**Indian Government Extends Bid submission Time Frame for Discovered Small Fields Bid Round-III**

1. India is the third largest importer of crude oil and as heaviliy relies on imports of crude oil to meet its energy demand. While the per capita consumption of electricity in India is very low, the per capita consumption of electricity is expected to grow significantly. To reduce India’s import dependency of hydrocarbons, India needs to effectively exploit the established reserves and increase its indigenous production of hydrocarbons. Many discoveries made in nomination blocks by national oil companies such as Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited (OIL) (National Oil Companies) have not been monetized and were categorized as marginal fields. Discovered Small Field Policy notified by the Government of India (Indian Government) in the year 2015 (DSF Policy) among other refornms, endeavours monetization of such 69 hydrocarbon discoveries made by NOCs.
2. Encouraged by the success of Discovered Small Field Bid Round – I  and Discovered Small Field Bid Round – II pursuant to DSF Policy, on June 10, 2021 the Indian Government had announced Discovered Small Field Bid Round – III. These 75 fields are envisaged for expeditious production.
3. Under the DSF Bid Round – III, Indian Government offers 75  fields comprising of 32 Contract Areas for International Competitive Bidding.  These 75 fields are spread over 9 sedimentary basins covering more than 13,000 square kilometers with Inplace Hydrocarbon estimated to be around 230 MMT.  Eleven (11) Contract Areas are located Onland, Twenty (20) Contract Areas are located in Shallow Water Offshore, and One (1) Contract Area is located Deepwater Offshore.
4. DSF Bid Round-III provides a great opportunity to not only foreign as well as Indian companies in the E&P business but also investors to participate in the E&P Sector in India by way of DSF Bid Round-III in the new year.
5. The Indian Government has extended the Bid submission timeframe by almost three (3) months for DSF Bid Round-III. As per earlier timetable published by the Indian Government, the Bid submission for DSF Bid Round-III was intended to start on October 01, 2021 and end on October 29, 2021. *Now, the Bid submission for DSF Bid Round-III will start on December 15, 2021 and end on January 31, 2022*. It will be noticed that the Bid submission window is also increased by about 19 days.
6. The program of DSF Bid Round - III as announced, progressed until now and revised is as under:
   1. On June 10, 2021, the Indian Government had published the Notice Inviting Offer (NIO) and Model Revenue Sharing Contract (MRSC).
   2. On June 30, 2021 the pre-Bid conference was held as scheduled. And on July 27, 2021 response to pre-Bid queries Part - 1 were provided and on July 30, 2021, Investors meet was held in respect of DSF Round - III. The responses to pre-Bid queries Part -II were provided on August 31, 2021.
   3. per the revised timetable, the Bid submission for DSF Bid Round-III will start from December 15, 2021 and end on January 31, 2022.
7. The potential Bidders have the benefit of Indian Government’s responses to the pre-Bid queries. Moreover, in view of extension of Bid submission timeframe and longer bidding window, potential Bidders will have sufficient time to be able to go over the NIO, the MRSC and data made avaliable by the Indian Government to study and submit the Bid.
8. The NIO, MRSC, Information Booklet, pre-Bid queries and Indian Government’s responses are available at the link https://online.dghindia.org/dsf3. The bids are to be submitted through the e-bidding portal https://ebidding.dghindia.gov.in. The Data Room is now open.
9. The attractive features of the DSF Bid Round - III as announced by the Indian Government are:
   1. One hundred per cent (100%) participation from foreign companies/joint ventures.
   2. The successful Bidder will be granted a single license for both conventional and unconventional hydrocarbons.
   3. In order to incentivse new investors, technical capability is not kept as a pre-qualification criteria.
   4. No upfront signature bonus is to be paid by the successful Bidder.
   5. Offered fields do not have a carried interest of National Oil Companies, other operators or State participation.
   6. Exploration is allowed for full Contract Period (defined below).
   7. Exemption from customs duty for equipment required for Operations.
   8. No oil cess to be levied on Crude Oil, Condesate and Natural Gas produced from DSF.
   9. Full Marketing and Pricing Freedom for Natural Gas and Crude Oil and Condensate produced.
   10. Freedom of sale of Natural Gas and Crude Oil and Condensate exclusively in the Domestic Market (i.e Indian Market) by way of transparent bidding process.
