8

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2010-11)

FIFTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS (2011-12)

EIGHTH REPORT

LOK SABHA SECRETARIAT NEW DELHI

August, 2011/ Shravana, 1933 (Saka)

EIGHTH REPORT

CP&NG No. 8

STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2010-11)

(FIFTEENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS

DEMANDS FOR GRANTS
(2011-12)

Presented to Lok Sabha on 03.08.2011

Laid in Rajya Sabha on 03.08.2011

LOK SABHA SECRETARIAT
NEW DELHI

August, 2011/ Shravana, 1933 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS

(2010-11)

Shri Aruna Kumar Vundavalli - Chairman

Members

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Ramesh Bais
4 Shri Sameer Bhujbal
5 Smt. Santosh Chowdhary
6 Dr. Ratna De (Nag)
7 Shri Mukeshkumar Bheravdanji Gadhvi
8 Shri Dilipkumar Mansukhlal Gandhi
9 Shri Maheshwar Hazari
10 Shri Gorakh Prasad Jaiswal
11 Shri Sudarshan Bhagat
12 Shri Ahir Vikrambhai Arjanbhai Maadam
13 Dr. Thokchom Meinya
14 Shri Mahabal Mishra
15 Shri Danve Raosaheb Patil
16 Shri Kabindra Purkayastha
17 Shri Konakalla Narayan Rao
18 Shri C.L. Ruala
19 Shri Uday Pratap Singh (Hoshangabad)
20 Shri A.K.S. Vijayan
21 Shri Om Prakash Yadav

Rajya Sabha

22 Shri Sabir Ali
23 Shri Silvius Condpan
24 Dr. Akhilesh Das Gupta
25 Shri Kalraj Mishra
26 Shri Ahmed Patel
27 Shri Vijaykumar Rupani
28 Shri Tapan Kumar Sen
29 Smt. Gundu Sudharani
30 Prof. Ram Gopal Yadav
31 Dr. Prabha Thakur

Secretariat

1. Shri A.K.Singh - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri J.V.G. Reddy - Additional Director
4. Shri Arvind Sharma - Deputy Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf present this Eighth Report on 'Demands for Grants (2011-12) of the Ministry of Petroleum & Natural Gas'.

2. The Committee examined the Demands for Grants (2011-12) pertaining to the Ministry of Petroleum & Natural Gas which were laid on the Table of the House on 10th March, 2011.

3. The Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sitting held on 5th April, 2011.

4. The Committee considered and adopted the Report at their sitting held on 20th June, 2011.

5. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants (2011-12) of the Ministry and for giving evidence before the Committee.

6. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, observations/recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
26 July, 2011
***Sharvana,* 1933 (Saka)**

ARUNA KUMAR VUNDAVALLI,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

REPORT
PART I

INTRODUCTORY

The Ministry of Petroleum and Natural Gas is entrusted with the responsibility of development of hydrocarbon sector which plays a vital role in the economic growth of the Country.

1.2 The mandate of this Ministry in terms of allocation of work includes (i) exploration and production of liquid and gaseous hydrocarbons (ii) production, supply, distribution, marketing, conservation and pricing of petroleum products (iii) all attached or subordinate offices and other organizations in the jurisdiction of the Ministry (iv) planning, development and regulation of oil field services (v) administration of various Acts on the subjects allocated to the Ministry and the Rules made therein.

1.3 The activities of the Ministry are carried out through the following 9 public sector undertakings, 11 subsidiaries and other companies and 6 other organizations.

