

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:5110
ANSWERED ON:28.04.2005
LICENSES FOR OIL GAS DISCOVERIES
Jha Shri Raghunath

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) the details of the companies to whom licenses have been issued under the New Exploration Licensing Policy (NELP) for oil/gas discoveries;
- (b) the guidelines, terms and conditions for issue of the license under NELP and whether these companies fulfill those conditions;
- (c) the quantum of oil/gas discovered during the last three years, State-wise; and
- (d) the steps taken to reduce the widening gap between the demand and production?

Answer

MINISTER OF PETROLEUM & NATRUAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) Petroleum Exploration Licenses (PELs) are issued after the Production Sharing Contracts (PSCs) are signed with the Government of India. PELs for offshore blocks are issued by the Government of India. For onshore blocks, PEL, are issued by the State Government concerned. Pursuant to 90 PSCs signed under New Exploration Licensing Policy (NELP) by the Government of India, PELs have been issued to seven oil sector public sector undertakings and 11 private companies. The list of companies with whom the Government have signed contracts in the first four rounds of NELP, and PELs issued in regard to these, is given at Annexure-I.

(b) PELs under the New Exploration Licensing Policy (NELP) are issued after the signing of the PSCs. Blocks under NELP are offered through an international competitive bidding system. The bidding companies are required to fulfill the bid evaluation criteria prescribed in the Notice Inviting Offers (NIOs) in regard to technical and financial capabilities. Bids are then evaluated on the basis of transparent quantitative bid evaluation criteria taking into account technical and financial capabilities, the work programme offered and the fiscal package proposed by the bidding companies. The main terms and conditions of NELP are as under :

- No signature, discovery or production bonus.
- Income Tax Holiday for seven years from start of commercial production as per Income Tax Act, 1961.
- No customs duty on imports required for petroleum operations.
- Biddable cost recovery limit upto 100%.
- Option to amortise exploration and drilling expenditures over a period of 10 years from first commercial production.
- Sharing of profit petroleum based on pre-tax investment multiple achieved by the contractor and is biddable.
- Royalty for onland areas payable at the rate of 12.5% for crude oil and 10% for natural gas. For offshore areas, royalty payable at the rate of 10% for oil and natural gas. Royalty for discoveries in deep water areas beyond 400 m iso-bath payable at half the applicable rate for offshore areas for the first seven years of commercial production.
- Fiscal stability provision in the contract.
- Freedom to the contractor for marketing of oil and gas in the domestic market.
- Provision for assignment.
- Arbitration and Conciliation Act, 1996, based on UNCITRAL model, applicable.
- PSCs are subject to laws of India.

The terms and conditions of PELs are subject to the terms and conditions of the PSCs and such other conditions as obtaining defence, security and environment clearances for carrying out petroleum operations.

(c) The quantum of oil/gas discovered during the last three years, State wise are is as under :

(d) The following major steps have been taken to reduce gap between demand and supply of gas :-

(i) improving the recovery factor from existing major fields by implementing Enhanced Oil Recovery (EOR)/Improved Oil Recovery (IOR) schemes;

(ii) increasing exploration efforts through the New Exploration Licensing Policy (NELP). Under the four rounds of NELP, Production Sharing Contracts (PSCs) have been signed for 90 blocks. The Fifth Round of NELP has been declared open as of 4 January 2005 to invite bids for 20 exploration blocks; Bids close on 31 May 2005;

(iii) exploring new areas, especially deep waters and difficult frontier areas, as also the deeper layers of already producing fields; and

(iv) developing newly discovered fields speedily and stepping up the use of new technologies for seismic surveys, work over, stimulation operations, drilling of wells etc. in producing areas;

Besides, in keeping with the objectives of the Energy Security section of the National Common Minimum Programme, ONGC Videsh Ltd. (OVL), as well as other national oil companies such as IOC, OIL and GAIL, have been pursuing the acquisition of equity oil and producing and prospective properties abroad.