

Project Summary

Production Sharing Contract (PSC) for the Kharsang Field was executed on 16.06.1995 (Effective Date) with a primary duration of 25 years, between the Government of India and the Contractor Parties currently comprising Oil India Limited, Geopetrol International Inc., JEKPL Private Limited (formerly Jubilant Energy (Kharsang) Private Limited) and GeoEnpro Petroleum Limited (together "Consortium"). GeoEnpro is designated as the Operator of Kharsang Field. Kharsang Field is located in the Namchik Reserve Forest, District Changlang, Arunachal Pradesh.

Petroleum Mining Lease (PML) for Kharsang field was executed on 21.10.1997, by the State Government, effective from 16.06. 1995 for a period of 20 years i.e. up to 15.06.2015.

GeoEnpro Petroleum Limited, the Operator, on behalf of the Contractor Parties to the Kharsang PSC, has made an application dated 26.05.2014 to the State Government of Arunachal Pradesh for re-grant / extension of the Kharsang PML till 15.06.2020 to cover the balance period of PSC duration.

Permission from Ministry of Environment, Forest and Climate Change (MoEF&CC) for Re-grant/Extension of Kharsang PML-

- The Proposal was discussed in Forest Advisory Committee (FAC) of MoEF&CC during its meetings held on 31.12.2015, 26.12.2016, 16.05.2017 and 17.08.2017.
- Forest Advisory Committee (FAC) in its meeting held on 16.05.2017 has recommended the proposal for approval under section 2 (iii) of FCA 1980 with general, standard and specific conditions (FAC minutes enclosed as Annexure-I). Some of the conditions are as below-
 - ✓ User Agency shall pay penalty for drilling oil wells, without valid clearance under Forest Conservation Act, 1980
 - ✓ Since the User Agency has violated the provisions of FC Act and Rules made thereof, the quantum of penalty shall be imposed and realised as per the recommendations of the Committee, constituted for this purpose by the FAC and accepted by the competent authority in the Ministry.
 - ✓ User Agency shall pay the lease transfer charges as per the procedure laid down in Ministry's guideline related to lease transfer. These charges shall be 5 times to the actual charges proposed in the guideline.
 - ✓ Approval under section 2(ii) for the 30 wells drilled without prior approval under FC Act, 1980 shall be obtained.
- Further, FAC again in its meeting held on 17.08.2017 considered the matter to review the quantum of penalty for the violations of provisions of FCA 1980 (FAC minutes enclosed as Annexure-II) and recommended that –
 - a) The User Agency shall pay NPV at the rate 20 percent for the area under violation, for each year since 1995 the violation of Forest (Conservation) Act 1980 has commenced;
 - b) User agency shall raise penal CA on degraded forest land equivalent to the land utilised in violation of the provision of Forest (Conservation) Act 1980;
- On the basis of recommendations of the FAC, MoEF & CC vide letter dated 27.09.2017 (copy enclosed as Annexure-III) has granted the permission under section 2 (iii) of Forest (Conservation) Act, 1980 for assignment of lease, concerning an area of 9.94 Sq. Km. (originally proposed 11.00 Sq. km.) in favour of M/s. GeoEnpro Petroleum Limited falling in Changlang

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District of Arunachal Pradesh subject to certain conditions. Some of the conditions are as below-

- ✓ Condition No. (iii)- The User Agency shall pay NPV at the rate 20 percent for the area under violation, for each year since 1995 the violation of Forest (Conservation) Act, 1980 has commenced;
- ✓ Condition No. (iv)- User Agency shall raise penal CA on degraded forest land equivalent to the land utilised in violation of the provision of Forest (Conservation) Act, 1980;
- ✓ Condition No. (vi) - User Agency shall pay the lease transfer charges as per the procedure laid down in Ministry's guideline related to lease transfer. These charges shall be 5 times to the actual charges proposed in the guidelines.
- ✓ Condition no (ix) - Approval under section 2(ii) for the 30 wells drilled without prior approval under FC Act 1980 shall be obtained.

Adherence to the conditions stipulated in MoEF&CC approval-

The compliances stipulated in the MoEF&CC letter were discussed with CF.(Cons.) O/o PCCF, Itanagar in a meeting held on 08.11.2017 and User Agency has made the following submissions on condition no (iii), (iv) & (ix) vide letter dated 09.11.2017 (copy enclosed as Annexure-IV)-

Condition No. (iii) & (iv)-

In this regard, GeoEnpro has requested the State Department of Environment and Forests to compute the NPV for 5.318 Ha of area under violation and regularisation of the same, in accordance with their response to MoEF&CC vide letter dated 21.03.2017 (copy enclosed as Annexure-V).

State Government in their response has also mentioned that only 7 locations (sl. no 22-28) covering an area of 5.318 Ha, which were identified prior to 1995 by M/s. Oil India Ltd. before taking over of the Kharsang oil field by M/s. GeoEnpro, do not have valid FC clearance and requested MoEF&CC to permit regularization of these 7 locations (with 6 oil producing wells) by imposing penalty under Penal CA or as deemed fit by MoEF&CC.

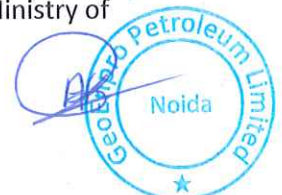
Condition No. (ix) –

In this regard, GeoEnpro has apprised that post execution of PSC, 4.884 Ha of land was diverted for non-forest purposes in 2005 to carryout drilling activities with the approval of MoEF&CC under the provisions of FCA, 1980. However, our further diversion proposals were not considered by the Government and therefore, deviated wells were drilled from the existing well plinths located within the already diverted forest land.