Oil companies where Government of India has a shareholding

1. Oil & Natural Gas Corporation Limited (ONGC)
2. Indian Oil Corporation Limited (IOCL)
3. Hindustan Petroleum Corporation Limited (HPCL)
4. Bharat Petroleum Corporation Limited (BPCL)
5. GAIL (India) Limited
6. Engineers India Limited
7. Oil India Limited (OIL)
8. Balmer Lawrie & Co. Limited
9. Biecco Lawrie & Co. Limited

Subsidiaries and other companies

1.	ONGC Videsh Limited (OVL)	Wholly owned by ONGC
2.	Mangalore Refinery & Petrochemicals Limited	Subsidiary of ONGC
3.	Indian Oil Blending Limited	Wholly owned by IOCL
4.	Certification Engineers International Limited	Wholly owned by EIL
5.	EIL Asia Pacific Sdn. BHD	Wholly owned by EIL
6.	Numaligarh Refineries Limited (NRL)	Subsidiary of BPCL
7.	Kochi Refineries Limited (KRL)	Subsidiary of BPCL

8. Bongaigaon Refinery and Petrochemical Ltd. (BRPL) — Subsidiary of IOCl
9. IBP Co. Ltd. — Subsidiary of IOCL
10. Chennai Petroleum Corporation Limited (CPCL) — Subsidiary of IOCL
11. Indian Oil Mauritius Limited — Subsidiary of IOCL

Other organizations

1. Oil Industry Development Board (OIDB)
2. Petroleum Conservation Research Association (PCRA)
3. Oil Industry Safety Directorate (OISD)
4. Centre for High Technology (CHT)
5. Petroleum India International (PII)
6. Directorate General of Hydrocarbons (DGH)

A. ANALYSIS OF DEMANDS FOR GRANTS (2011-12)

1.4 The budgetary allocations made in respect of the Ministry of Petroleum and Natural Gas for the fiscal year 2011-12 are as under:-

(in Rs. Crore)

	Plan	Non-Plan	Total
Revenue Section	40.00 (i) 39.00 crore for RGIPT (ii) 1.00 for one time assistance for LPG connections to BPL families	Secretariat - Economic Services – (3451)-20.60 Petroleum– (2802)-23676.20	23716.20
Capital Section	-	-	-

Plan

1.5 The Plan Budget of the Ministry in 2011-12 comprises a sum of Rs. 39 crore as plan support to meet the initial expenditure towards setting up of Rajiv Gandhi Institute of Petroleum Technology (RGIPT) at Jais, Rae Bareilly and a token of Rs. 1 crore has been provided for the plan scheme under formulation, for providing one time assistance of Rs. 1400/- per connection to BPL families towards security deposit for the cylinder and regulator, proposing to cover as many as 70 lakh BPL families who have SKO ration card but are not using LPG at present.

Non Plan

1.6 The Non Plan Budget (2011-12) of Rs. 23676.20 crore of the Ministry comprises mainly of subsidy for domestic LPG and PDS Kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North East Region and the setting up of Petroleum and Natural Gas Regulatory Board. This also includes provision of Rs. 20,000 crore for compensation to Oil Companies for under recoveries on account of sale of sensitive petroleum products.

1.7 The following statement shows the details of non plan expenditure incurred/proposed by the Ministry of Petroleum and Natural Gas for various items during 2009-10, 2010-11 and 2011-12:-

(Rs. in crore)

Heads Revenue	**Actual 2009-10**	**BE 2010-11**	**RE 2010-11**	**BE 2011-12**
Subsidy for PDS kerosene and domestic LPG	2769.99	2900.00	2900.00	3050.00
Freight Subsidy on PDS kerosene and domestic LPG for far flung areas	21.95	25.00	25.00	26.00
Subsidy for supply of Natural gas to North Eastern Region	159.24	183.00	461.00	564.00
Petroleum and Natural Gas Regulatory Board	13.61	15.00	13.00	14.00
Society for Petroleum Laboratory	0.45	1.60	1.60	1.60
Payment to Oil marketing companies as compensation for under recoveries in their domestic LPG and PDS kerosene	22306.33**	-	35000.00	20000.00
Secretariat economic services	17.77	17.40	19.40	20.60

(Expenditure Budget Vol. I, 2011-2012)

** There was cash out go of Rs. 12000 crore.

B. Scheme for LPG connections to BPL families

1.8 A proposal for providing one time financial assistance to Below Poverty Line (BPL) households for acquiring new LPG connections is under consideration of the Government.

