

Address by Shri R.S. Pandey, Secretary, Ministry of Petroleum & Natural Gas at the Launch of Eighth Round of New Exploration Licensing Policy (NELP-VIII) and Fourth Round of Coal Bed Methane (CBM-IV) Policy at New Delhi on 9th April, 2009

My colleagues from the Ministry of Petroleum & Natural Gas, senior officials from the Government, Chairman and Managing Directors of oil PSUs, distinguished participants, friends from press and media, ladies and gentlemen.

I welcome you to this programme of launch of the eighth round of New Exploration Licensing Policy (NELP) and fourth round of Coal Bed Methane (CBM) Policy. In furtherance of this policy, the Government is offering the highest number of exploration blocks ever i.e., 70 blocks covering a sedimentary area of about 1,63,535 Sq. Km. The blocks include – 24 deepwater blocks, 28 shallow water blocks, 8 onland blocks and 10 Type-S blocks this time in NELP-VIII. We are offering 10 blocks under CBM-IV covering an areas of about 5,000 sq. km. spread over seven states namely, Assam, Jharkhand, Orrissa, Madhya Pradesh, Chhattisgarh, Maharashtra and Tamil Nadu.

The development of E&P sector has received a major impetus through NELP and CBM under which 100% FDI participation by private sector and foreign investment is permitted. Before implementing the New Exploration Licensing Policy (NELP), 11% of Indian sedimentary basins area was under exploration. With conclusion of seven rounds of NELP, the area under exploration has increased to about 50%. During XI plan period, area to be brought under exploration coverage is targeted at 80% of total Indian sedimentary basin.

Under NELP and CBM, licenses for exploration are being awarded only through a competitive bidding system and National Oil Companies (NOCs) are required to compete on an equal footing with Indian and foreign companies to secure Petroleum Exploration Licences (PELs). Seven rounds of bids under NELP and three rounds of bids under CBM have so far been invited, in which, 203 exploration blocks under NELP and 23 blocks under CBM have been awarded in a transparent manner. Two blocks under CBM have been awarded through nomination basis and one through Foreign Investment Promotion Board (FIPB) route. Thus, a total of 26 CBM blocks have been awarded so far.

The exploration work is progressing well in the NELP and CBM blocks and new oil & gas /CBM discoveries are being reported. Under NELP, 68 oil and gas discoveries have already been made in 19 exploration blocks (5 blocks in NELP I, four blocks each in NELP II, NELP III and NELP-IV and two in NELP V). Hydrocarbon reserves accretion has already been more than 600 Million Metric Ton of oil equivalent. First Deepwater crude oil and natural gas has commenced from NELP-I block KG-DWN-98/3(D-6). With this, the gas production from the eastern part of our country would double the present production of gas and in monetary terms, it would be about US\$ 42 billion.

Based on the experience gained in the previous seven rounds of NELP and three rounds of CBM and inputs from E&P companies, the Government undertook an extensive consultation process with various stakeholders such as E&P companies, industry bodies – CII and Association of Oil and Gas Operators(AOGO). The views of various stakeholders have been factored into while finalizing the bid documents for NELP-VIII and CBM-IV which contain several amendments in the bid evaluation criteria and PSC. I would like to highlight some of these:-

- In onland blocks, the categorization of blocks into Type- A & B provided no significant advantages. In addition, to avoid pre-judging the prospectivity of a block, it has been decided to abolish the categorization of blocks in NELP-VIII. Now, four types of blocks viz, Deepwater, Onland, Shallow and Type-S blocks only are offered.
- In order to achieve XI Plan target of covering 80% of Indian Sedimentary Basin under exploration, an intensive exploration coverage and programme is required. In this direction, an intensive work programme would be necessary to establish prospectivity which could lead to discovery. Hence, more emphasis is given to the work programme in the forthcoming round.
- The Consortium criteria for NELP-VIII has been modified to the extent that production beyond 400 bathymetry would be a criterion for either of Indian or Foreign company and the weightage for consortium criteria would be reduced from 10 to 5 points as compared to NELP-VII.
- In order to simplify bidding under NELP-VIII and to award points on main exploration activities, only 3 parameters namely, 2D seismic, 3D seismic and exploratory wells will be considered for evaluation of work programme. Both the number and depth of exploratory wells will be biddable. Additional marks for 2nd and 3rd and further wells will be discontinued. There will be only one exploration phase of 7 years for all blocks. There will be no compulsory relinquishment after 4 years
- Government's share of profit petroleum would be biddable against two tranches of Pre-Tax Investment Multiple (PTIM).
- Pre- determined Liquidated Damages(LD) will be specified upfront for unfinished work programme under NELP-VIII.
- For the first time, new area has been proposed to be brought under exploration in western Andaman sea. 2 Type-S blocks have been carved out in Assam for the first time. Of the 10 Type-S blocks being offered, 8 are in the Cambay Basin which is a known petroliferous basin.

The salient features of CBM-IV are:

- Keeping in view the geologically complex nature of coal and logistically difficult areas of CBM-IV blocks, more points have been allotted under technical capability criteria by reducing the weightage for work programme. Technical capabilities will be assessed on the strength of the operator only.
- In CBM-IV, the exploration period will not be a biddable criteria as exploration period has been reduced to 5 years from 8 years. The biddable items include : the number of exploratory core holes, any other work considered necessary by the bidder(Phase-I) and number of pilot wells(Phase-II).
- Fiscal package would be evaluated on the basis of Government's share of production linked payment at two tranches. Bids would be evaluated with respect to Government take in volume based Net Present Value(NPV) production scenario. The bidder offering the highest Government's share of production in NPV terms will get the highest points.

The bid closing date for NELP-VIII and CBM-IV is 10th August, 2009. Government is committed to complete evaluation, award and signing of Production Sharing Contracts in a definite time frame. As demonstrated in the past rounds of NELP, the transparent process adopted enables bidders to know their positions on winning the bid soon after the time prescribed for closure of the bid receipt.

As in the previous rounds, we will be holding Roadshows at important oil and gas locations in the world and opening data centres as well. A dedicated website is being opened today for this bidding round which will be an interactive one. We have appointed an international agency to market the blocks and we will be taking all necessary measures to make these rounds a success. We have provided sufficient time for companies to review and analyse data at various data viewing centres so that they may decide to bid either on their own strength or in consortium.

With this, I invite all E&P companies as well as investor companies whether small or big to participate in the NELP-VIII and CBM-IV bidding process, to become partners in our efforts to enhance the energy security of the country and to be a part of the ever growing E&P sector in India. I wish the investors all the best in their endeavors in taking up exploration activities under NELP-VIII & CBM-IV. Thank you.
