



Guidelines for
evaluation of cases
under various Policy
frameworks

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I. Guidelines for implementation of Policy Framework for relaxations, extensions and clarifications at the development and production stage under the PSC regime for early monetization of hydrocarbon discoveries dated 10.11.2014.

Clause 1: Extension of time-period for submission of DOC in respect of Hydrocarbon Discovery

This clause enables the Contractor to seek extension of 6 months for onland blocks and 12 months for offshore blocks subject to payment of Liquidated Damages (LD) amounting to maximum 3 times of annual PEL fee pro-rated for the period of extension sought. Such proposals will be evaluated in DGH as per the Standard Operating Procedures (SOPs) for review of DoC, keeping in view the following guidelines:

- i) DGH to review the proposal submitted by the contractor and check the following:
 - a. OC approval
 - b. Proposal is submitted before date of submission of DOC.
- ii) DGH will examine the justification submitted by Contractor and the activities envisaged in proposed extended period on the following technical and operational reasons and will make appropriate recommendations to MC:
 - a. Completion of MC reviewed Appraisal work program
 - b. Additional appraisal work program to firm up DOC.
 - c. Further G&G studies / production testing.
- iii) DGH will validate the LD amount applicable for the contract area at time of extension pro-rated for the period of extension sought as per policy.
- iv) MC to review the proposal based on DGH views.
- v) Based on MC recommendation, DGH shall make a decision on the grant of extension of time period for DOC submission subject to payment of LD by contractor.

Clause 2: Extension of time-period for submission of FDP in respect of Hydrocarbon Discovery

This clause enables the Contractor to seek extension of 3 months for onland blocks and 6 months for offshore blocks subject to payment of Liquidated Damages (LD) amounting to maximum 3 times of annual PEL fee pro-rated for the period of extension sought. Such

proposals will be evaluated in DGH as per the SOPs for review of FDP keeping in view the following guidelines and will make appropriate recommendations to MC:

- i) DGH to review the proposal submitted by the contractor and check the following:
 - a. OC approval
 - b. Proposal is submitted before date of submission of FDP.
- ii) DGH will examine the justification submitted by Contractor and the activities envisaged in proposed extended period on the following technical and operational reasons:
 - a. Completion of MC reviewed Appraisal work program
 - b. Additional appraisal work program to firm up FDP.
 - c. Further G&G studies / production testing.
- iii) DGH will validate the LD amount applicable for the contract area at time of extension pro-rated for the period of extension sought as per policy.
- iv) MC to review the proposal based on DGH views.
- v) Based on MC recommendation, DGH shall make a decision on the grant of extension of time period for FDP submission subject to payment of LD by contractor.

Clause 3: Reduction of Minimum Work Program (MWP) in case of blocks overlapping with SEZ, Reserve Forest, Naval Excise Area, DRDO, danger zones, National parks, urban areas, firing ranges of Police/Armed Forces, etc.

This clause facilitates contractor to either exit from Contract if the contract area is reduced or to work in reduced contract area with proportionate reduction in MWP due to denial of clearances by Govt. agencies. Such proposals will be evaluated in DGH as per Govt. approved SOPs dated 28.08.2018 keeping in view following guidelines and will make appropriate recommendations to MC:

- i) DGH will examine the proposal of contractor for reduction in area and commensurate work program reduction for the following:
 - a. OC approval
 - b. Documentation in support of the overlap issue with respective statutory agency.
 - c. Adherence to timelines as mentioned in policy.
 - d. PEL grant
- ii) Multi-Disciplinary Committee constituted in DGH will examine all such proposals pursuant to Govt. approved SOPs dated 28.08.2018 and make recommendation to MC.

- iii) Based on MC recommendation, DGH shall make a decision regarding exit from the Contract or continuation of exploration in reduced contract area.