Under the proposed scheme, the Government and Oil Marketing Companies would provide one-time assistance of Rs. 1400 for acquiring a new LPG connection to a BPL family. The scheme would cover all eligible households in the BPL list of the State Government/Union Territory. About 35 lakh new LPG connections are to be released annually under this scheme.

1.9 The Committee have been informed that a token provision of Rs. 1 crore each has been provided in the Budget of 2010-11 and 2011-12 for the proposed scheme. Asked about the reasons for a meagre provision of Rs. 1 crore in the Demands for Grants (2011-12) of the Ministry, the Ministry submitted as under:-

> "As the scheme is still at consideration stage and not yet finalized, only a token provision of Rs. 1 crore for the financial year 2011-12 has been provided in the Demand for Grants. The details / modalities are being finalized".

1.10 During the course of evidence, the Secretary, Ministry of Petroleum and Natural Gas added the following:

> "The Ministry was quite pro-active on this. The matter actually went up to the Union Council of Ministers but in the Council decision they have said that this matter may also be re-examined and put up again. The Cabinet note has already been finalized. This will be circulated shortly and hopefully in the course of the next few weeks, or the next couple of months, the matter should come before the Cabinet again.(Proceeding Page-6-7)

1.11 As to the total number of BPL families likely to be covered under the scheme and year-wise target fixed for implementation of the scheme, the Ministry submitted the following:-

> "Under the scheme, every year on an average 35 lakhs LPG connections to the BPL families are expected to be released. For the time being, the proposed scheme will be for one year (i.e. remaining year of the five year plan period). Further, extension of the scheme for next five-year plan will be considered at an appropriate stage".

1.12 As per the Economic Survey, annual financial implication of the scheme is estimated to be Rs. 490 crore. The proposed Budgetary support has been restricted to the extent of 50 per cent of the total funds required. The remaining 50 per cent would be partly drawn from the Corporate Social Responsibility Funds (CSRFs) of the six major oil companies, namely ONGC, IOCL, BPCL, HPCL, OIL and GAIL and partly borne by the three oil marketing companies (OMCs) namely IOCL, HPCL and BPCL in the ratio of LPG connections released to BPL households by each company. It is expected that the OMCs will incur Rs. 6.00 crore during the current financial year.

1.13 When the Committee enquired about the proposed 50% funding of the scheme from CSR funds of 6 major Oil Companies, the Ministry informed the Committee in a written reply as under:-

> "CSR initiatives and investment in CSR is a project based to generate community goodwill, create social impact and visibility linked with the principles of sustainable development, based on the immediate and long term social and environmental consequences of their activities. With this objective of CSR guidelines, OMCs have advised that 20% of the CSR fund is to be contributed by them towards the scheme for release of new LPG connection to BPL families as usage of LPG in replacement of other fuels such as wood, coal, kerosene etc. is advantageous not only from the environmental point of view but also affords a much cleaner means of cooking to the rural women folk".

1.14 The Committee observe that the Non-Plan Budget (2011-12) of Rs. 23676.20 crore of the Ministry of Petroleum and Natural Gas comprises mainly of subsidy for domestic LPG and PDS Kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North East Region and the setting up of Petroleum and Natural Gas Regulatory Board. This also includes provision of Rs. 20000 crore for compensation to Oil Companies for under recoveries on account of sale of sensitive petroleum products. The Committee are of the view that these Non-Plan demands of the Ministry of Petroleum and Natural Gas are in order and expect the Ministry to keep expenditure within the sanctioned Budget of the Ministry and they should follow all the instructions of the Ministry of Finance to effect economy in non plan expenditure.

1.15 The Committee note that a token provision of Rs. 1.00 crore each was provided in the Budget of 2010-11 and 2011-12 for the proposed plan scheme of providing free LPG connections to all eligible BPL families. While the details and modalities of the scheme are still under consideration of the Government, it is expected to release 35 lakh LPG connection to BPL families every year. The Ministry have informed the Committee that for the time being, the proposed scheme will be for one year (i.e. remaining year of the XI Five Year Plan Period) and its further extension for the XII plan period will be considered at appropriate stage.

