

***Open Acreage Licensing  
Policy (OALP) under the  
Hydrocarbon Exploration  
and Licensing Policy  
(HELP)***

***Presentation for Workshop at  
New Delhi***

***July 6 2017***

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# ***Agenda***

| <b>Sr. No.</b> | <b>Agenda</b> |
|----------------|---------------|
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- |          |   |
|----------|---|
| <b>1</b> | Proposed contractual Framework                                |
| <b>2</b> | OAL Process (EoIs, Bidding and Bid Evaluation for POC and RC) |
| <b>3</b> | Pre-Qualification and Bid Evaluation Criteria                 |

# ***Proposed contractual framework***

# ***Contractual Framework under HELP mapped to activities for blocks under OALP***

## ***Model Revenue Sharing Contract for Petroleum Operations***

### **Exploration**

Exploration Phase consisting of Initial Exploration Phase, Subsequent Exploration Phase

Right to explore in retained area for full lifecycle

### **Reconnaissance**

Exploration activities without any automatic right to undertake appraisal and development.

Can migrate to full Petroleum Operations contract through bidding

### **Appraisal and Development**

Notification of Discovery

Appraisal with assessment of Commerciality

Time bound FDP preparation and Development

Provision for Direct FDP submission.

### **Production Phase**

Revenue Sharing

Freedom for Marketing and Pricing

Site restoration

**Provisions of MRSC** ▶

**Provisions of RC** ▶

## ***Summary Timelines: Time Driven Performance Monitoring***



| <b>Phase</b>                       | <b>Time</b>   |
|------------------------------------|---|
| <b><i>Petroleum Operations</i></b> |   |
| Initial Exploration Phase          | 3(+1) years for Onland & Shallow Water, 3(+1, +1) years for Deep Water, Ultra Deep Water and Frontier Areas |
| Subsequent Exploration Phase       | 3(+1) or 3(+1, +1) years as above   |
| Appraisal Period                   | 2 years for onland)/3 years for offshore with 6/12 months extensions  |
| Field Development Plan submission  | 12 months from intent submission (3/6 months extensions allowed)  |
| Production Commencement            | 3/5/7 years from FDP for Onshore/Shallow/(DW/UDW)   |
| <b><i>Reconnaissance</i></b>       |   |
| Reconnaissance Period              | 2(+1) years   |
| Period for licencing data          | 10/9 Years  |

# ***The OAL Process (Eols, Bidding and Bid Evaluation for POC and RC)***

Process Flow



## ***Investor may opt either for Reconnaissance Contract or Petroleum Operation Contract under OAL***

|   | <b>Description</b>   |
|---|--|
| <b>Options for Investors</b>                | <ul style="list-style-type: none"><li>• Suo-moto EOI submission by carving out blocks of their choice ( OAL)</li><li>• Participate in periodic rounds of Acreage award by GoI (Blocks carved out by GoI)</li></ul>   |
| <b>Types of License</b>                     | <ul style="list-style-type: none"><li>• <b>Petroleum Operation Contract (MRSC)</b><br/>permits exploration, development, production or any combination of two or more activities.</li><li>• <b>Reconnaissance Contract:</b><br/>permits exploration and drilling of exploratory wells.</li></ul>   |
| <b>Originators and Originator Incentive</b> | <ul style="list-style-type: none"><li>• Investor(s) submitting suo motu EoI for Reconnaissance Contract or Petroleum Operations Contract shall be termed as Originators on First Come First Served basis.</li><li>• On submission of valid bid during competitive bidding, originators will be awarded Originator Incentive (05 Marks)</li></ul> <div style="text-align: right;"></div> |
| <b>Migration from RC to POC</b>             | <ul style="list-style-type: none"><li>• Licensee has to complete minimum 80% of the Committed Work Program and pay LDs for rest</li><li>• Has submitted intent and EOI to migrate, minimum 90 days prior to the expiry of the contract</li></ul> <div style="text-align: right;"></div>   |

## ***EoI Submission***

### **EoI windows**

- Suo motu EoIs will be accepted throughout the year in two windows.
- The deadline for submission will be observed as 17:00 hrs IST of the closing dates for respective windows:
  - a) November 15th of every year for Window-I of the respective year
  - b) May 15th of every year for Window-II of the respective year
- However, initial window for submitting EoI would be from 1<sup>st</sup> July, 2017 to 15 November, 2017

