

**UNIVERSITY OF PETROLEUM  
AND ENERGY STUDIES**



**End Semester Examination, October 2017**

**Program:** BA. LL.B (Hons) Energy Laws

**Subject (Course):** Upstream (Oil & Gas Laws)

**Course Code:** LLBD411

**No. of page/s:** 3

**Semester: VII**  
**Max. Marks: 100**  
**Duration: 3 Hrs**

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**Section A-Objective type (Answer All) 5 x 2 = 10 marks**

- 1) What is a joint operating agreement?
- 2) What do you understand by decommissioning or site restoration?
- 3) What is the difference between breach of contract (Sec 73) and indemnity (Sec 124) under the Indian Contract Act?
- 4) What is a stabilization clause?
- 5) What is the difference between Assimilative Capacity Theory and Precautionary Principle?

**Section B -Short answer type Conceptual (Answer All) 5 x 4 = 20 marks**

- 1) What are typical costs that one can discover under the PSC? In what order, and how can they be recovered?
- 2) What are the various environmental conventions applicable to oil and gas operations on the continental shelf? Elaborate.
- 3) What do you understand by relinquishment under the PSC? What were the main concerns with respect to such relinquishment?
- 4) What is Minimum Work Program (MWP) and what are the issues with MWP under the PSC?
- 5) What are the various take of Government under the PSC? Explain.

**Section C-Analytical questions (Answer All) 4 x 5 = 20 marks**

- 1) Under the PSC, sharing of Profit Petroleum is on the basis of the Pre-Tax Investment Multiple (PTIM). What is PTIM? What are the issues with PTIM?
- 2) At what valuation and to whom can a contractor sale oil and gas produced from a block in India under a PSC? What are the issues with regard to the same?
- 3) HELP policy introduced by the Government propose to bring in new interest from investors, national and international. Discuss how HELP proposes to achieve the same? Do you think it will work?
- 4) How does NELP and HELP propose to promote domestic industry? Elaborate.

**Section D-Application based case study (Answer All) 2 x 25 = 50 marks**

- 1) Operator, W, has entered into various contracts for the purpose of petroleum operations, amongst which, A proposes to undertake seismic study, Y propose to undertake drilling operation and Z proposes to undertake the supply of maintenance personals for the rig. In view of the above answer the following:
  - a) How can W contractually protect itself from liability against each of its contractors? What is the relevance of such indemnity clause in oil and gas contracts? Explain with relevant case laws, is any.
  - b) It has come to W's notice that each of its contractors has further sub-contracted its obligation to various smaller contractors. How would W ensure that it is protected against each of such sub-contractors with whom W has no direct relationships? Will such indemnity be able to absolutely protect W against all claims? Explain with relevant case laws, is any.
  - c) What are the guidelines issued by the English courts in drafting of indemnity clause in oil and gas contracts? Explain with relevant case laws, if any.
  - d) Draft a typical Mutual/Knock-for-Knock Indemnity clause found in upstream contracts? What are the main issues and concerns with respect to such indemnity clause? Explain with relevant case laws.

- 2) X and Y jointly propose to bid for a block offered under NELP IX. X has been operating in the oil and gas industry for over a decade, and Y is an infrastructure company with huge commercial presence in the downstream oil and gas sector. Y proposes to enter into the upstream oil and gas sector for the first time, hence has decided to partner with X. X and Y proposed to have 20:80 participating interest in the block. In view of the above, Y has approached you to advice on the following:
- a) What are various standards used to determine the qualification of an operator? Can Y qualify as an operator?
  - b) What are the various contracts that X and Y is required to execute for the purpose of the bid, operation and execution of the project, and what are their relevance?
  - c) What are the typical rights and responsibilities of the operators under the joint operating agreements (JOA)? How are the rights and obligations shared between the contracting parties to the JOA? Explain with relevant case laws, if any.
  - d) What is the relationship between the operator and the non-operator? Can the non-operator be liable for the conduct of the operator? If so, when and why? Explain with relevant case laws.
  - e) What is a sole risk operation? What are the issues with sole risk operations?