10. It must be noted that, the DSF are offered to augment the domestic need. The NIO also expressly provides that the successful Bidder (i.e. the Contractor) shall be required to sell one hundred (100) per cent of its entitlement to Crude Oil and Natural Gad from the Contract Area in the Domestic Market (ie. Indian market) till India becomes self-reliant.
11. Companies can make bids either singly or in a consortium of unincorporated or incorporated joint ventures.
12. One hundred (100) per cent participation is permitted by foreign companies. However, such participation will be subject to Foreign Investment Regulations (i.e. Indian Government’s Foreign Direct Investment (FDI) Policy and the Indian Exchange Control Laws i.e. Foreign Exchange Management Act, 1999 and applicable rules and regulations).
13. The successful Bidder of DSF Bid Round - III will be entitled to a single license for exploration and extraction of both conventional and unconventional hydrocarbon from the Contract Area.
14. Subject to termination provisions, the contract period in respect of a Contract Area will be upto a maximum of 20 (twenty) years from the Effective Date (as defined in the MRSC) or until economic life of the Contract Area as submitted in the Bid (Contract Period). The Contract Period is extendable by a period not exceeding 10 (ten) years. The Contract can be terminated by Indian Government if the production from the offered Contract Area ceases for a period of over one (1) year at any instance.
15. The Contractor will have full marketing and pricing freedom to the Natural Gas, Crude Oil and Condensate on Arm’s Length Sales principle.
16. While exemption from customs duty for importation of goods (equipment) required for Operations is provided, the Contractor is obligated to provide preference to the use of Indian goods and services subject to quality, scheduled, availability, and competitive pricing.
17. A Bidder is required to fulfil the requisite net worth criteria commensurate to its Participating Interest value of Work Programme Commitment; provided every Member of the Contractor that is part of the consortium should have a minimum net worth of US$ 1 million. An audtior’s certificate certifying the networth is required to be furnished along with audited annual accounts while submitting the Bid. The net worth calculation method is provided in the NIO.
18. The bidding criteria is consisting of two components: First, the Biddable Work Programme (BWP); and the Second, Biddable Government Share of Revenue (BGSR). The BWP is consisting of Appraisal/Development Wells only for Petroluem Operations.
19. The BWP is to be completed within the following period (each a Development Period):
    1. 3 (three) years for Onland Contract Area;
    2. 4 (four) years for Shallow Water Offshore Contract Area; and
    3. 6 (six) years for Deepwater Offshore Contract Area.
20. In evaluation of Bids, 20 (twenty) per cent weightage will be given for Biddable Work Programme and 80 (eighty) per cent weightage will be given for BGSR offered to the Indian Government by the Bidder.  The revenue share offered to Indian Government by the Bidder at the Lower Revenue Point (LRP), which is equal to or less than US $ 0.0100 Million per day and at the Higher Revenue Point (HRP), which is equal to or more than US $ 1.0000 Million per day will be considered for evaluation purposes.
21. The BGSR (net of Royalty) is payable by the Contractor (i.e. successful Bidder) from the onset of production. Following are the rates of Royalty:
    1. Onland Contract Area - Royalty on Crude Oil at the rate of 12.5 per cent and Natural Gas at the rate of 10 per cent;
    2. Shallow Water Offshore Contract Area - Royalty on Crude Oil and Natural Gas at the rate of 7.5 per cent;
    3. Deepwater Contract Area - No Royalty on both Crude Oil and Natural Gas for first seven (7) years of Commercial Production and thereafter at the rate of 5 per cent both on Crude Oil and Natural Gas.