Clause 4: Swapping of 2D and 3D Seismic MWP

This clause enables Contractor to swap 2D seismic program of MWP with 3D seismic and vice versa which may be required due to technical or logistical reasons. DGH will evaluate such proposals keeping in view the following guidelines:

- i) DGH to evaluate the proposal based on technical or logistical merits as submitted by Contractor such as:
 - a. Better mapping of sub-surface
 - b. Land acquisition constraint
 - c. Logistical constraint
 - d. Difficult terrain
 - e. Weather conditions
- ii) Technical committee set up in DGH will review all such proposals and recommend to MC.
- iii) MC will review the proposal based on DGH views.
- iv) Based on MC recommendation, DGH shall make a decision regarding approval of swapping of 2D API data and 3D API data with each other.

Clause 5: Entry into subsequent exploration phase after paying the cost of unfinished MWP of previous phases vide Article 5 of policy dated 10.11.2014 which is further modified by Clause 1 of "Policy framework for streamlining the operations, relaxations of timelines and delegation of powers to DG-DGH under PSCs" dated 25.06.2018.

Policy dated 10.11.2014 states that Contractor will be allowed to enter subsequent exploration phase of contract by paying cost of unfinished MWP as per Article 5.7 of PSC. Subsequent policy 25.06.2018 further allowed that in case of disagreement in the cost of unfinished MWP approved by Govt. and pending resolution of such disagreement, Contractor would be allowed to enter subsequent exploration phase by submission of BG for the differential unpaid amount of unfinished MWP i.e. the difference of cost of unfinished

work program as per policy and approved by Govt., and amount paid by the contractor towards unfinished MWP.

DGH will follow the guidelines as below for implementation of notification dated 10.11.2014 and notification dated 25.06.2018 for entry in next exploration phase:

- i) DGH will calculate cost of unfinished work program (COUWP) as per Article 5 of PSC based on Government guidelines dated 27.06.2007 for calculation of COUWP for different exploration activities i.e. drilling of wells and 2D-3D seismic work. Such calculated cost will be sent to Govt. for approval.
- ii) Once Govt. approval is accorded, Operator will be advised to pay COUWP. After payment of COUWP by contractor, DGH shall make a decision for allowing the contractor to enter the subsequent exploration phase.
- iii) In case, the Contractor disputes the calculation of DGH and deposits different amount as per their calculation, then DGH will ask Contractor to submit the BG for the differential amount between DGH calculation and amount deposited by the Contractor. If no amount is deposited, then full cost as calculated by DGH will be the BG amount required to be deposited by the Contractor.
- iv) Based on Clause 5 of policy dated 10.11.2014 and Clause 1 of Policy dated 25.06.2018 the proposal to entry in 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 will be examined as below:
 - a. If Contractor disagrees with the amount of calculation of COUWP approved by Govt. and proposes to avail the policy dispensation for entry in subsequent phase by submission of BG and deposits the same, then DGH will verify the adequacy of the Bank Guarantee (BG) submitted by the contractor along with the proposal for entry into subsequent exploration phase. BG should be equivalent to the differential amount of COUWP as approved by Govt. and amount paid by Contractor, if any, towards unfinished work program.
 - b. The policy dated 25.06.2018 further envisages that the decision regarding amount payable to COUWP will be conveyed to contractor within one year from entry in next phase but not later than 3 months before expiry of exploration phase. To ensure the same, the case will be put up to Dispute Resolution Committee (DRC)

being set-up in DGH as per Govt. notification 28.02.2019 to ensure earliest resolution.

- c. DRC recommendations shall be communicated to Contractor for final payment. If contractor doesn't agree with the recommendations of DRC, then legal recourse will be followed for recovery of Cost of Unfinished Work Program.

Clause 6: Condoning delays in submission of notice for entering into next phase.

This clause empowers DGH to condone delays in submission of notice for entering into next phase by Contractor. DGH will examine condonement of delay cases as per the SOPs keeping in view the following guidelines:

- i) DGH to review the proposal submitted by the contractor and check the following:
 - a. OC approval
 - b. Whether delay in submission is justifiable, such as:
 - Operational constraints/difficulties
 - Technical inputs for firming up decisions
 - Any other
 - c. Reasonable endeavor has been made by Contractor to expedite the submission of the proposal.
- ii) DGH shall make a decision on condoning delays in the submission of notice for entering into next phase.