### **Bid Participation Bond**

- **Petroleum Operations Contract:** 150,000 USD/ sector with a cap of:  
1 million USD for Onland or Shallow water Blocks  
2 million USD for Deepwater or Ultra deep water Block
- **Reconnaissance Contract:** 30,000 USD/ sector with a cap of  
0.2 million USD for a Onland or Shallow water Block  
0.4 million USD for Deepwater or Ultra deep water Block

### **Minimum & Maximum area of Application**

| <b>Type of Block</b>                              | <b>Minimum Sector for EOI</b> | <b>Maximum Sector for EOI</b> |
|---|-------------------------------|-------------------------------|
| <b>Onland /CBM</b>                                | 1                             | 10 sectors/2 Sectors          |
| <b>Shallow Water</b>                              | 1                             | 20 sectors                    |
| <b>Deep Water/Ultra Deep Water /Frontier Area</b> | 1                             | 30 sectors                    |



## ***Investor submitting EOI is obliged to participate in the bidding process***

### **EoI Fees**

- Non- refundable fee of US\$ 1,000 (USD One Thousand)

### **Obligation to bid**

- Originator(s) would be obliged to bid, if EoI is accepted .
- Such obligation will be waived if deviation in area finalized by DGH is greater than 50%.

### **Obligation to retain the same consortium at bidding**

- Originator Incentive would be withdrawn if there is a change in Consortium at the bidding stage and their Participation Bond will be forfeited

### **EOI Evaluation**

- EoI will have to adhere PQ criteria (Financial and Technical).
- EoI for POC shall be accompanied with a due diligence report of the prospectivity of the area sought. Report has to be based on data purchased from NDR or earlier data purchased from GOI.
- Due Diligence Report of Prospectivity has to adhere to indicated guidelines



## ***Carving out of Blocks and Issuing of NIO***

### **Carving out of Blocks**

- Blocks will be carved out on the basis of EoI received . However, DGH has right to amend the areas.
- DGH can also carve out the Blocks for bidding for which no EoI has been received, in which case Originator Incentive will not apply.

### **Bidding Process**

- Bid Documents / Data Packages will be prepared for the blocks on offer.
- Bid Document will specify the Bid Evaluation Criteria and other conditions of the bidding

### **Pre qualification Criteria**

- For POC : Financial (Networth) and Technical (Operatorship Experience and Acreage Holding) shall be specified in NIO. EoI parties shall also adhered to PQ
- For RC : Networth has to be positive and Operator should have prior Data Acquisition experience

### **Bid Evaluation Criteria**

- POC :
  - Work Programme (45) + Originator Incentive (05)
  - Fiscal (50)
- RC :
  - Work Programme (70) + Originator Incentive (05) + Price of data (25)
- For GOI carved out Blocks, Originator Incentive shall not apply and WP would be scored out of 50 and 75 for POC and RC respectively.

# ***Pre-Qualification and Bid Evaluation Criteria***

## ***Prequalification (PQ) Criteria***

- ***Financial***
- ***Technical***

## ***Bid Evaluation Criteria***

- ***Financial***
- ***Technical***

## ***Financial Pre-Qualification Criteria and a two stage evaluation of Networth criteria has been introduced***

***For Petroleum Operations:*** At EOI stage/Bidding State, Originator is required to meet the following minimum Networth criteria

| <b>Type of bock</b> | <b>Net-worth for one sector (10'x10') (\$ mn)</b> | <b>Net worth for additional sectors (\$ mn/ sector)</b> | <b>Requisite Net worth for maximum no of sectors</b> |
|---------------------|---|---|--|
| Onland/Frontier     | 5   | 1   | 14/34  |
| Shallow water       | 20  | 2   | 58   |
| Deep water          | 60  | 2.5   | 132.5  |
| Ultra-Deep water    | 90  | 3   | 177  |
| CBM                 | 2.5   | 0.5   | 3  |

Bids that do not meet the above PQ criteria shall not be processed further for Bid Evaluation.

**At the Bid Evaluation Stage** networth of the bidder would be reassessed at the time of technical bid opening. At this stage, Net worth of the bidder should be equal to or more than the higher of :

- a) Estimated expenditure for the committed work programme
- b) LD equivalent value of the committed work programme

Any shortfall in Networth is allowed to be supported by an equivalent bank guarantee.

