financial support mechanisms crucial for the growth and stability of related entities in such capital-intensive sector falling outside the GST ambit Long Term	Others	Financial
76	**Depletion on 2P reserves instead of 1P reserves**	Guidance Note (GN) requires E&P entities to use Proved developed reserves (1P) for arriving at Unit of Production (UOP) rate. Flexibility should be provided to Industry players to use either Proved developed reserves (1P reserves) or Proved and Probable reserves (2P reserves) as a basis for deriving UOP rate based on management estimates of future economic benefit from the field. It is a deviation from International Financial Reporting Standards (IFRS) practice which allows entities to use either proved developed or proved undeveloped reserves based on the management perception of best scenario to depreciate oil and gas reserves over the economic life of assets. Long Term	Others	Financial
77	**VAT Refund**	Till the time Oil and Gas is not brought under GST regime, concept of VAT refund may be explored which is currently being levied on Natural Gas. In China, there is a VAT refund of	Others	Fiscal

S. No.	Issues	Submission by JWG Members	Regime	Category
		~ 7% and also state subsidy of 7% for CBM. Long Term		
78	**Extension of Tax Holiday under Income Tax Act' 1961**	Restoration of 100% Tax Holiday u/s 80IB (9) is proposed to undertakings engaged in exploration and production of natural gas, where commercial production has been started after 31st March 2017, with enhanced limit of at least 15 years as has been provided for other infrastructure sectors like power generation. Similar to the tax holiday given to contractors for production of natural gas in blocks licensed under IV round of bidding for award of exploration contracts of CBM blocks for a period of seven consecutive assessment years Long Term	Others	Fiscal
79	**Without Area and Quantum Restrictions**	The recent award of CGD by PNGRB for quantities below 50,000 SCMD conflicts with areas where CBM operators are licensed. This goes against the CBM policy in Article 18.1 of the CBM contract, which allows operators to sell CBM gas at Arm's Length Price in the domestic market, subject to Government policy. In line with CBM contractual provisions and CBM Policy 1997, MoPNG and PNGRB should allow gas marketing rights to CBM operators both in terms of ''PNG'' and ''CNG'', without any inherent area or volume restrictions. This long-term co-existence of both the CBM and CGD license holders without any legal complications could be done by means of "grandfather" the CBM policy/contractual clauses into the current CGD License Policy/contract. The Draft PNGRB Rules, 2021	CBM	Financial

S. No.	Issues	Submission by JWG Members	Regime	Category
		(Section 3.4) solicit, recognizing and including a separate ''E&P Entity pipeline'' and will allow E&P entity(s), to undertake on crucial production enhancement activities under MoPNG E&P Vision Long Term		
80	**Reforms in the vital August 2018 Policy for simultaneous Unconventional Hydrocarbon**	Profit petroleum or PLP (for PSC and CBM contract respectively) shall be completely removed from the policy to incentivize operators to discover and produce unconventional hydrocarbons and financially support for shale gas exploration activities Rationale: The profit petroleum/PLP quoted for Conventional Oil blocks is not comparable for Natural Gas Development as the energy equivalent realizations is much less for Gas than crude oil. In other countries like USA, Australia and China, several grants, incentives and financial support has been extended for unconventional hydrocarbons. Long Term	PSC/CBM	Others
81	**Relaxation in few terms of the old PSCs**	Relaxations in terms of procurement policy, sale of inventory/asset, etc. should be provided for Old PSCs as given under New Model Revenue Sharing Contract (MRSC) for Special CBM Bid Round 2022 under OALP. Long Term	PSC	Others
82	**Self-Reliant of Domestic Technology to Optimize Cost**	Foreign Service Providers & OEM mostly dominate the technological landscape which leads to high project cost. Technology transfer is required but Foreign Service Providers & OEM are reluctant to do so owing to IPR (Intellectual Property Rights) issues	Others	Others

S. No.	Issues	Submission by JWG Members	Regime	Category
		GoI needs to create platform where Industries should be invited to develop In-house expertise (manufacturing & services) requiring support to the Oil & Gas industries. GoI may facilitate some collaboration with these Foreign Service Providers & OEM to develop such In-house expertise Long Term		
83	**Strengthening Data Generation Requirement of proper evaluation to understand the potential of CBM and Shale Gas development**	Govt. should launch extensive and detailed programme in all these basins, carryout pilot projects and fund (like UNDP) these projects for entire assessment of these unexplored area prior to bidding. NDR should also include huge data related to coal mines (core hole data, gas content etc.) generated since long in order to evaluate CBM\Shale gas potential & future opportunities. Short Term	Others	Others

6.5. Annexure V: Exchange Rate Analysis

The comparative analysis between FBIL and SBI exchange rate is mentioned below

Time Period	FBIL Reference Rate (INR/USD)	SBI Reference Rate (INR/USD)		
		Sell	Buy	Average
2020	74.065	74.296	73.446	73.871
2021	73.924	74.389	73.536	73.962
2022	78.653	79.179	78.326	78.753
2023	82.600	83.034	82.184	82.609
2024*	83.388	83.843	82.993	83.418

*until 17/09/24

Source – FBIL and Internal Analysis