These additional wells have been drilled by GeoEnpro Petroleum Limited as Operator of Kharsang Field PSC from the existing diverted forest lands for which FC approvals were originally obtained by Oil India Limited. No new forest area was diverted and no trees were felled because of the drilling of these additional wells.

All deviated wells were drilled by the Consortium from the approved diverted locations from the Government and in line with the directives of the Management Committee (MC) (including the representation from Ministry of Petroleum and Natural Gas) during its meeting held on March 09, 2007 (copy of relevant page of the minutes is enclosed as Annexure-VI).

The details of these 30 wells were submitted to State Department of Environment and Forests wherein the area mentioned is the total area for which the approvals granted by Ministry of





Agriculture/MoEF&CC. However, the actual area used by Consortium is much lesser than the total area for which approvals were granted.

In view of above, we have requested for grant of post facto approval for these wells in order to comply the said condition.

Communications from Department of Environment and Forests, Government of Arunachal Pradesh-

Subsequently, in order to estimate 20% of NPV for the area under violation since 1995, State Department of Environment and Forest vide letter dated 30.11.2017 has asked us to provide-

- Certificate from competent authority of Oil India Limited on oil wells drilled by GeoEnpro without prior approval of FC Act, 1980.
- Certificate duly signed by competent authority of Oil India Limited for the Forest land utilized in excess of forest area used for drilling of wells without prior approval from competent authority as per provision under FCA,1980

The required certificate was submitted by User Agency vide letter dated 18.01.2018 and 08.03.2018.

Further, with regard to condition no (iii) of MoEF&CC letter regarding payment of NPV @20 percent area under violation, for each year since 1995, State Department of Environment and Forest vide letter dated 31.01.2018 has considered 31.79 Ha area under violation and requested Chief Conservator of Forests, Deomali Forest Division to re-survey of the same jointly with User Agency and ascertain the density of 31.79 Ha area, on the basis of which NPV will be computed (copy enclosed Annexure-VII).

Accordingly, with regard to condition no (iii), (iv) & (vi) of MoEF&CC letter, State Department of Environment and Forest vide its letter dated 06.09.2018 (copy enclosed Annexure-VIII) requested to transfer the following amount-

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|----|---|----------------------|
| 1. | 20% of Net Present Value (NPV) for 31.79 Ha @ Rs. 7.30 lakhs per Ha for 22 years (since 1995 to 2017) | : Rs. 10,21,09,480/- |
| 2. | Cost of Penal Compensatory Afforestation over 84.12 Ha | : Rs. 2,36,19,700/- |
| 3. | 5 times lease transfer charges | : Rs. 5,00,000/- |

In compliance to condition no (ix) of MoEF&CC letter, State Department of Environment and Forests also requested to submit the proposal for diversion of forest land against 30 nos wells through online mode for forest clearance under section 2(ii) of Forest (Conservation) Act, 1980.

As advised by State Government, Consortium has made the above payments amounting to Rs. 12,62,29,180/- to Arunachal Pradesh CAMPA on 22.11.2018 (copy enclosed as Annexure-IX).

Further, MoEF&CC vide letter dated 06.03.2019 (copy enclosed Annexure-X) also clarified to State Government of Arunachal Pradesh that in respect of condition no (ix), the approval/permission for 30 wells to be dealt separately and can not be considered along with permission under section 2(iii) of FCA, 1980.

Current Proposal

Despite our following submissions and requests, the Consortium had to deposit the total payment against the condition no (iii), (iv) & (vi) amounting to Rs. 12,62,29,180/- to Arunachal Pradesh CAMPA on 22.11.2018 to expedite the execution of PML with State Government of Arunachal



Pradesh at the earliest. These charges are eight (8) times of the normal NPV under section 2(iii) for the entire Kharsang Field.

- ✓ Request for consideration of 5.318 ha of area under violation to compute the NPV and penal CA as per condition no (iii) & (iv) of MoEF&CC letter in accordance with the response provided by the State Government of Arunachal Pradesh vide its letter dated 21.03.2017 to MoEF&CC.
- ✓ To compute the above charges, the violation should not be considered from 1995, as these wells were drilled much later.
- ✓ All deviated wells were drilled by the Consortium from the land for which FC approvals were originally obtained from Ministry of Agriculture/MoEF&CC in the name of Oil India Limited and GeoEnpro.
- ✓ The wells were drilled in line with the directive of the Management Committee (MC) (including representation from Ministry of Petroleum and Natural Gas).
- ✓ Oil India Limited, a public sector undertaking, continued as a majority participating Interest holder (40%) in the Kharsang Field PSC. Oil India Limited holds the position of the Chairman of Management Committee.
- ✓ There is no other forest land diverted or utilized without approvals by the consortium of the Kharsang Production Sharing Contract (PSC) and no trees were felled because of the drilling of these additional wells.

Further, the land area for which approval obtained from Ministry of Agriculture/MoEF&CC used for calculation of the penal charges is much higher than the actual area used. (details enclosed as Annexure-XI).

This proposal is specifically towards the grant of forest clearance under section 2(ii) of FCA, 1980 and regularization of 31.79 Ha forest land against 30 wells for which the NPV and penal CA charges have been already paid on 22.11.2018.

In view of the above, we request you to grant post facto approval and regularisation of 31.79 Ha of forest land against 30 wells without levying any further NPV & CAMPA charges as the Consortium has already paid much higher charges as sought by the State Department of Environment and Forests.

Once regularised, the Consortium intends to carry out non-forest activities from the locations including drilling.

Date: 16-4-2019

Ajay Kumar Ray

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President
GeoEnpro Petroleum Limited