Considering the importance of the scheme, the Committee recommend the Ministry to earnestly pursue with Government for early clearance of the scheme so that it is implemented at the earliest in the current year. The Committee further desire the scheme be extended for the next Five Year Plan till all eligible BPL families are covered under the scheme.

1.16 The Committee note as per Economic Survey (2010-11), the budgetary support for the proposed scheme has been restricted to the extent of 50% of the total funds required and rest of the 50% would be drawn for the CSR funds of six major oil companies and OMCs namely ONGC, IOCL, BPCL, HPCL, OIL and GAIL. However, on this issue, Ministry of Petroleum and Natural Gas in their reply have informed that OMCs had advised that 20% of the CSR fund is to be contributed by them towards the scheme for release of new LPG connection to BPL families. The Committee hope that the remaining 30% will be contributed by other oil companies so that there will be no financial constraints in the implementation of the scheme.

C. Subsidy on domestic LPG Cylinders:

1.17 While apprising the Committee regarding year-wise details of the Government's subsidy given to petroleum sector particularly OMC's, after dismantling the Administered Pricing mechanism, the Ministry of Petroleum and Natural Gas submitted as under:-

> "The Government is providing a subsidy of Rs 0.82 per litre on PDS Kerosene and Rs 22.58 per cylinder on Domestic LPG (at 1/3rd level of the rate for 2002-03) from the Budget under the "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002" to the Public Sector Oil Marketing Companies (OMCs). The Government is also providing freight subsidy under "Freight Subsidy (For Far-Flung Areas), Scheme, 2002" for supply of PDS Kerosene and Domestic LPG to Far Flung areas. The details of subsidy provided by the Government under these Schemes to the OMCs during 2002-03 to 2010-11 are given below:

(`Rs. in crore)

	Subsidy under "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002"	**Subsidy under "Freight Subsidy (For Far-Flung Areas) Scheme, 2002"**
2002-03	4,496	62
2003-04	6,292	59
2004-05	2,930	26
2005-06	2,662	21
2006-07	2,524	25
2007-08	2,641	28

2008-09	2,688	22
2009-10	2,770	22
2010-11	2,904	22

Further, to protect the consumer and the economy from the increasing price volatility and uncertainty in international oil prices since 2004-05, Government has been modulating the retail selling prices of the sensitive petroleum products, namely, Petrol (upto 25.6.2010), Diesel, PDS Kerosene and Domestic LPG. As a result, the Public Sector Oil Marketing Companies (OMCs) are incurring under-recoveries on the sale of these sensitive petroleum products due to non-revision of their retail selling prices in line with the international oil prices. These under-recoveries are compensated under a Burden Sharing mechanism, in the following manner:

- Government through issue of Oil Bonds/Cash assistance;
- Domestic upstream oil companies through price discounts to OMCs;
- OMCs to bear a portion of the under-recoveries; and

Between 2005-06 and 2008-09, the Government's contribution was in the form of Oil Bonds, and since 2009-10, the Government is compensating the under-recoveries of the OMCs through Cash assistance. Details of Oil Bonds and Cash assistance provided by the Government towards compensation of OMCs under-recoveries are as under:

(Rs crore)

Through Oil Bonds				**Through Cash Assistance**	
2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11 (April-December, 2010)**
11,500	24,121	35,290	71,292	26,000	21,000

1.18 The Committee have been informed regarding the details of the under-recoveries incurred by OMCs on the sale of sensitive petroleum products from the year 2004-05 to April-September, 2010 as under:

Product-wise under-recoveries of OMCs

(` Crore)

Under-Recovery *	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**April-Sept'10 #**
PDS SKO	9,480	14,384	17,883	19,102	28,225	17,364	9,201
Dom. LPG	8,362	10,246	10,701	15,523	17,600	14,257	8,786
Petrol	150	2,723	2,027	7,332	5,181	5,151	2,227**
Diesel	2,154	12,647	18,776	35,166	52,286	9,279	11,152
Total	20,146	40,000	49,387	77,123	1,03,292	46,051	31,367

*Gross under-recoveries without considering oil bonds and upstream assistance.
** Up to 25th June' 2010
#The total under-recovery for the entire year is estimated to be Rs. 59,157 crore based on refinery gate price of November 2010 (1st FN of November' 2010).

