

Policy II / Substitution / 2007

POLICY FOR SUBSTITUTION OF ADDITIONAL METREAGE DRILLED IN DEEPER WELLS AGAINST TOTAL METREAGE COMMITMENT AS PART OF MINIMUM WORK PROGRAMME (MWP) IN THE PRODUCTION SHARING CONTRACTS (PSCs)

The Government of India has signed 190 Production Sharing Contracts (PSCs) under pre-NELP and NELP rounds. A few of the exploration blocks under these PSCs have been relinquished while the remaining are currently valid and are at various stages of exploration. The PSCs provide a minimum work programme (MWP) for each exploration phase. These MWPs include seismic surveys and exploratory wells.

2. The PSC provides that the contractor shall complete the MWP of the relevant phase, failing which they shall pay money to the Government for the unfinished MWP in accordance with the provisions of respective PSCs. The Government has also put an extension policy in place, wherein the contractors have to provide Bank Guarantees / pay Liquidated Damages for extensions in phases not exceeding 18 months.

3. In order to encourage exploration in deeper horizons, the Government has now decided to adopt the following transparent policy with regard to substitution of additional metreage drilled in deeper wells against total metreage commitment as part of minimum work programme (MWP) in the production sharing contracts (PSCs):

(i) The contractors are permitted substitution of number of exploratory wells in an exploration phase by excess metreage drilled in lesser number of exploratory wells provided at the time of seeking depth compensation, there has been a hydrocarbon discovery from the deeper formations and further, total points / marks calculated, as per the Bid Evaluation Criteria (BEC) for NELP, is equal or more than the points / marks secured based on the number

of wells committed under the PSC as part of MWP in such exploration phase.

- (ii) This policy will apply for both NELP and Pre-NELP blocks.
- (iii) The discovery must have been found by the contractor to be of potentially commercial interest and an Appraisal programme for the discovery should have been approved.
- (iv) The excess metreage gained by drilling deeper wells over the exploratory wells committed as a part of MWP as per the new policy or otherwise will not be set off or be compensated from the next phase. Neither will this policy extend or be adjusted against unfinished MWP for those contractors who relinquish a block.
- (v) Other terms and conditions of the contracts will remain unchanged.
- (vi) Any other consequential issue, which may arise during the implementation of this dispensation, shall be decided by the Government.