***For Reconnaissance Contract:*** requirement is positive Networth at EOI stage and Networth to match Work Programme cost at bidding stage (deficit can be met by Bank Guarantee)



## **Minimum Technical Qualifying Criteria for Petroleum Operations Contract**

| Sl.      | Criteria   | Onland                         | Shallow Water                  | Deep water/<br>Ultra-deep Water  | CBM                            |
|----------|--|--------------------------------|--------------------------------|----------------------------------|--------------------------------|
| <b>1</b> | Minimum Operatorship Experience<br>(Experience of operatorship in oil and gas exploration and / or development and / or production in the last consecutive 10 years) | 1 year Experience is Mandatory | 1 year Experience is Mandatory | 1 year Experience is Mandatory   | 1 year Experience is Mandatory |
| <b>2</b> | Minimum Acreage Holding (sq. Km.): (for Onland, Shallow water, Deep water/ Ultra-deep water and CBM)   |                                | Positive                       | Optional if Point 3 is fulfilled |                                |
| <b>3</b> | Minimum Average Annual production (MMBoe) for the previous 5 years: (for Onland, Shallow water, Deep water/ Ultra-deep water)  |                                | Positive                       | Optional if Point 2 is fulfilled |                                |

**Operatorship Experience in respective category of block is required for which bidder is applying, subject to:**

- a. Operatorship experience in Deepwater/Ultra Deepwater block would be recognized as relevant for all type of blocks.
- b. Operatorship experience in shallow water block would be recognized as relevant for Deepwater, shallow water and on-land blocks
- c. Operatorship experience in on-land block would be recognized as relevant for on-land and Shallow water blocks
- d. Operatorship experience in CBM block would be recognized as relevant for on-land blocks

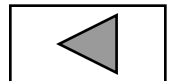


## ***Technical Pre-qualification requirement for Reconnaissance***

The bidder for Reconnaissance or EOI submitting party must have any one of the following experience:

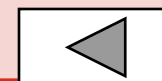
- 1000 LKM of 2D seismic API experience, or
- 300 SKM of 3D seismic API, or
- Drilling experience of at least 5 wells.
- Others surveys like CSEM, Gravity, Magnetic, MT etc for at least 1000 sq km.

Bids/EoIs which do not meet the above PQ requirement would be rejected.

