

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:4332
ANSWERED ON:22.03.2013
LOSSES FROM KG BASIN PROJECTS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Government has incurred huge losses in awarding contract in the Krishna-Godavari (KG) Basin projects;
- (b) if so, the details thereof and the reasons for incurring such losses;
- (c) whether the Government has taken any steps to recover the losses and to ensure accountability and transparency in those projects;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. PANABAAKA LAKSHMI)

(a) to (e) In Krishna-Godavari (KG) Basin at present, commercial oil and gas production is being realized from Rawa field, operated by Cairns Energy Pvt. Ltd. and KG-DWN-98/3 (KG D-6) block, operated by M/s Reliance Industries Ltd. Under the Production Sharing Contract (PSC) regime, the entire expenditure for Exploration, Development and Production is borne by the Contractors and Government of India (GoI) does not incur any expenditure.

The gas production from D1 & D3 fields of KG-D6 block has been lower than the gas production envisaged in the approved addendum to the Initial Development Plan (AIDP). The lower than estimated gas production from any field/block may not be construed as the reasons for directly impacting the GOI revenue, as the gas not produced currently may be producible at a later date depending on several factors such as geological and reservoir characteristics of the field/ blocks, infusion of latest technology to improve recovery factor etc., which may, therefore, only defer revenue realization from the sale of gas.

DGH has reported that the decline in gas production from the block in 2011-12 is due to the following reasons:

- (i) Out of total 18 gas producer wells in D1 & D3 fields of the block, 6 wells have ceased to produce gas due to water/sand ingress in wellbores.
- (ii) Out of 6 oil/gas producer wells in MA field in the same block, 2 oil/gas producers have ceased to flow oil/gas due to water ingress in wellbores.
- (iii) Non drilling of the required number of gas producer wells in D1 & D3 fields by the Contractor in line with the Addendum to Initial Development Plan (AIDP) approved by the Management Committee (MC).

The contractor has attributed various reasons for reduction in reserves such as production performance, pressure decline, early water encroachment, less contribution from the sands outside the main channel areas, results obtained from Material Balance, Simulation and Geological Models etc.

Therefore, the Government, in May 2012, had issued notice for proportionate disallowance of cost of production facilities amounting to US \$ 1.005 Billion. The Operator of the block KG- DWN-98/3, M/s RIL, has invoked arbitration proceedings on the matter and Govt. of India (GoI) has also appointed arbitrator.