
Dr. Vikas Sharma, DGM(Geol), EXCOM Group, ONGC, New Delhi
Sh. A.K. Biswas, GGM-Head, EXCOM Group, New Delhi

Management of Indian Hydrocarbon Resources- Beyond New Extension Licensing Policy (NELP)

Indian economy is poised for substantial growth in years to come and energy serves as driving force for any country's economic growth. Oil and gas are critical components of our energy basket and will continue to play an important role in meeting the energy requirements of our country in the foreseeable future until some renewable form of energy becomes viable. Hence, there is an emphasized need for wider and more intensive exploration and production activities including investor's friendly Policy framework.

India has 26 sedimentary basins with an area of 3.14 million square km, out of which 1.35 million sq. Km area is in deep waters and 1.79 million sq. Km area is in onland and shallow offshore. Till late eighties, about 11% of sedimentary area was moderate to well explored and only two National Oil Companies, namely ONGC and OIL were involved in E&P business. India was self sufficient to the extent of 70% of its oil requirement. The demand for HC in the country was growing at the rate of 6.5 to 7 % per annum whereas oil/gas production remained more or less stagnant. This jolted the NOC's strategy to achieve the self-sufficiency.

In order to bridge the yawning gap between overall demand and domestic oil& gas production, as well as, to supplement the efforts of NOCs, GOI opened up the upstream sector for Indian and Foreign private company's participation in 1991-92. A total of 35 blocks were awarded to Pvt. /JV companies. Out of these PSCs were signed for 28 blocks. In these contracts, the participating NOC has been designated as Licensee of the block and the Companies have been exempted to pay statutory levies on crude oil/gas. Further, these contracts have up to 30% walk-in provision for the participating NOC in case of commercial discovery made in the block. HC discoveries have been made in 8 blocks out of which one discovery namely, Mangala is termed as one of the biggest onland discovery after Gandher field in 1983. At present, there are 16 active blocks which are in different stages of exploration/Development-production.

Subsequently, GOI formulated New Exploration Licensing Policy(NELP) in 1997 to provide a level playing field to both Public and Private sector companies. The terms and conditions of this open and transparent policy rank amongst the most attractive in the world. So far, Eight rounds have been completed and India has come a long way in attracting technology and investments towards the development of its oil& gas resources. At present, 1.06 million sq. Km is held under PEL in 18 sedimentary basins. About 70 discoveries have been made with accretion of In-place and ultimate reserves of 363 MMt(O+OEG) and 115 MMt(O+OEG) respectively. Still India has a long way to go in E&P being one of the least explored countries in the world.

In the last 2-3 rounds of NELP, it is widely regarded that overseas investors do not perceive India to be a hydrocarbon prospective nation. An analysis of the situation reveals that although the offered fiscal terms and conditions of NELP are attractive but there are apprehensions about the HC potentiality of the blocks on offer as most of the blocks offered are either re-cycled blocks or part of the earlier relinquished blocks and have practically no data to assess their potential. In addition to the doubts on prospectively, the un-certainty in the Fiscal and regulatory climate such as Tax holidays, gas utilisation, gas pricing, varied interpretation of PSC articles, inordinate delay in PI transfer/ PSC amendment etc. refrain the investors to participate in bidding round. Further, in NELP bidding rounds the companies can bid for the blocks that GOI puts up on for auction and have no role in the selection of the blocks.

Taking into consideration the country's high economic growth rate of above 8%, almost stagnant production of hydrocarbons, unfavourable demand-supply balance of HC, India needs substantial quantities of crude and natural gas. In order to enhance energy security for the country following measures are warranted besides acquiring oil & gas assets abroad:

1. Increasing exploration and production activities in the country
2. Development of alternate sources of energy
3. Conversion and implementation of environment friendly policies
4. Strategic storage of crude oil

For augmenting the exploration and production activities in the country, need of the hour is to adopt "Open Acreage Licensing Policy" as it provides more flexibility to the companies in choosing their exploration area and that too any time round the year. In case, if any company desire to acquire data in the area of their interest, there should be some provision to allow them to carry out the exploration activity. The GOI may review the existing policy of offering acreages through NELP rounds.

Besides, intensifying exploratory efforts for oil and gas, Directorate General of Hydrocarbons(DGH) may prepare road maps for assessment of potential of alternate sources of energy viz shale gas, basin centred gas, shale oil, Gas Hydrates etc. The regulatory framework and investor's friendly policies are required to be evolved for their commercial exploitation.

From : Dr. Vikas Sharma, DGM(Geol),EXCOM Group,New Delhi

Mob.9968282840

Email: sharma_vikas@ongc.co.in

To: The Secretary, APG, Dehra Dun

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Pl. Find attached herewith the paper entitled," Management of Hydrocarbon Resources- Beyond New Exploration Licensing Policy(NELP).

(Vikas Sharma)