1.19 During the course of oral evidence on Demands for Grants (2011-12), when the Committee desired to know whether the Government is considering a proposal to rationalize the use of subsidized LPG by restricting it to certain high income category, the Secretary, Ministry of Petroleum and Natural Gas apprised the Committee as under:-

> "There is a proposal under consideration that LPG cylinders should be restricted to everybody and may be, four cylinders can be given at subsidized rate and for the balance everybody can pay at full rate".

1.20 The Committee note that in the year 2009-10, the Government have incurred an expenditure of Rs. 2770 crore under the "PDS Kerosene on Domestic LPG Subsidy Scheme 2002" whereby the Government is providing a subsidy of Rs. 0.82 per litre on PDS Kerosene to Rs. 22.58 per cylinder on Domestic LPG (at 1/3rd level of the rate for 2002-03) to OMCs. However, the total under-recovery on domestic LPG alone during the year 2009-10 was Rs. 14,257 crore. As regards a proposal under consideration of the Government to restrict four cylinders during a year that can be given at subsidized rate to all consumers, the Committee strongly feel that to offset the huge losses made on account of subsidized domestic LPG cylinders, the Government may consider to do away with providing subsidized LPG to rich and affluent people having an income of more than Rs. 6 Lakh per annum including those holding constitutional posts, public representatives like MPs, MLAs/MLCs. The Committee are of the firm opinion that such an initiative by the Government will help to expand its subsidized LPG distribution to the rural people who are more in the need of this clean fuel. The Committee desired to be apprised of concrete action taken in this regard within a period of 3 months.

D. Production of oil and natural gas

1.21 The Committee were informed that the MoU targets of the Oil PSUs are negotiated and finalized in the Task Force Committees comprising experts as well as representatives of Department of Public Enterprises, Ministry of Petroleum & Natural Gas and Oil companies. During the meetings, emphasis is laid on fixing aggressive targets, which are higher than the previous year's achievements. Once the targets are finalized, the MoUs are signed between the Oil PSUs and the Ministry by 31st March every year.

1.22 Asked about the details of targets and actual production of oil and gas by upstream oil PSUs and Pvt/JV companies in the last three years along with reasons for shortfall, the Committee were informed as under:

ONGC

Activity	**Unit**	**2008-09**		**2009-10**		**2010-11**	
		Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Crude Oil	MMT	27.05	25.37	26.95	24.67	25.42	24.42
Natural Gas	BCM	21.66	22.49	22.25	23.10	21.48	23.09
O+OEG	MMT	48.71	47.86	49.20	47.77	46.90	47.51
%Achievement			**98.25%**		**97.09%**		**101.30%**

It can be seen from the above that ONGC has produced more natural gas than the target set for the same during the last three years. However, crude oil production is marginally short of the target primarily on account of following reasons:

- Natural decline in base production and increase in water cut in major matured fields.
- Most of the producing fields of ONGC are aged, surpassed their plateau production phase and are in the natural decline phase. The rate of production decline from these old and matured fields in ONGC is about 7 - 8% of production.
- However, this natural decline has been to a great extent compensated by early realization of production from onshore finds, redevelopment of producing fields and implementation of various IOR/EOR schemes and application of technology.

Action to improve the performance

Actions have been taken not only to offset decline from producing mature fields but also, new frontiers are being explored for sustaining/improving production. Following are the major steps undertaken in this regard:

(A) Improving recovery from existing fields

ONGC is moving ahead on well crafted road map to achieve strategic vision of increasing the recovery factor to 40% in phases through 'rolling redevelopment plans' which would be leveraged with the best of advancing technology to suit field requirement.

To further enhance the recovery and offset the decline, the second phase of redevelopment is on at Mumbai High North and at Mumbai High South

Similar activities are also being undertaken regularly for other major fields of ONGC which include Heera and Neelam fields in Western Offshore. With the help of these redevelopment schemes ONGC has been successful in maintaining its production from these fields which are on decline phase.

