

## **DRAFT POLICY FOR EXTENSION OF EXPLORATION PHASES UNDER THE CONTRACTS FOR EXPLORATION AND PRODUCTION OF COAL BED METHANE**

The Government of India has signed 26 CBM contracts under three rounds of CBM, which are currently valid and are at various stages of exploration. These have been signed within the framework of Coal Bed Methane (CBM) Policy. These contracts generally provided extension in exploration phases for a period of 6 months to complete the unfinished minimum work programme/ and or additional work programme. The objective of the exploration policies has been to stimulate exploration of coal bed methane in the country. Recently, it has been observed that a number of proposals seeking extension in exploration phases have been received by the Government citing numerous reasons. The Government has been considering these cases on merit of individual proposals.

The non-completion of committed work programme within the scheduled time as specified in the respective Contracts has several tangible and intangible effects on the entire process of exploration endeavors. Some of the major implications are:

- (i) The very purpose of accelerating and increasing exploration efficiency will be defeated and it may trigger complacency.
- (ii) The blocks are awarded on the basis of Phase-wise committed work programme along with timeframe. Extensions vitiate the integrity of the bidding process and spirit of contracts.
- (iii) The principal aim of equal opportunity, fair chances to all, transparency of the system is affected by frequent extensions.

In order to adopt a transparent and consistent framework for granting extension in exploration phases, the Government has framed an extension policy for considering proposals, which are either pending with the Government or may be referred in future. The broad objectives of the extension policy are as under :

- i) To have a transparent and consistent set of criteria to take decisions on extension proposals of the contractors.
- ii) To act as deterrent for those operators seeking unnecessary extensions or holding on the acreages without doing any exploration activities or activity at slow pace.
- iii) The policy envisages a system of progressive penalty by way of increasing bank guarantee amount vis-à-vis duration of extension sought and giving due recognition to the companies who have established commercial viability .
- iv) Upto 6 months extension may be given by the Steering Committee or the Government on merit in terms of the provisions of the respective contracts.
- v) Demonstrable delays on account of getting the Government approvals / permits / clearances will be counted as excusable delays.
- vi) In case the contractor does not fulfill the work programme within the stipulated period or extended period, as the case may be, the contractor shall be required to pay money for the unfinished work programme, if any, to the Government in terms of the respective provisions of the Contract.

With these broad objectives in view, the Government has decided to put in place the following policy for grant of extensions. The proposals falling in various categories enumerated below in the table will be considered by the Government as per the respective terms and conditions stipulated against each such category.

**Terms & Conditions of the proposed Extension Policy**

Sl No	Type of proposal (applicable for extension in Phase-I & Phase-II)	Terms and conditions	
1.	Extension sought due to delay in issuance of Government clearances/permits:	Any demonstratable delays will be counted as excusable delays and extension granted shall not be set off .	
2	Where Minimum Work Programme (MWP) of the relevant phase has not been completed within the stipulated period of that phase and extension is sought in Phase-I & II to complete MWP (excluding excusable delays)	<b>Applicable both in Phase-I &amp; Phase-II</b>	
		First six months may be granted by Steering Committee in terms of respective Contract.	
		7-12 months	<p>An additional up to 6 months extension may be granted on the following terms &amp; conditions:</p> <p>(i) The contractor will provide 50% Bank Guarantee (BG) of the unfinished MWP, the amount to be calculated keeping in mind the relevant factors in computing the cost of such un-finished work programme.</p> <p>(ii) The period of extension will be set off from next phase.</p> <p>(iii)The contractor would be required to relinquish the area as per contract.</p>
13-18 months	<p>Any extension beyond 12 months and up to 18 months may be considered subject to following:</p> <p>(i) The contractor will provide 75% Bank Guarantee (BG) and 15% pre-estimated agreed liquidated damages cash payment for the remaining MWP , the amount to be calculated keeping in mind the relevant factors in computing the cost of such un-finished work programme.</p> <p>(ii) The period of extension will be set off from next phase</p>		
		<b>Applicable both in Phase-I &amp; Phase-II</b>	

Note- It may be clarified that where a contractor has not completed MWP and proposes additional work programme; extension is proposed to be covered in the category where MWP has not been completed.