

F.No.O-32011/41/2009-ONG-I
Ministry of Petroleum & Natural Gas
Government of India

Shastri Bhawan, New Delhi-110 001
Dated, the 14th October 2013

To

The Director General
Directorate General of Hydrocarbon
OIDB Bhawan, Sector-73
Noida (UP.)

Subject : Policy Guidelines for Exploration and Exploitation of Shale Gas and Oil by National Oil Companies under Nomination regime-reg.

Dear Sir,

I am directed to refer to the above mentioned subject and to state that the Government has approved the following policy guidelines for the Exploration and Exploitation of Shale Gas & Oil by National Oil Companies (NOCs) under Nomination regime:

1. The policy guidelines will be applicable to onland Oil & Gas Nomination acreages with NOCs.
2. The terms and conditions of the policy would be as per the model permission letter to be issued by the Government to the concerned PEL/PML holding NOC, a copy of which is placed at Annexure.
3. The right to exploration and exploitation of Shale Gas & Oil will lie with the NOCs holding PEL/PML granted under the Nomination regime. Subject to provisions of section 1(I) of permission letter for grant of Shale Gas and Oil rights, NOCs shall apply for grant of Shale Gas/Oil rights for ML/PELs to be taken up in first phase of assessment within six months of notification of this policy. Permission for ML/PELs to be taken up in subsequent phases shall be applied six months before the respective phase begins. Phasing is proposed since it may not be feasible for NOCs to take up E&P activities for Shale Gas and Oil simultaneously in all nomination blocks.
4. The NOC will be required to undertake a mandatory Minimum Work Program (MWP) in

a fixed timeframe for Shale Gas & Oil exploration and exploitation, so that there is optimum accretion and development of Shale Gas & Oil resources from the area already granted to them.

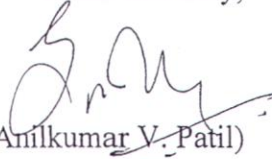
5. **Tax incentives:**

- i. Income tax will be payable under IT Act, 1961 at par with the provisions applicable to the Nomination acreages held by the National Oil Companies (ONGC & OIL).
 - ii. Full exemption from basic customs duty and additional duty of customs for specified goods required in connection with petroleum operations undertaken under petroleum licenses or mining leases issued on nomination basis, would be available for exploration and exploitation of Shale Gas and Oil under notification No. 12/2012-Custom, dated 17th March, 2012 (Sl. Nos. 356) subject to conditions specified thereunder.
 - iii. All goods supplied against International Competitive Bidding are fully exempt from excise duties subject to the condition that such goods are fully exempt from basic customs duty and additional duty of customs when imported into India.
6. The NOC shall submit, on a monthly and annual basis, a report regarding production & sale of Shale Gas and Oil to Directorate General of Hydrocarbon (DGH).
7. The production of Shale Gas and Oil, if any, in such areas would be treated at par with the production of conventional oil & gas for all purposes of exploration license and Mining Lease.
8. Holder of PEL/PML will be responsible for ensuring Health, Safety and Environment (HSE), site restoration and adoption of best industry practices and follow statutory requirements for all purposes under Licence and Mining Lease.
9. Royalty, cess and taxes for Shale Gas and Oil would be payable at par with conventional gas/oil being produced from the respective areas, at the prevailing rate, as applicable.
10. As per policy for extension of exploration phases under NELP and pre-NELP Production Sharing Contracts (2006) demonstrable delays on account of getting the Government approvals

/permits/clearances are to be counted as excusable delays. This provision is extended to Shale Gas and Oil exploration by NOCs, in view of the fact that NOCs have been prescribed time limit for appraisal programme as in NELP Contracts.

11. A committee comprising DG-DGH, Joint Secretary and Director concerned in the MOP&NG shall address unforeseen circumstances owing to technical, operational and other impediments, which may adversely affect the timelines proposed in the permission letter. This committee is empowered to approve relaxations to any of the timelines, as may be required for expeditious exploration, development and production of Shale Gas and Oil, with proper justification.

Yours sincerely,


(Anilkumar V. Patil)
Director
Tel. 23388764

Copy to :

1. CMD, ONGC, New Delhi
2. CMD, OIL, NOIDA, UP

PERMISSION LETTER

**PERMISSION FOR GRANT OF SHALE GAS AND OIL
EXPLORATION/EXPLOITATION RIGHTS**

(For Exploration and Exploitation of Shale Gas and Oil from existing Petroleum Exploration Lease (PEL) / Petroleum Mining Lease (PML) areas awarded to National Oil Companies (NOCs) under Nomination Regime)

Name of PEL/PML :

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