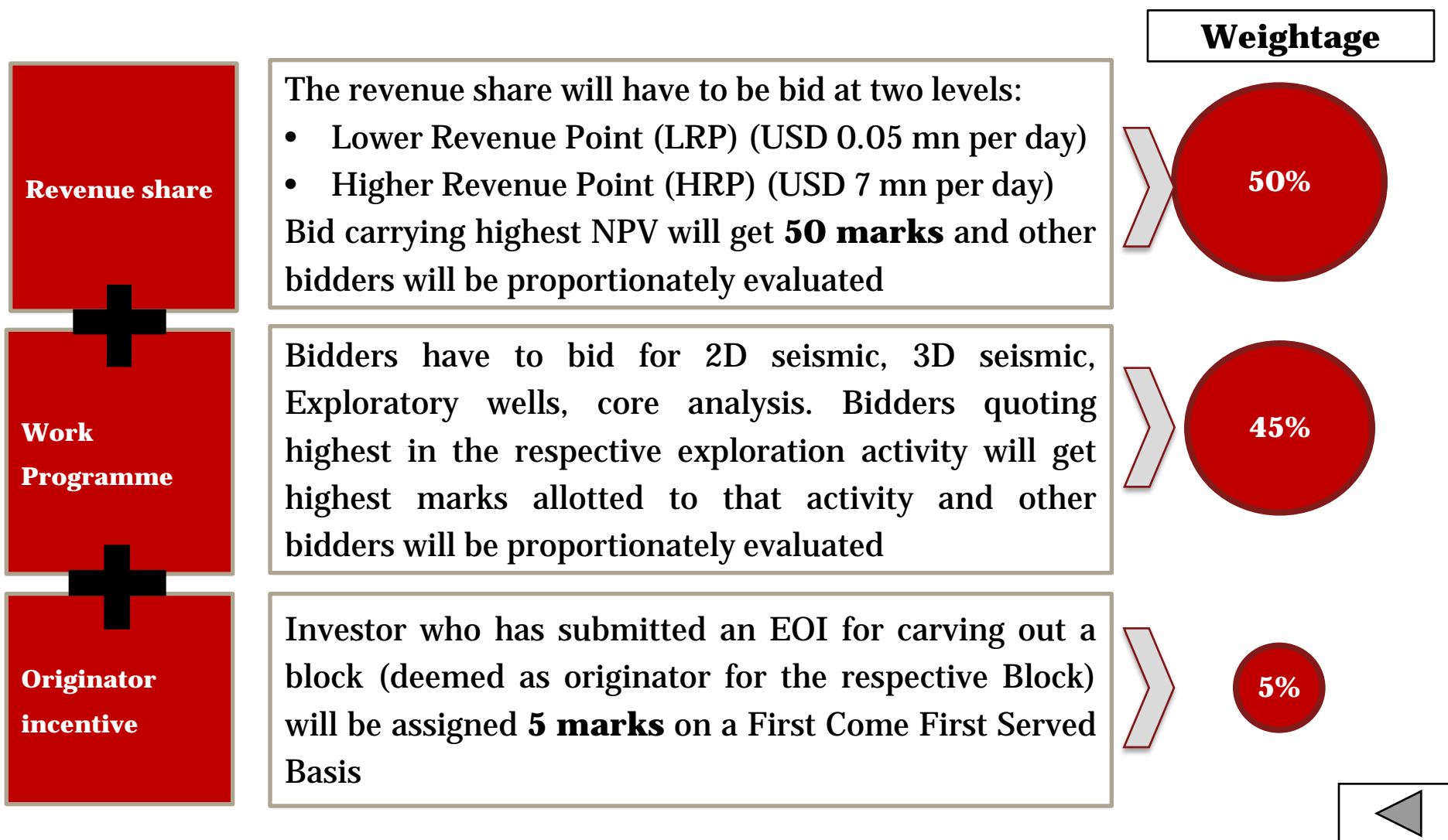


## ***Bid Evaluation Criteria for Reconnaissance Contract: Work Programme and Data Price***

| <b>Sl.</b> | <b>Activity</b>      | <b>Marks for WP</b> | <b>Marks for price of data</b> | <b>Evaluation Method</b>  |
|------------|----------------------|---------------------|--------------------------------|---|
| <b>1</b>   | Technical Parameters |                     |                                |   |
| <b>1.1</b> | 2D                   | 20                  | 8                              | <ul style="list-style-type: none"> <li>• Bidder quoting highest quantum gets the maximum marks for quantum of work</li> <li>• Bidder quoting lowest price gets maximum marks for price of data</li> <li>• Others would get marks proportionately</li> </ul> |
| <b>1.2</b> | 3D                   | 35                  | 10                             |   |
| <b>1.3</b> | No of wells          | 15                  | 7                              |   |
| <b>2</b>   | Originator Incentive | 5                   | NA                             | Originator will get 5 marks   |
| <b>3</b>   | Fiscal Package       | NA                  |                                | Not Applicable as no Production is allowed  |
|            | <b>Total</b>         | <b>75</b>           | <b>25</b>                      |   |



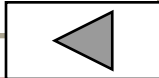
## *For Petroleum Operations Contract, bidders would be evaluated based on three parameters under the Revenue sharing fiscal regime*