Clause 7: Condoning delays in submission of Annual Work Program and Budget and Appraisal Work Program and Budget.

This clause empowers DGH to condone delays in submission of annual/appraisal Work Program and Budget by Contractor. DGH will examine condonement of delay cases as per the SOP of evaluation of Work Program and Budget, keeping in view the following guidelines:

- i) DGH to review the proposal submitted by the contractor and check the following:
 - a. OC approval
 - b. Whether delay in submission is justifiable such as:
 - Operational constraints/difficulties

- Technical inputs for firming up decisions
- c. Reasonable endeavor has been made by Contractor to expedite the submission of the proposal.
- ii) DGH shall make a decision on condoning delays in the submission of Annual Work programme and Budget and Appraisal Work programme and Budget.

Clause 8: Drilling of appraisal well after submission of Declaration of Commerciality.

This clause enables the Contractor to carry out appraisal activities after submission of DOC. The cost incurred in such appraisal work is recoverable as per PSC. DGH will evaluate such proposals as per the SOP for review of location of wells, keeping in view the following guidelines:

- i) DGH to examine whether the appraisal activities (such as seismic API, drilling, testing etc.) relate to the discovered reservoir(s) alone or there is additional attempt to target 'likely' reservoir(s), separated from the discovered reservoir(s) vertically and laterally in the contract area.
- ii) MC to review the proposal taking cognizance of DGH views.
- iii) Based on MC recommendation, DGH shall make a decision on granting approval for carrying out the appraisal activities after submission of DOC but prior to submission of FDP.

Clause 9: Probing additional reservoir during appraisal program

This clause allows the Contractor to probe additional reservoir at shallower/deeper depths or laterally separated reservoirs within the discovery area during appraisal program. DGH will evaluate such proposals as per the SOPs for evaluation of appraisal work program keeping in view the following guidelines:

- i) DGH will evaluate the possibility of finding additional likely reservoirs at the shallower/deeper depths or laterally separate reservoirs within the discovery area. The lateral reservoir may not be a connected reservoir but should be within the discovery area.
- ii) Multi-disciplinary Technical Committee (MTC) will review the discovery area submitted by the contractor for reasonable inference and probability of finding petroleum to

ensure the claim of contractor that there is possibility of existence of petroleum from the discovery area as per the contractor's claim.

- iii) MC to review the proposal taking cognizance of DGH views.
- iv) Based on MC recommendation, DGH shall make a decision on granting approval for probing of additional reservoirs during the appraisal programme.

Clause 10: Acceptance of discoveries for which notification for the Govt. has not been made as per Article 10.1 and/or Notification for testing as per Article 10.2 of PSC has not been made.

The clause empowers DGH to accept the discoveries for which the contractor has failed to submit notification to the government within the stipulated timelines as per PSC. DGH will examine such proposals as per the SOPs for notification of discovery keeping in view the following:

- i) DGH to ensure that the delay in submission is justifiable. Reasons for delay may be the following:
 - a. Operational constraints/difficulties
 - b. Technical inputs for firming up decisions
- ii) DGH to ensure that the results of Drill Stem Test or conventional well test are provided.
- iii) MC to review the proposal taking cognizance of DGH views.
- iv) Based on MC recommendation, DGH shall make a decision regarding acceptance of the discoveries for which contractor has not submitted notification as per Article 10 of PSC.

