

**GOVERNMENT OF INDIA  
MINISTRY OF PETROLEUM & NATURAL GAS**

**LOK SABHA  
STARRED QUESTION NO. 3927  
TO BE ANSWERED ON 27<sup>th</sup> March, 2017**

**Arbitration Cases of Oil Field Disputes**

**3927: SHRI K.N. RAMACHANDRAN:**

**पेट्रोलियम एवं प्राकृतिक गैस मंत्री**

**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the Directorate General of Hydrocarbons (DGH) has approached the Government for resolving oil field disputes with contractors/companies and also given certain suggestions for improving the dispute redressal mechanism to minimize incidence of arbitration cases;
- (b) if so, the details thereof and the response of the Government thereto;
- (c) the details and current status of cases of oil field disputes pending with Arbitrators; and
- (d) the steps taken/being taken by the Government to resolve such cases in a time bound manner?

**ANSWER**

**पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)**

**(धर्मेन्द्र प्रधान)**

**MINISTER OF STATE (INDEPENDENT CHARGE)  
IN THE MINISTRY OF PETROLEUM & NATURAL GAS  
(SHRI DHARMENDRA PRADHAN):**

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**(a) & (b)** DGH had given suggestions for improving the dispute resolution mechanism such as encouraging conciliation proceedings; examination by Multi Disciplinary teams and Executive Committee of DGH on potential litigations; timely appointment of arbitrators by the Government; appointing arbitrators having domain expertise; delegating powers to DGH to create its own panel of law firms/advocates, delegation of powers for fee approval to the Executive Committee of DGH; Vetting of the proposals by advisory committee for referring the matters to Sole Expert/Conciliation, changing seat of arbitration to India while approving the extensions in Pre-NELP PSCs.

Government has enhanced the powers of DGH for hiring of counsels for defending arbitrations. In the policy for extension of PSCs for small and medium sized discovered fields, the seat of arbitration during the extended period has been kept in India. Arbitrators and counsels are being timely appointed. Also, contractors are being provided a forum in the Ministry for resolving disputes and meetings are being held at various levels to sort out the issues related to gas balancing, abandonment obligations etc. Good International Petroleum Industry Practices have been codified and Guidelines for Site Restoration have been prepared to reduce ambiguity on these aspects, thereby reducing the possibility of litigation.

**(c)** The list of arbitration cases is placed at Annexure I.

**(d)** The Government has come out with a Policy Framework for Relaxation, Extensions and Clarifications at the Development and Production Stage for Early Monetization of Hydrocarbon Discoveries, through which many issues pertaining to different blocks have been resolved. Further, the Policy on Testing Requirements has been brought out to avoid disputes in future.

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**DETAILS AND STATUS OF ARBITRATION CASES**

Sl. No.	Particulars	Issue involved	Year of initiation
1	Reliance Industries Limited, British Gas Exploration Pvt. Ltd vs. UOI	Dispute relating to development cost and cost recovery limit as per Art. 13 of the PSC. Production loss, Development cost, audit objections by Govt. Etc.	2011
2	Reliance Industries Ltd. vs. UOI (Four Blocks KG-OSN-97/3, KG-OSN-97/4, MB-OSN-97/1, GK-OSN-97/1)	Dispute under Article 5.7 of the PSC for payment of unfinished MWP by RIL and new general policy of calculating cost of unfinished MWP issued by the Govt.	2012
3	Reliance Industries Limited vs. UOI (KG-DWN-98/3)	Dispute relating to disallowance of cost on account of reduction in production of gas from D1 and D3 fields of KG-DWN-98/3.	2013
4	Reliance Industries Limited vs. UOI (KG-DWN-98/3 gas pricing guidelines issue) (Arbitration held at New Delhi)  Arbitration Petition 1/2015 Supreme Court of India	Dispute relating to deferment of Domestic Natural Gas Pricing Guidelines 2014.	2014
5	Videocon Industries Limited vs. UOI  UOI Vs. Videocon Industries Limited CS(OS) 2074/2015- Anti Suit-Delhi High Court.  Videocon Industries Limited Vs. Union Of India, MOP&NG (FAO(OS) 450/2015) - Delhi High Court	ONGC Carry issue.	2003 & 2014
6	Assam Company India Limited vs. UOI	Dispute relating to acquisition of 60% PI with operatorship of Canoro Resources Limited which was terminated by the Government.	2013
7	Hindustan Oil & Exploration Company VS. GOI	Dispute relating to payment of Liquidate Damages by contractor for non-completion of MWP commitments and cost of unfinished work programme.	2013
8	NIKO Resources VS. UOI	Dispute relating to payment of royalty, cess, cost of wells, compression charges	2013
9	GEECL vs. UOI (Arbitration held at New Delhi)	Dispute relating to overlapping of block area.	2015
10	RIL, BGEPIL vs. GOI (Restitution of unjust Enrichment)(Shah Committee Report) KG-DWN-98/3 Block	Since RIL has produced migrated gas and hence unjustly enriched itself. GOI has demanded for restitution and cost of migrated gas produced and sold by RIL. Against the said demand of GOI, RIL has invoked arbitration	2016

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