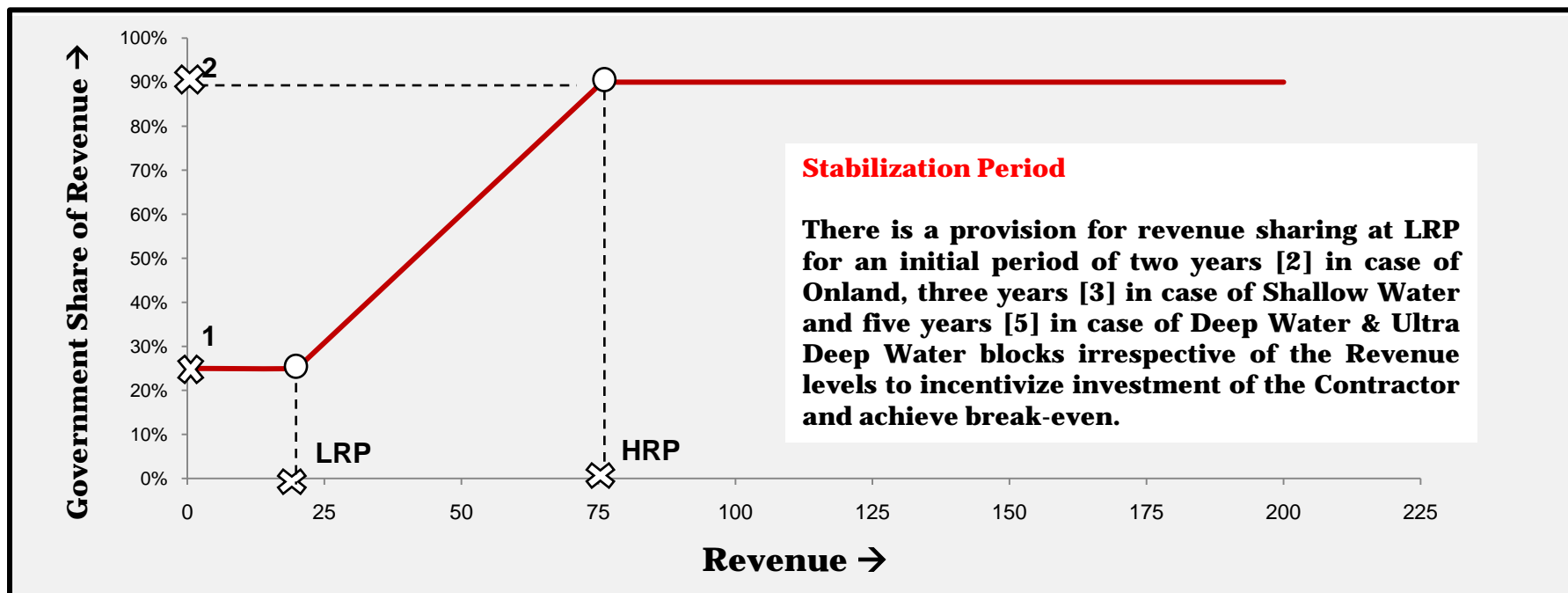


***POC: Bidders quoting highest in the respective exploration activity will get highest marks and other bidders will be proportionately evaluated***

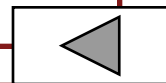
| Activity                          | Marks | Evaluation  |
|-----------------------------------|-------|---|
| 2D Seismic surveys (API)          | 8     | Bidder quoting highest 2D seismic survey (LKM) will be assigned 8 marks and others will be assigned marks proportionately   |
| 3D Seismic surveys (API)          | 17    | Bidder quoting highest 3D seismic survey (SKM) will be assigned 17 marks and others will be assigned marks proportionately  |
| Exploratory wells                 | 15    | Bidder quoting highest number of wells will be assigned 15 marks and others will be assigned marks proportionately  |
| Core Analysis (for the shale gas) | 5     | Bidder quoting maximum number of wells with core analysis for target shale plays will be assigned 5 marks and others will be assigned marks proportionately based on their quote. |



***The revenue sharing model allows greater transparency and reduces the room for government interference in terms of capex approvals***



The revenue share will have to be bid at two levels: “Lower Revenue Point (LRP)<sup>1</sup>” and “Higher Revenue Point (HRP)<sup>2</sup>”. The revenue share for intermediate points will be calculated by linear interpolation. The bidder offering the highest net present value of the revenue share to the Government will score the maximum on this parameter.



## ***Fiscal Bid: LRP and HRP***

### **Lower Revenue Point (LRP)**

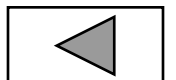
**Set at USD [ 0.05 ] mn per day as per initial estimation of DGH**

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### **Higher Revenue Point (HRP)**

**Set at USD [ 7 ] mn per day as per initial estimation of DGH**


- Bidders would be required to quote their non zero percentage revenue share at the two points, rate quoted at HRP has to be higher than that quoted for LRP
- LRP and HRP has been set by DGH to capture a wide spectrum of Revenue for fields of India observed.

