

(TO BE PUBLISHED IN THE GAZETTE OF INDIA
EXTRAORDINARY, PART 1, SECTION 1)

GOVERNMENT OF INDIA
MINISTRY OF PETROLEUM & NATURAL GAS

New Delhi, Dated: the 20th August, 2018

**POLICY FRAMEWORK FOR EXPLORATION AND EXPLOITATION OF
UNCONVENTIONAL HYDROCARBONS UNDER EXISTING PRODUCTION
SHARING CONTRACTS (PSCs), COAL BED METHANE (CBM) CONTRACTS
AND NOMINATION FIELDS**

No. Expl-11019(18)/618/2017-Exp-1- The Government of India hereby notifies "Policy framework for exploration and exploitation of unconventional hydrocarbons under existing Production Sharing Contracts (PSCs), Coal Bed Methane (CBM) contracts and Nomination Fields" as hereunder:

1. PSC regime (Pre-NELP and NELP)

The Government has decided to permit exploration and exploitation of unconventional hydrocarbons, including shale oil and gas and CBM in existing acreages under Pre-NELP (New Exploration Licencing Policy) and NELP Production Sharing Contracts (PSCs) subject to following terms and conditions:

- a. The Contractor will be allowed to explore and exploit unconventional hydrocarbons under existing contractual terms of the PSC. The contents of the relevant clauses in the PSC, as the case may be, will be deemed to have been modified to permit the Contractor to exploit unconventional hydrocarbons under the Contract.
- b. There will be separate ring-fencing for cost recovery of cost incurred on exploration, development and production from the total value of petroleum produced and saved from new commercial discoveries. The Government share of Profit Petroleum for new discoveries will be 10% over and above the percentage of Profit Petroleum shared with the



Government under existing PSCs. Except additional 10% Profit Petroleum, all other fiscal terms and conditions will be that of existing PSCs. Following guidelines may be applied for cost recovery purposes:

- i. The commercial and techno-economical viability of new discovery or cluster of discoveries will be established on standalone basis.
 - ii. All costs of discoveries related to exploration, development and production will be ring-fenced. All expenditure and revenue generated thereof will be documented separately in accordance with the Accounting Procedure provided for the PSC.
- c. The terms and conditions of the PSC in respect of various payments such as taxes, levies, Cess, Royalty and Profit Share etc. shall be applicable to production of unconventional hydrocarbons also.
 - d. The methodology and accounting of costs recovery and revenues generated for dual purpose wells will be notified by DGH separately. Dual purpose wells will be those wells where drilling of unconventional is conducted in the conventional wells.
 - e. In cases where at the time of submitting Declaration of Commerciality (DoC) or Field Development Plan (FDP), new hydrocarbon discovery or cluster of discoveries is not commercially viable on standalone basis, Contractor may be permitted to develop the same provided the entire Petroleum Operations from exploration to production of new discovery or cluster of discoveries is ring-fenced. The costs and revenues from such discoveries will be ring-fenced and will not have any impact whatsoever on the Government share of Profit Petroleum generated from already monetized discoveries including earlier ring-fenced discoveries.



2. CBM Contracts:

The Government has decided to permit exploration and exploitation of all types of hydrocarbons under the Oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1959, including Shale oil/gas in the existing CBM contracts subject to following terms and conditions:

- i. CBM Contractor will be allowed to explore and exploit conventional and unconventional hydrocarbons such as Shale gas and oil along with CBM after grant of modified PEL/PML. The contents of relevant clauses in CBM Contracts will be deemed to have been modified.
- ii. The Contractor will be required to pay additional Production Level Payment (PLP) of 10% over and above the PLP percentage for CBM as specified in the existing CBM Contract, in respect of the Shale gas /oil or other hydrocarbons produced under the Contract.
- iii. In the case of Shale oil production in CBM contract, oil will be converted into equivalent gas volume in energy terms for the purpose of payment of royalty etc. The conversion scale used will be 1 million barrel of oil equivalent to 160.25 MMSCM of gas.

3. Common Terms and Conditions for the PSCs and CBM contracts:

- i. The terms and conditions of the lease period under amended PSCs and CBM contracts would run concurrent with the original PSC and CBM Contract.
- ii. For structural stability and conservation of coal seams, and extraction of CBM in existing acreages of PSC regime, a consultative and coordination mechanism comprising of representatives of Ministry of Petroleum and Natural Gas (MoP&NG) and Ministry of Coal will be developed in continuation of MoU signed with Ministry of Coal on 23rd September, 1997.



- iii. This policy will be applicable to all operational blocks of PSC and CBM regime. However, it would not apply to blocks where Contractor has already applied for relinquishment or blocks under termination proceedings or where arbitration or legal proceedings are going on as on the date of notification of this policy.
- iv. Except as otherwise provided in this Policy, the existing terms and conditions of the PSC and CBM contracts will be applicable while exploring and exploiting Shale Gas/Oil, CBM or all other hydrocarbons.

4. Nomination Blocks

In nomination blocks, given to National Oil Companies (NOCs), the NOCs will be allowed to explore and exploit of all types of hydrocarbons under the Oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1959 as per existing fiscal and contractual terms of PEL/PML granted under nomination acreages. The Shale Gas Policy of 2013 will be deemed to be modified and/or extended to that extent.

5. Empowered Committee of Secretaries (ECS):

An Empowered Committee of Secretaries (ECS) comprising of Secretary, Petroleum and Natural Gas, Finance Secretary, Law Secretary and Secretary, Department of Expenditure is entrusted with the function of resolving operational issues arising during the implementation of this policy.

duy 20/08/2018

(Amar Nath)

Joint Secretary to the Government of India

Tel No. 23381832