II. Guidelines for implementation of Policy Framework for Early Monetization of Coal Bed Methane (CBM) dated 11.04.2017.

Clause 2: Contractual Issues

Clause 2.1: Entry into subsequent Phase, after paying cost of Unfinished Minimum Work Programme (MWP)

This clause enables the Contractor to enter subsequent phase of contract by paying cost of unfinished MWP to Government. DGH will evaluate such proposals as per the SOP for calculation of Cost of Unfinished Work Program, keeping in view the following guidelines:

- i) DGH to calculate cost of unfinished work program (COUWP) based on Clause 2.8 of policy dated 11.04.2017.
- ii) DGH will seek approval of Government for COUWP. Once approval is accorded, Operator will be advised to pay COUWP.
- iii) After Contractor makes the payment of COUWP, DGH shall make a decision on Contractor's entry into subsequent phase

Clause 2.2: Condoning delays in submission of notice for entering into next phase or for the Extension of Phase in Phase-I to Phase-III

This clause empowers DGH to condone delays in submission of notice by Contractor for entering the next phase from Phase-I to Phase-II or Phase-II to Phase-III. DGH will examine condonement of delay cases as per the SOPs keeping in view the following guidelines:

- i) Whether delay in submission is justifiable such as:
 - a. Operational constraints/difficulties
 - b. Technical inputs for firming up decisions
- ii) Reasonable endeavor has been made by Contractor to expedite the submission of the proposal.
- iii) After examining the submissions made by the contractor, DGH shall make a decision on condoning delay in submission of notice period.

Clause 2.3: Condoning delays in submission of Annual Work Program and Budget.

This clause empowers DGH to condone delays in submission of annual Work Program and Budget by Contractor. DGH will examine condonement of delay cases as per the SOP of Work Program and Budget keeping in view the following guidelines:

- i) OC approval
- ii) Whether delay in submission is justifiable such as:
 - a. Operational constraints/difficulties
 - b. Technical inputs for firming up decisions
- iii) Reasonable endeavor has been made by Contractor to expedite the submission of the proposal.
- iv) After examining the above, DGH shall make a decision on condoning delay in submission of Annual Work Program and Budget.

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

This clause empowers DGH to approve excusable delay due to land acquisition issues or force majeure issues or any such matter beyond control of Contractor. DGH will examine all such proposals as per SOPs approved by Government vide letter no. O-22013/6/2016-ONG-D-V (FTS-44334) dated 28.08.2018, keeping in view the following guidelines:

- i) DGH will check all relevant documents submitted by contractor in support of the case and check whether contractor fulfills conditions as per Article 28-Force Majeure of contract.
- ii) Multi-Disciplinary Committee constituted within DGH will examine the proposal. MDC will examine the case on following points:
 - a. Complete Compliance to the procedure for land acquisition and force majeure.
 - b. Submission of complete documents for different stages of clearance and the responses to queries raised/supplementary information.
 - c. No unreasonable gaps for completion/submission of documents for the process.
- iii) Based on recommendation of MDC, DGH shall make a decision on proposal for excusable delay of Contractor.

Clause 2.5: Reduction in minimum work programme

This clause facilitates contractor to either exit from Contract if the contract area is reduced or to work in reduced contract area with proportionate reduction in MWP due to denial of clearances by Govt. agencies. Such proposals will be evaluated by DGH keeping in view the following guidelines:

- i) DGH will examine the proposal of contractor for reduction in area and commensurate work program reduction for the following:
 - a. Documentation in support of the overlap issue with respective statutory agency.
 - b. Adherence to timelines as mentioned in policy.
- ii) Multi-Disciplinary Committee constituted within DGH will examine all such proposals pursuant to contractual provisions.
- iii) Based on observations of MDC, DGH shall make a decision to approve exit or approve continuation of exploration in reduced contract area.

Clause 2.6: Effective date of the contract

This clause empowers DGH to permit Contractor to exit from the block without paying cost of unfinished work program if PEL is not granted by State Govt. beyond two years of submission of PEL application by contractor. Such proposals will be evaluated by DGH keeping in view the following guidelines:

- i) DGH will examine the proposal based on completeness of PEL application submitted by contractor and necessary documentation in support of the proposal.
- ii) Multi-Disciplinary Committee constituted within DGH will examine the proposal if reasonable endeavor has been made by contractor while applying PEL and subsequent follow-up with State Government.
- iii) Based on observations of MDC, DGH to approve exit option exercised by contractor.

