Source: Press Information Bureau, Government of India (15 October 2015)

Many of the Marginal oil and gas fields of Oil & Natural Gas Corporation Ltd (ONGC) and Oil India Ltd (OIL) could not be monetized for years due to various reasons such as isolated locations, small size, prohibitive development costs, technological constraints, unfavourable fiscal regime, etc. On 2nd September, 2015, the Cabinet has approved the Marginal Field Policy (MFP) with the objective to bring marginal fields to the production at the earliest so as to augment the domestic production of oil and gas. Government has attempted to include certain reforms in the hydrocarbon exploration and production management through this policy with sole intention to increase the production at the earliest. The salient features of this policy are given below:

**Single license for conventional and non-conventional hydrocarbons**

2. A single license will be provided to enable E&P operators to explore and extract all hydrocarbon resources covered under the Oilfields Regulation and Development (ORD) Act, 1948, and Petroleum and Natural Gas (PNG) Rules, 1959 under one PEL/PML. This will enable the contractor to explore conventional and unconventional oil and gas resources including CBM, shale gas/oil, tight gas, gas hydrates and any other resource to be identified in future which fall within the definition of "Petroleum" and "Natural Gas" under PNG rules, 1959.

**No restriction on exploration activity during Contract Period**

3. The contractor will be allowed to carry out exploration activity during entire contract duration. Exploration will be at the sole risk and cost of the contractors.

**Model for inviting the bids**

4. Bids will be invited for the Marginal Fields on a Revenue Sharing Contract (RSC) Model. To ensure viability of operations, it is proposed to cluster fields / discoveries, as may be required at the time of Notice Inviting Offer (NIO). This revenue sharing model will be based on a revenue-based linear scale. The contractor shall be required to pay biddable Government share of revenue (net of royalty or post-royalty).

5. A simple and easy to administer contractual model in line with Government's efforts to promote 'Ease of Doing Business' requiring minimum regulatory burden for monetizing these fields has been developed.

**Crude Oil Pricing and Sale**

6. The contractor will be free to sell the crude oil exclusively in domestic market through a transparent bidding process on arms length basis. However, for the sake of calculation of Government revenue, the minimum price will be the price of Indian Basket of Crude Oil (currently comprising of Sour Grade (Oman & Dubai Average) and Sweet Grade (Brent

Dated) of Crude Oil processed in Indian refineries) as calculated by Petroleum Planning and Analysis Cell (PPAC) on a monthly basis. If the price arrived through bidding is more than the price of Indian Basket of Crude Oil then the Government's take will be calculated based on the actual price realized.

**Natural Gas Pricing**

7. The contractor will have freedom for pricing and allocation of gas produced from a cluster / field / discovery on arms length basis. The Government share of revenue shall be calculated as per the Domestic Natural Gas Pricing Guidelines in vogue at relevant point of time. However, if the discovered price is more than the calculation based on the Domestic Natural Gas Price Guidelines issued by the Government from time to time, then the Government's take will be calculated based on actual price realized.

**Royalty**

8. Royalty rates applicable under New Exploration Licensing Policy (NELP) regime will be adopted in the Policy for Marginal Field of ONGC and OIL.

**Oil Cess**

9. No oil cess shall be applicable on crude oil production from marginal fields.

**Customs Duty**

10. Exemption from custom duty will be provided on all machinery, plants, equipments, materials and supplies related to petroleum operations as applicable in NELP.

**Mining Lease**

11. Current Mining Lease holder will be required to transfer/assign the Mining Lease (ML) or Petroleum Exploration License (PEL) along with all available clearances to the awardee of the area/ Contractor, to the extent legally possible, or else the Contractor has to obtain the same. Lease / License rent / fees will be governed as per ORD Act 1948 and P&NG Rules 1959 as amended from time to time.

**Contract Duration**

12. The contract duration for development and production from the offered Marginal Fields would be a maximum of twenty (20) years from the effective date (effective date is the date of PEL/ML grant/ transfer /signing of deed) or till the economic life of the field as submitted by bidder along with development plan in the bid, whichever is earlier, unless the Contract is terminated earlier in accordance with its terms, but may be extended upon mutual agreement between the Parties for a further period not exceeding ten (10) years. If the production of Crude Oil or Natural Gas is expected to continue beyond the end of the relevant period referred above, the Parties may agree to extend this Contract for a further period upon such terms as may be mutually agreed. The contract can be extended based on the provisions of the contract and extant GOI guidelines, if any. Contract can be terminated

earlier by GOI if the production from the offered Marginal Fields ceases for a period of over one (1) year at any instance.

**Management Committee**

13. A Management Committee (MC) will be constituted with representatives from Government/DGH and contractor.

**Eligibility for participation in bids**

14. National oil Companies, Indian Private Companies and foreign companies either alone or in joint venture can bid for the offered marginal fields. Up to 100% participation by foreign companies, joint ventures will be allowed.

**Site Restoration**

15. The site restoration fund shall be maintained by the contractor, as per the notified "Site Restoration Fund Scheme-1999", as amended from time to time. The activity of site restoration will be done as per applicable rules / standards / notifications.

16. The above policy will apply to 69 fields of ONGC and OIL considered under the marginal field category. List of 69 fields is annexed.

The decision herein contained will come into force with immediate effect and will remain in force until further orders.

END