GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4265
ANSWERED ON:06.09.2012
PRODUCTION BY CAIRN INDIA LTD
Khaire Shri Chandrakant Bhaurao

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

(a) the percentage of India's crude oil being produced by Cairn India Limited from the oil wells in Rajasthan; and

(b) the reasons for not allowing Oil and Natural Gas Corporation (ONGC) to exercise its first right to acquire the share of Cairn India Limited in the Rajasthan oilfields?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI R. P. N. SINGH)

(a): The crude oil production from RJ-ON-90/1 block in Rajasthan, operated by Cairn India Pty. Limited (CEIL), was about 2.86 Million Metric Tonnes (MMT) during the period from April to July, 2012, which works out to be about 22.4% of the country's total crude oil production of 12.78 MMT (Provisional) during the same period

b): Cairn Energy PLC which holds 62.4% interest in CIL, vide letter dated 16th August, 2010, has informed ONGC that it has announced the proposed disposal of its substantial shareholding in Cairn India Ltd. ONGC viewed that it has pre-emptive rights in relation to Cairn's Participating Interest (PI) under Joint Operating Agreement (JOA). ONGC has requested Cairn Energy PLC to provide details in this regard to examine its rights. After examining the document submitted by Cairn Energy PLC, the Board of Directors of ONGC in their meeting dated 29.01.2011 decided that the acquisition cost by Vedanta to Cairn for the proposed transaction of sale of shares of CIL is much above of the ONGC evaluated value of the proposed transaction and therefore, ONGC does not find merit in the acquisition on commercial considerations.

The Government of India (GOI) has approved the proposal of Cairn Energy PLC for transfer of 40% of equity shares of Cairn India Limited (CIL) to Vedanta Resources PLC by stipulating inter-alia a condition that the parties shall agree and give an undertaking that the royalty paid by Oil and Natural Gas Corporation (ONGC) in the RJ-ON-90/1 block is cost recoverable by ONGC as contract costs, as per the provisions of the Production Sharing Contract (PSC). As per projections made on the basis of assumptions on production, crude oil price, exchange rate, etc., in Net Present Value (NPV) terms. ONGC would recover the cost of royalty paid by them to the State Government on behalf of themselves and Cairn, amounting to Rs.13,995 crore in NPV terms, over the life of the project.