Clause 2.7: Non-grant or delayed permission of clearances by State Government and Central Government

This clause empowers DGH to permit Contractor to exit from the block without paying cost of unfinished work program if clearances by State and Central Government is not granted by beyond two years of submission of requisite application by contractor. Such proposals will

be evaluated by DGH as per SOPs approved by Government vide letter no. O-22013/6/2016-ONG-D-V (FTS-44334) dated 28.08.2018, keeping in view the following guidelines:

- i) DGH will examine the proposal based on completeness of application submitted by contractor to respective State/Central Govt. and necessary documentation in support of the proposal.
- ii) Multi-Disciplinary Committee constituted within DGH will examine the proposal if reasonable endeavor has been made by contractor while applying for the clearance and subsequent follow-up with State/Central Government.
- iii) Multi-Disciplinary Committee constituted within DGH will examine all such proposals pursuant to Govt. approved SOPs dated 28.08.2018.
- iv) Based on observations of MDC, DGH shall make a decision on exit option exercised by contractor.

Clause 2.8: Calculation of Cost of Unfinished Work Program

This clause provides clarity to DGH on calculation of cost of unfinished work program by giving a fixed amount of 0.25 million USD per corehole and 0.6 million USD per test well as well as pilot well irrespective of depth and will be applicable for all CBM blocks. In case low prospectivity is observed in CBM blocks after drilling of coreholes, DGH is empowered to waive off cost of test/pilot wells depending upon technical requirement. DGH will examine cases as per the SOP for calculation of Cost of Unfinished Work Program, keeping in view the following guidelines:

- i) DGH will examine proposals submitted by Contractor wherein it has been submitted that there is low prospectivity in the block as following:
 - a. Log data, Desorption studies, Gas composition studies and Laboratory studies
 - b. Well completion reports and Testing results, if any
 - c. Poor CBM potential will be ascertained by DGH constituted Expert Technical Committee (ETC). While analyzing the CBM potential of the block, the Committee will examine if the deviation/variance in the potential of the block is arising due to any deviation/variance in the data furnished by DGH at the time of bidding and the realistic data acquired by the contractor after the award of contract.

During the time of bidding, DGH shares data with the bidders to assist them in envisaging the geological settings/depositional environment of the blocks

awarded. Wherever the exact data of the block is unavailable, DGH provides data of the adjacent areas to the bidders. After, acquiring the block, the contractor acquires realistic data in the block to gain a better understanding on the geological settings/depositional environment of the block.

The cases wherein the operators have represented substantively reduced prospectivity at variance with the data provided by DGH, ETC will examine the data in Information Docket and Data Package vis-à-vis corehole and test well data generated by the contractor to ascertain the gap in CBM prospectivity. The committee will also examine if sufficient coreholes have been drilled by the Contractor for assessing the prospectivity in the block.

If it is ascertained by the ETC that there is reduction in CBM resource to an extent of more than 50% because of the data gap, ETC will submit the observations with reasons for consideration of exit from the block without paying COUWP based on low prospectivity.

- ii) Calculation of COUWP, if applicable, will be carried out by arithmetic multiplication of balance work program with approved cost of 0.25 million USD per corehole and 0.6 million USD per test well as well as pilot well.
- iii) Based on ETC observations, DGH will take a decision on contractor's proposal exit from the block based on low prospectivity.

Clause 2.9: Relaxation of Notice Period for submission as per CBM Contract

The clause empowers DGH to review and examine delays in submission of various notice periods in CBM contracts. Guidelines for examination of such cases is as below:

- i) DGH will examine the proposal for condonement of delay in submission of applications pursuant to contractual provisions.
- ii) DGH to check whether reasonable endeavor has been made by Contractor to expedite the submission of the proposal.
- iii) After examining the submissions made by the contractor, DGH shall make a decision on condoning delay in submission of notice period.

