

Policy

NELP Bid Rounds Secures Investment of about USD 14 Billion

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The oil and gas sector in India have been traditionally dominated by Public sector undertaking – which accounts for more than half of domestic oil and gas production and refining capacity in the country. However, in recent years, because of the steps taken by the government to deregulate the industry and encourage greater private and foreign participation, private sector contribution in the sector has been increasing steadily. In this backdrop, the ninth round of NELP offers an attractive entry point. The NELP-IX provides for attracting investments in this important sector of the economy and has significantly boosted the development of Exploration and Production sector.

With the introduction of the New Exploration Licensing Policy (NELP), a major thrust was given to bringing in the much needed capital and state-of-the-art technology to exploration sector.

NELP was formulated by the Government of India, with Directorate General of Hydrocarbons (DGH) as a nodal agency during 1997-98 to provide a level playing field, on which all parties would compete, for the award of exploration acreage. Another directive for NELP is that all bid rounds and the award of blocks are to be conducted in an open and transparent manner.



Murli Deora, Minister of Petroleum & Natural Gas with Jitin Prasada, Minister of State and S Sundareshan, Secretary, releasing information docket for the IX round of exploration block in New Delhi. Photo: V. Sudershan

Prior to establishing NELP, 11 percent of Indian sedimentary basins area was under exploration. With the conclusion of eight rounds of NELP, the unexplored sedimentary area has been reduced to just 12 percent.

“The government of India has been promoting investment in all segments of petroleum sector and has initiated various policy measures from time to time. In the upstream sector, the regular conduct of NELP bid rounds has resulted in securing investment of about 14 billion dollars. During last year, we held the 8th round of NELP for which a road show was held in Mumbai and in that round, a commitment of USD 1.1 billion was obtained.

The NELP policy has been able to attract significant level of foreign investment in an area where risk capital is to be invested,” said Murli Deora, Minister of Petroleum and Natural Gas.

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“The transparency and fairness in the New Exploration Licensing Policy regime is our best bet to attract competitive technologies and investments in our exploration efforts. It is heartening to note that during last 10 years of NELP the Indian sedimentary basin area under exploration has increased from 11 percent to 58 percent and by 2012 we hope to cover about 80 percent of the sedimentary basin area. Out of 235 exploration blocks given under NELP, so far 87 oil and gas discoveries have been made in 27 exploration blocks,” said Jitin Prasada, Hon’ble Minister of State, Petroleum and Natural Gas.

Blocks on Offer Under NELP IX

A number of exploration blocks are on offer for bidding in the NELP-IX Licensing Round, totalling a number of 34 blocks. The blocks are categorised as follows

- 8 are in deep water
- 7 are in shallow water
- 19 are onshore

View Details of Blocks on Offer

11 Blocks are located off the western coast, four being in deep water. A further four deep water blocks are available to the east of the Andaman & Nicobar Islands. The remainder of the blocks are located onshore.

Main Features of Terms Offered

The successful bidder would be required to enter into a Production Sharing Contract (PSC), which will be based on the Model Production Sharing Contract (MPSC). Some of the attractive features of the terms offered by the Government are:

- There will be only one Exploration phase of 7 years for Onland and Shallow water blocks and 8 years for Deep water blocks and Frontier Area blocks. There will be no compulsory relinquishment after Initial Exploration Period (when mandatory and committed programme are to be completed) and operators will have option to relinquish entire area after completion of Minimum Work Programme or retain the Block by committing to carry out drilling of one well per year in case of Onland and Shallow water Blocks or one well in 3 years in case

of Deepwater Blocks. In any case, the entire area (leaving aside the Discovery Area and Development Area) would require to be relinquished at the end of 7 or 8 years of exploration, as the case may be.

- Up to 100 percent participation by foreign companies.
- No signature, discovery or production bonus.
- No mandatory State participation.
- No carried interest by National Oil Companies (NOCs).
- No customs duty on imports required for petroleum operations.
- Income Tax Holiday for seven years from start of commercial production of “Mineral Oil”.
- Biddable cost recovery limit: Up to 100 percent.
- Option to amortise exploration and drilling expenditures over a period of 10 years from first commercial production.
- Sharing of profit petroleum with Government of India based on biddable Pre-Tax investment multiple achieved by the contractor.
- Royalty for Onland areas is payable at the rate of 12.5 percent for crude oil and 10 percent for natural gas. For Shallow water offshore areas, royalty is payable at the rate of 10 percent for both crude oil and natural gas where as for Deepwater offshore areas (beyond 400 m iso-bath) royalty is payable for both crude oil & natural gas at the rate of 5 percent for the first seven years of

Details of exploration blocks on offer with mandatory work programme under new exploration licencing policy Ninth Round (NELP-IX)