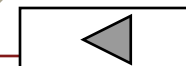


*Thank you*

# ***Annex I: Salient Features of MRSC***

***Model Revenue sharing contract is envisaged to increase domestic oil and gas production, enhance transparency and reduce administrative discretion***

- 1 Unified Licence for both conventional and unconventional Hydrocarbons
- 2 Revenue sharing fiscal regime based on LRP & HRP
- 3 Graded Royalty rates 
- 4 Market pricing and full market Access
- 5 No restriction on exploration activity during the contract period
- 6 Provision for rapid development to expedite the production & early monetization



## ***Other key features of the Model Contract***

### **Unit development**

- Well defined mechanism for development of common reservoir between 2 Contractors who are at different stages of E&P lifecycle in their respective blocks

### **Petroleum Exploration License and Mining Lease**

- Flexibility given to Contractor to undertake exploration for the duration of the Lease

### **Operatorship/ PI Transfer**

- Well defined timelines for approval of change in operatorship/ PI transfer

### **Joint usage of infrastructure**

- Flexibility to Contractors to make use of existing infrastructure in adjacent blocks



***Exploration period is up to 8 years for Onland and Shallow water while up to 10 years for Deep and Ultra-Deep water blocks***

|                                     | <b>Onland/shallow/CBM</b> | <b>Deep/ Ultra-deep/frontier</b>   |
|-------------------------------------|---------------------------|------------------------------------|
| <b>Exploration Period</b>           | <b>8 years</b>            | <b>10 years</b>                    |
| <b>Initial exploration Phase</b>    | <b>3 years + 1 year*</b>  | <b>3 years + 1 year* + 1 year*</b> |
| <b>Subsequent exploration Phase</b> | <b>3 years + 1 year*</b>  | <b>3 years + 1 year* + 1 year*</b> |

***\*Extension to be granted upon notification by the Operator to MC along with reason to be recorded***





## ***Means to ensure Time bound Implementations***

### ***Non- completion of exploration work programme***

| <b>In US \$</b>                          | <b>Onland<br/>(Excluding<br/>CBM)*</b> | <b>Shallow water</b> | <b>Deep water</b> | <b>Ultra Deepwater</b> | <b>CBM</b>  |
|--|--|----------------------|-------------------|------------------------|---|
| <b>Per well/Corehole (as applicable)</b> | 1,000,000                              | 3,000,000            | 10,000,000        | 12,000,000             | Corehole – 250,000<br>Pilot Assessment Well – 650,000 |
| <b>Per sq.km. of 3D Seismic</b>          | 5,000                                  | 1,500                | 1,500             | 1,500                  | N.A.  |
| <b>Per line km. of 2D Seismic</b>        | 2,500                                  | 1,000                | 1,000             | 1,000                  | N.A.  |
| Core Analysis (per well)                 | 250,000                                | 250,000              | 250,000           | 250,000                |   |

### ***Non- completion of FDP commitments***

**Shortfall in FDP commitments**

Any shortfall in the FDP commitments in terms of number of wells to be drilled and creation of infrastructure as observed by the Management Committee will be considered as material breach of the Contract

## ***Other disincentives....***

### ***Failure to commence development operations***

**If the contractor fails to commence Development Operations within one year**

- Penal provisions are specified
- If Development Operations of a Discovery (ies) within 2 years there is a provision of relinquishment of the discovery

### ***Failure to commence commercial production***

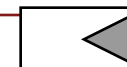
**If the contractor fails to commence commercial production in 3/5/7 years**

- Penal provisions are specified
- If the Contractor does not commence commercial production within prescribed timelines plus two (2) years, it shall relinquish its right to develop such Discovery(ies)

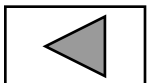


## ***Graded Royalty***

| <b><i>Type of Hydrocarbons</i></b> | <b><i>Duration</i></b> | <b><i>Royalty Rates (oil) (in %)</i></b> | <b><i>Royalty Rate (gas &amp; CBM) (in %)</i></b> |
|------------------------------------|------------------------|--|---|
| Onland                             | -                      | 12.5                                     | 10.0  |
| Shallow Water                      | -                      | 7.5                                      | 7.5   |
| Deep Water                         | First 7 years          | No Royalty                               | No Royalty  |
|                                    | After 7 Years          | 5  | 5   |
| Ultra-Deep water                   | First 7 years          | No Royalty                               | No Royalty  |
|                                    | After 7 years          | 2  | 2   |



***Annex II:  
Salient Features  
Reconnaissance Contract***



## ***Reconnaissance Contract is envisaged to increase the Geo-scientific data base of Zone II and Zone III of Indian Sedimentary Basins***