III. Guidelines on Policy framework for Streamlining the working of PSCs in respect of Pre-NELP and NELP blocks dated 14.08.2018

Clause 2: Extended Exploration Period in North Eastern Region and Marketing including pricing freedom for Natural Gas produce in North Eastern Region (NER)

The clause allows the contractor to avail an additional extension for maximum two years in the exploration period and for maximum one year in the appraisal period. Additionally, the clause provides Marketing & pricing freedom to contractor for gas produced in the block. The proposals seeking extension will be evaluated by DGH as per SOPs keeping in view the following guidelines:

- i) DGH will review the proposal submitted by the contractor and check the following:
 - a) OC approval
 - b) Whether adequate justifications/reasons have been submitted for seeking extended time-period with supporting documentation such as:
 - Logistical and operational constraints
 - Additional work program to firm up DOC/FDP
- ii) DGH will examine the justifications submitted by the contractor and the additional activities envisaged in the proposed extended time-period.
- iii) MC will review the proposal taking cognizance of DGH views and approve extended exploration/ appraisal period as per policy.
- iv) Based on MC recommendation, DGH shall make a decision on granting approval for extended exploration/appraisal period as per policy.

Clause 3: Force Majeure – Extension of Notice from 7 days to 15 days

The clause extends the time limit for submission of Notice for Force majeure from existing 7 days to 15 days. Such proposals will be evaluated by DGH keeping in view the following guidelines:

- i) DGH will review the proposal submitted by Contractor and ensure all necessary documents are provided in support of the proposal.
- ii) Multi-Disciplinary Committee constituted within DGH will evaluate Force Majeure situation and assess its repercussions on the block's work status.

- iii) MC will review the proposal taking cognizance of DGH views.
- iv) Based on MC recommendation, DGH shall make a decision on granting approval for extension of notice from 7 days to 15 days.

IV. Guidelines on policy framework for streamlining the operations, relaxation of timelines and delegation of powers to DG-DGH under PSCs dated 25.06.2018

Clause 2: Grant of area extending beyond Contract Area for appraisal prior to Development Area

The clause allows the contractor to conduct appraisal activities and avail right of exploration and exploitation of reservoir in the adjacent area outside the Contract Area during the Appraisal phase based on recommendations of MC. There are explicit provisions in Article 10 and Article 11 of PSCs for enlargement of development area in case commercial discovery extends beyond contract area. The proposal submitted by the contractor will be evaluated by DGH as per the following guidelines:

- i) DGH will check the following as per policy dated 25.06.2018 that the area sought for extension:
 - a) Is not of strategic importance, or
 - b) Has not been awarded to any other company by the Government, or
 - c) Is not held by any other party or
 - d) 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.
- ii) A Multi-Disciplinary Technical Committee (MTC) constituted in DGH shall ascertain whether the commercial discovery made by the contractor (reservoir) extends beyond the contract area and, if so, the extended area thereof based on technical merits.
- iii) Recommendations of MTC will be put up to the Management Committee (MC) for review.
- iv) Based on MC recommendation, DGH will make recommendations to the Government for taking appropriate decision on the grant of PEL/PML for the additional area where reservoir is extending, and which is not part of the original contract area.

Clause 3: Delegating powers to Director General, Directorate General of Hydrocarbons (DGH), under PSCs

- i. Empowering DG, DGH for approval of excusable delays under the policy for extension in exploration phase dated 18.04.2006

The clause empowers DGH to approve cases of demonstrable delays as excusable delays under policy dated 18.04.2006. The evaluation of cases shall be done keeping in view the following guidelines:

- i) Multi-Disciplinary Committee (MDC) constituted within DGH will examine the operator's proposal as per MoPNG approved SOPs dated 28.08.2018.
- ii) Keeping in view the MDC recommendations, DGH will make decision regarding approval of excusable delays.