SL. NO.	BASIN	BLOCK NAME	M A P REF.	A P - PROX. AREA (S q . Km.)	M A X . W E L L D E P T H F O R B I D E V A L U - A T I O N (M) #	M A N D A T O R Y W O R K P R O - G R A M M E 2 D S E I - M I C (A P I)		
						G R I D S I Z E	Q U A N - T U M O F W O R K I N L K M (A P - P R O X .)	
DEEP WATER BLOCKS								
1	GUJARAT-SAURASHTRA	GS-DWN-2010/1	D-1	8255	5000	Nil	—	
2		MB-DWN-2010/1	D-2	7963	5000	32X32	630	
3		MB-DWN-2010/2	D-3	7063	6000	32X32	560	
4	MUMBAI KERALA-KONKAN ANDAMAN	KK-DWN-2010/1	D-4	10019	5000	32X32	795	
5		AN-DWN-2010/1	D-5	5901	5000	32X32	468	
6		AN-DWN-2010/2	D-6	4560	5000	32X32	360	
7		AN-DWN-2010/3	D-7	9145	5000	32X32	725	
8		AN-DWN-2010/4	D-8	4197	5000	32X32	330	
SHALLOW WATER BLOCKS								
9	GUJARAT-KUTCH	GK-OSN-2010/1	S-1	1361	6000	Nil	—	
10		GK-OSN-2010/2	S-2	1625	6000	Nil	—	
11		MB-OSN-2010/1	S-3	2998	4600	Nil	—	
12	MUMBAI KERALA-KONKAN	MB-OSN-2010/2	S-4	3411	5000	Nil	—	
13		KK-OSN-2010/1	S-5	2004	5700	Nil	—	
14		KK-OSN-2010/2	S-6	1860	4700	Nil	—	
15		KK-OSN-2010/3	S-7	1874	4500	Nil	—	
ONLAND BLOCKS								
16	ASSAM-ARAKAN	AA-ONN-2010/1	1	401	4500	16X16	55	
17		AA-ONN-2010/2	2	396	5000	Nil	—	
18		AA-ONN-2010/3	3	171	6000	Nil	—	
19	VINDHYAN	VN-ONN-2010/1	4	3776	5500	32X32	300	
20		VN-ONN-2010/2	5	4909	5500	32X32	390	
21	GANGA RAJASTHAN	GV-ONN-2010/1	6	3025	6500	Nil	—	
22		RJ-ONN-2010-1	7	480	4500	Nil	—	
23	CAMBAY	RJ-ONN-2010/2	8	535	5000	16X16	75	
24		CB-ONN-2010/1	9	782	3000	Nil	—	
25		CB-ONN-2010/2	10	943	2500	Nil	—	
26		CB-ONN-2010/3	11	534	2500	Nil	—	
27		CB-ONN-2010/4*	12	61	4500	Nil	—	
28		CB-ONN-2010/5*	13	49	3000	Nil	—	
29		CB-ONN-2010/6*	14-A & B	39	2500	Nil	—	
30		CB-ONN-2010/7*	15-A & B	55	3000	Nil	—	
31		CB-ONN-2010/8*	16-A & B	42	3500	Nil	—	
32		CB-ONN-2010/9*	17	120	2500	4X4	60	
33		CB-ONN-2010/10*	18	122	2500	4X4	60	
34		CB-ONN-2010/11*	19	131	2500	4X4	65	

* Type S block

Well depth from seabed in respect fo offshore blocks Blocks: Map reference no. 1,2,3,4,5 and 6 are frontier area blocks

commercial production and thereafter at the rate of 10 percent.

- Fiscal stability provision in the contract.
- Liberal provisions for assignment.

- Arbitration and Conciliation Act, 1996, based on United Nations Commission on International Trade Law (UNCITRAL) model, applicable.
- To facilitate investors, a Petroleum Tax Guide (PTG) compiled in 1999 is provided.
- Predetermined Liquidated Damages (LD) specified for unfinished Minimum Work Programme.
- One time Bank Guarantee (BG) at a lower rate for the total committed work programme.
- A nominal bid bond at specified rate to encourage serious bidders.

Bid Evaluation Criteria

Bid Evaluation is based on Technical Capability, Work Programme and Fiscal Package for each block type as shown in the table below:

Block Type	Technical Capability	W o r k Programme	F i s c a l Package
Onland Type S	N/A	50 percent	50 percent
Onland and Shallow Water	Pre-qualification criterion	50 percent	50 percent
Deep Water	25 percent	25 percent	50 percent

Conclusion

“We have constantly endeavoured to improve NELP regime to make it ever more transparent and investor friendly year after year. In this effort the suggestions from various stake holders such as E&P Companies, Industrial bodies like CII and Association of Oil and Gas Operators (AOGO) are taken with all the seriousness. Keeping in view the rising input costs, to attract the best possible technologies available and appreciating the special needs in deep water and frontier areas exploration , new incentives have been included in this NELP round,” said Jitin Prasada. ■

Government to Think Over Oil Companies Requirement

Kolkata: Pranab Mukherjee, Finance Minister of the country has stated that the government will consider the demand for additional money to oil companies as the state-run retailers have incurred huge losses in the first half of 2010-11.

According to the minister the oil minister and oil secretary discussed regarding some money for the companies. The finance minister has asked formal proposal and has already given subsidy to the oil

company. IndianOil, BPCL and HPCL had jointly incurred a loss of ₹ 31,000 crore for under-recovery in LPG, kerosene and diesel from April to September 2010. Bangladesh has been seeking exclusion of 60 plus items from the negative list, which is under government’s consideration.

Mukherjee also informed that India is permitting duty-free access of large items from Bangladesh, as it is a least developed nation.