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**Section A-Objective type (Answer All) 5 x 2 = 10 marks**

- 1) What is a Mutual/Knock-for-Knock Indemnity?
- 2) What do you understand by gross negligence and willful misconduct, and the issues with it?
- 3) What are the various components of cost recovery under the PSC?
- 4) What is back-to-back indemnity, and its relevance in oil and gas contracts?
- 5) What is the difference between Polluter Pay Principle and Precautionary Principle?

**Section B -Short answer type Conceptual (Answer All) 5 x 4 = 20 marks**

- 1) What is the problem with International Environmental law? What are the relevant environmental principles incorporated under:
  - (a) Stockholm Declaration
  - (b) UNCLOS III
  - (c) Rio Declaration on Environment and Development
- 2) How does the PSC propose to encourage financing of upstream oil and gas operations? What are the issues with regard to the same?
- 3) What are the various payments required to be made to the Government by the Contractor under the PSC?
- 4) How is the Minimum Work Program (MWP) determined, and what are the issues with MWP under PSC?
- 5) What are the main concerns with Cost Recovery? How do the Government propose to resolve such issues under HELP?

**Section C-Analytical questions (Answer All) 4 x 5 = 20 marks**

- 1) How does the PSC and the existing law propose to achieve balance between the environmental concern and exploitation rights of the contractor?
- 2) How do the Government propose to develop the domestic oil and gas industry under NELP and HELP? Discuss the obligations imposed on contractors with respect to the above.
- 3) Under the PSC how are the price for oil and gas determined? What are the issues with respect to such price determination?
- 4) What is Pre-Tax Investment Multiple (PTIM)? What are the concerns, and are they real concerns?

**Section D-Application based case study (Answer All) 2 x 25 = 50 marks**

- 1) A enters into a PSC with the Government of India for a certain frontier block identified as X, offshore bay of Bengal, beyond 12 NM under NELP IX. A has discovered oil and gas in the block and has decided to explore the resources.
  - a) What are the process that A has to follow to declare the discovery as commercial discover?
  - b) A is unable to complete the MWP under the PSC. What provision for extension of timeline is allowed under the PSC and the Government policies? What are the issues typically faced by the contractor with respect to frontier blocks?
  - c) Block X is located in an ecologically sensitive area. How does the PSC propose to achieve balance between the environmental concern and exploitation rights of the contractor?
  - d) There has been a change in law in November 2017, which has imposed additional cost by way of petroleum revenue tax. What protection can A seek under the PSC and under law? Explain.
  - e) A has discovered that part of the reservoir underlying its block is common to the block held by B in the adjacent areas. How does the PSC deal with a situation where reservoir is common to more than one contractor? Explain
- 2) O and K have executed a joint bidding agreement, wherein they have agreed to bid for certain blocks offered under NELP IX. O is a European multinational company, with experience of over a decade in upstream oil and gas sector. K is an Indian multinational company, selling tractors world around, with head office in India. K proposes to enter

into the upstream oil and gas sector for the first time, hence has decided to partner with O. O and X proposes to have 40:60 participating interest (PI) in the block, if awarded. In view of the above answer the following:

- a) What is a joint bidding agreement? What should be considered and covered under the JBA? Why?
- b) X wishes to be the operator for the block, if awarded, as he has a higher PI. Can X qualify as an operator in view of the requirements under NELP Policy?
- b) X also wishes to enter into a separate JBA with Y, another multinational from USA. Should this be encouraged, what are the issues and concerns with respect a party entering into more than one JBA with respect to same bidding round?
- c) What is a joint operating agreement (JOA)? Discuss the typical rights and responsibilities of the operators and non-operator under the JOA?
- d) What is the relationship between the operator and the non-operator, and how is the liability shared? Elaborate with case laws.
- e) Who can undertake sole risk operation? What are the issues with sole risk operations?