- 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

The Clause empowers DGH to approve the excess cost recovery up to 20% 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. The evaluation of cases shall be as per the following guidelines:

- i) Operator shall submit the OC approved proposal with reasons for the excess expenditure with respect to Appendix-H of the PSC.
- ii) A committee constituted in DGH as per Policy dated 25.06.2018-3 (ii) for the purpose will examine the proposal to ensure the following and recommend to MC:
 - a. Work Program carried out by Contractor is MC reviewed and activities are eligible for cost recovery.
 - b. Committee will check the essentiality of doing the extra work and whether additional work program was approved in MC.
 - c. That any material expenditure over the benchmark costs as in Appendix-H is due to change in circumstances after the Contract came in effect.
 - d. Ensure that the reasons submitted by the Contractor for excess expenditure are justifiable. The reasons may be technical/operational/logistical/any other.

- iii) Based on MC decision, DGH will make decision regarding approval of the excess cost recovery up to 20% in excess of Appendix-H estimates.

iii. Empowering DG, DGH for notification of Audit exceptions in PSC and prescribing timeframe for appointment of Auditors and carrying out of Audit

The clause streamlines the Appointment of Auditor and carrying out of Audit. The Guidelines are as under:

- i) DGH to ensure that Contractor timely submits OC approved proposal for 'Appointment of Auditor' along with appropriate supporting documents.
- ii) DGH shall timely review the contractor's proposal so that Auditor is appointed well in advance but not later than 6 months from the date of closure of financial year to conduct audit for that financial year.
- iii) Contractor shall ensure that Audit is carried out in each block within 6 months from the award of audit.

V. Guidelines for evaluating completion of MWP well based on achievement of Geological Objective

Article 5 of Production Sharing Contract (PSC) defines the Minimum Work Programme (MWP) to be completed by the contractor within a stipulated timeframe. The MWP majorly comprises of, inter alia, 2D seismic API, 3D seismic API and a defined number of exploration wells to be drilled.

The exploratory well is completed as per Article 5 of PSC. The actual depth objective, for each of the wells shall be determined by the contractor in light of the advise of the Management Committee before the commencement of drilling. Each well which reaches the geological objective for which the depth objective was determined, shall be deemed to have been drilled to the depth objective or to the actual total depth, whichever is greater. For ascertaining the above conditions, the following guidelines are formulated:

1. While examining such cases, following will be reviewed, whether:
 - a) The Depth Objective and/or Geological Objective of the MWP well has been reviewed by the Management Committee (MC).
 - b) The MWP well has achieved the Depth Objective or Target Depth to meet the Geological Objective as reviewed by the MC.
 - c) To ascertain whether the well has achieved the Geological Objective or not in line with the MC reviewed Depth Objective/Target Depth, the case shall be referred to Multi-Disciplinary Technical Committee (MTC). MTC shall examine thickness of geological formation penetrated by the well. If the well drills through the entire geological formation in line with the MC reviewed Depth Objective/Target Depth, the geological objective of the well shall be treated as complete.
 - d) If the Contractor terminates the well within the geological formation without drilling through the entire geological formation, MTC shall examine and ensure that the well penetrates at least 10% of the geological formation, as per the MC reviewed geological objective. Further, MTC shall examine and assure that at least one of the following conditions is satisfied:

Condition 1: If the contractor submits that the probability of not finding the reservoir below the drilled depth is more than 80% and the same is ascertained/confirmed by the Multi-Disciplinary Technical Committee based on the

available data of the nearby area having similar geological settings, the geological objective of the well shall be treated as complete.

Condition 2: If the contractor submits that any further drilling beyond the drilled depth is impracticable owing to geological settings/drilling complications etc. and the same is ascertained/confirmed by the Multi-Disciplinary Technical Committee based on the available data of the nearby area in the same geological setting the geological objective of the well shall be treated as complete.

- e) Based on MTC views, the case shall be put up to the Management Committee (MC) for taking a decision on completion of MWP well.