22. The Contractor will be liable for liquidated damages for not completing the Biddable Work Program (i.e. for non-drilling of wells (whether Appraisal Wells or Development Wells)) and is required to furnish bank guarantee as a security for the liability to pay liquidated damages.  The Contractor (i.e. successful Bidder) will be liable for liquidated damages as under:
    1. Per Onland Well - US$1,000,000,
    2. Per Shallow Water Offshore Well - US$3,000,000; and
    3. Per Deepwater Offshore Well - US$6,000,000.
23. In the event of failure to commence commercial production from a Contract Area within the applicable Development Period, the Contract Area will stand relinquished. However, the Indian Government may grant an extension of 6 (six) months in accordance with the provisions of MRSC for acceptable reasons.
24. Bidders are required to mandatorily pay a non-refundable Tender Fee by way of Field Information Docket, which is separate for “All Onshore Contract Areas” and  for “All Offshore Contract Areas” or both depending on for which Contract Areas the Bidder is bidding for. The Tender Fee for  Field Information Docket for “All Onshore Contract Areas” is US$ 1000 and for “All Offshore Contract Areas” is also US$ 1000.  Proof of payment of Tender Fee needs to be submitted with the Bid, else the Bid is liable to be rejected.
25. A separate Basin Information Docket is available for purchase from National Data Repository (NDR). Digital sets of Data  Package comprising of all technical information is available from NDR at the rates published by NDR. Physical Data Rooms with interpretation facility is available at NDR’s offices at Noida, Uttar Pradesh (which is near New Delhi) at NDR rates. All the data gathered during the contract, is the Indian Government's property and is required to be submitted to NDR.
26. A Bidder is required to submit a Bid Bond (favouring the Indian Government as the beneficiary) of an amount of INR 1 million for each Contract Area along with the submission of Bid as security for adherence to the terms and conditions set out in the NIO. The Bid Bond is liable to be forfeited if the successful Bidder fails to sign the RSC (which will be in line with MSRC) within 90 (ninety) days of award of Contract Area. Subject to the forefeiture provision, the Bid Bond of successful Bidder will be returned by Indian Government after submission of applicable Bank Guarantee as per Article 27 of MSRC .
27. A successful Bidder is required to furnish after signing of the Contract one-time bank guarantee valid for the Development Period for the Biddable Work Programme, subject to a minimum bank guarantee as under:
    1. for Contract Area in Onland - USD 0.15 Million:
    2. for Contract Area in Shallow water - USD 0.23 Million; and
    3. for Contract Area in Deepwater - USD 0.30 Million.
28. If the Contractor comprises of parties other than the National Oil Companies, then such Contractor will be required to make a one-time payment to the relevant National Oil Companies to whom the field belonged, of an amount equivalent to the book value of the assets (like production facilities, producing/producible wells etc.) that are identified to be handed over to the Contractor after the bidding on a ‘as is where is’ basis. The book value amount will be payable by winning bidder to National Oil Company within six (6) months from date of signing of Contract (i.e. the Revenue Sharing Contract.
29. Current Mining Lease holder will be required to transfer/assign the Mining Lease or Petroleum Exploration License along with all available clearances to the Contractor, to the extent legally possible, or else the Contractor has to obtain the same.
30. Lease/License rent/fees will be governed as per the Oilfields (Regulation and Development) Act, 1948 and he Petroleum and Natural Gas Rules, 1959, as amended from time to time.
31. The Contractor has an obligation to negotiate in good faith technical assistance agreement to provide its commercially proven technical information of a proprietary nature for use in India to the Indian Government or its nominees. The heads of terms to be negotiated  among other things include licensing issues, royalty conditions, confidentiality restrictions and method of payment.
32. The Bid Bond and the BGs will be governed by Indian Laws and resolution of disputes concerning the Bid Bond will be subject to Courts at New Delhi.
33. In addition to the Bid Bond, the BGs furnished by the successful Bidder in place of net worth criteria as well as as a security towards liquidated damages for failing to complete the Biddable Work Programme, the Revenue Sharing Contract (RSC) will be governed by Indian law and the disputes will have to be resolved by arbitration under the Indian Arbitration and Conciliation Act, 1996.
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