- 1** Areas defined as Zone II and Zone III on NDR website are open for Reconnaissance contract applications also.
- 2** Reconnaissance Contracts aims at strengthening the Geo-Scientific Data Base of the Basins.
- 3** Contract Period : RC will be awarded for 2 years with an option to extend for 1 additional year.
- 4** Contractor can license the data for 12 years from effective date. However, one set of data will be given in NDR and can be used by GoI for promoting/licensing acreages.
- 5** Contractor may also opt for migration to POC through bidding process with an incentive. On successful migration from RC to POC, the right over licensing the data shall lapse.
- 6** Reconnaissance Contracts will be exclusive in nature. However, Contractor can allow other parties for survey on its discretion.

*Thank you*

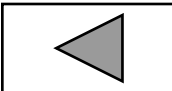
## ***Migration Incentive from Reconnaissance to Petroleum Operations Contract***

- On completion of 80% of WP of Reconnaissance Contract, the Contractor (through its Operator) shall exercise one of the following options:
  - a) To abandon all its rights to undertake Reconnaissance activity in the Contract Area.  
Or
  - b) To express an Intent to Migrate to a Petroleum Operations Contract for the Area of Interest
  - c) In which case the Intent to Migrate would be treated as an suo motu EOI for the Petroleum Operations Contract and awarded the Originator Incentive. Only the Operator of the RC is eligible for the incentive.
  
- A Contractor is eligible to exercise option (b), only if it has completed 80% of the Reconnaissance Work Programme. Accordingly, Operator of the Reconnaissance Contract will be granted the Originator Incentive (5 Marks).
  
- Once the Contractor (or the Operator) migrates to POC through bidding the right to lease the data for the block lapses



## ***Originator Incentive : (5 marks out of Work Programme)***


- ❖ The marks awarded to the party submitting an EoI on a First Come First Served basis with proper supporting due diligence report rewards the initiative taken and technical work undertaken
- ❖ Originator incentive is available to the party submitting EOI along with supporting document purely on the First Come First Served basis
- ❖ In case of a consortium submitting EOI, the same consortium without any change is liable to submit the bid.
- ❖ Originator incentive would not be granted in case composition of the consortium changes at the bidding stage and the Participation Bond of such consortium which changes its consortium would be forfeited.
- ❖ Originator incentive is available for both POC and RC





## ***EoI Acceptance and Rejection Criteria***

EoIs will be accepted subject to the fulfillment of following conditions :

- Due diligence report would be reviewed by DGH and accepted if the report adheres with all conditions .
- Submission of Application Fee
- Submission of Participation Bond
- Fulfillment of Pre-Qualification Criteria, Both Technical and Fiscal
- EoIs will be accepted on First Come First serve Basis and no EoI will be entertained having area overlapping with the already submitted EoI
- EoIs overlapping with the “No Go Areas” will not be entertained.



## ***EoI Acceptance and Rejection Criteria***

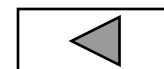
**Due diligence Report would be reviewed by DGH and accepted if the report is adhering to the following conditions :**

- Primary Data Source has to be NDR or Data previously procured from GOI
- Data source must be disclosed and data should be in the legal possession of the EoI submitting Party.
- Due Diligence Report must clearly bring out the prospectivity and shall contain:

The EoI submitter has to submit a report on due diligence undertaken while identifying the area for which EOI is being submitted. The list of all Geological & Geophysical (G & G) data used by the company for evaluation of the proposed area and the report on assessed level of prospectivity is to be submitted, in case of EoI for Petroleum Operations Contract (POC).

The report should be based on available geoscientific data and describe the key petroleum system elements, likely major plays supported by appropriate seismic and geological cross sections and/or maps.

Due diligence report is not required to be submitted for the areas for which scanty or no data (identified as Zone 2 and Zone 3 area) is available. However, a brief conceptual report about the geological model and prospectivity should be provided.



# PROCESS FLOW DIAGRAM FOR OPEN ACREAGE LICENSING

An area of [10' x 10'] is defined as sector for all types of hydrocarbons. One or more than one contiguous sector can be combined to form a block for Eol.

**Investor Studies the Data Available on NDR**

Indian sedimentary basins gridded into sectors and divided into zones with the corresponding data are made available on the National Data repository.