(B) Production Enhancement through Monetization of Marginal fields

ONGC has taken decision to develop offshore marginal fields discovered in last three decades. These fields were not techno-economically viable earlier and are now being made commercially exploitable through induction of state of art technologies, optimization of facilities, regrouping of fields through cluster development, etc.

Some of the fields like D-1, SB-11 (Vasai West), Vasai East, C series and B134A have already been put on production. ONGC Board has accorded approval for development of several other marginal fields like B-193+ cluster, B-46+ cluster, B-22+ cluster, Cluster 7 ,WO series and North Tapti etc.

(C) Production enhancement through Monetization of fields of Eastern Offshore

Deepwater discoveries have been made in Eastern Offshore in G-1 & GS-15, G-4-6 & GS-29, Vashishtha, S-1 and in block KG-DWN-98/2 (i.e, D, E, KT-1, U, W, A, Kanakdurga and Padmavati). A dedicated Eastern Offshore Asset (EOA) has been created for fast track development of the discoveries on the East coast. While first oil/gas from GS-15 is expected by May 2011 and from G-1, it is expected in March 2012, the other discoveries are currently under appraisal.

(D) Production enhancement through Technology Induction and services of domain experts: ONGC has brought in best in class technologies with the support of international renowned domain experts and global service providers in the areas of Water flood Management, Reservoir Management, Reservoir Characterization and Simulation, Gas Lift System optimization, Produced Water Management, Well Completion and Flow Assurance of sub-sea pipelines.

OIL

As far as Oil India limited (OIL) is concerned, OIL could achieve the target set for crude oil production for 2008-09 and 2009-10 by 101 % and 100% respectively. However, OIL could achieve 97 % of the targeted crude oil production of 3.70 MMT during 2010-11. This was mainly due to prolonged shut-down of Numaligarh Refinery Limited (NRL) during the 1st half of the year. There had been a production loss of 0.127 MMT for the aforesaid reasons. But for the NRL shutdown OIL would have achieved 3.71 MMT of crude oil production, thereby, surpassing the annual target.

Reasons for shortfall for Natural Gas Production during last three years:

1. Less gas withdrawal against the commitment by all the major gas customers of the North East
2. Numaligarh Refinery Limited (NRL) could not uplift gas as per plan viz. from 1st October, 2007. However, the upliftment commence from 15th March, 2011.
3. Intermittent less withdrawal by Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRUVNL) during the referred period.

Oil India limited (OIL) has taken the following measures to increase the future production of oil and gas:

i) To seismically cover logistically difficult terrain such as riverine areas, swampy/ marshy areas including Brahmaputra River bed, rugged hilly terrain in the Belt of Schuppen etc.
ii) Intensification of 3D seismic survey in delineating field extensions and identifying subtle structures as well as unidentified prospects at deeper levels.
iii) Continue exploratory drilling in the deeper prospects in the South Bank of river Brahmaputra.
iv) Augmenting drilling efforts for increased number of exploratory and development wells including extension wells, infill wells etc. for enhanced potential retrieval.
v) Development of new discoveries by quick appraisal as well as implementation of horizontal well / J-Bend drilling in suitable reservoirs.
vi) Immediately bringing onto production any new finds (through drilling) through creation of quick production set-up / early production set-up and use of bowsers for crude oil transportation.
vii) Induction of suitable EOR/IOR processes.
viii) Enhancement of water injection to improve oil recovery / production.
ix) Increasing work over efforts for quick revival of sick wells.

<u>Pvt/JV Companies</u>

Under the PSC regime, both oil and gas production has considerably increased during the last two years. The production by Pvt/JV companies during the last three years are as under:

Year	Oil Production (MMT)		Gas Production (BCM)	
	Target	Actual	Target	Actual
2008-09	5.26	4.67	12.59	8.09
2009-10	6.62	5.26	25.43	21.98
2010-11	8.83	9.68	28.19	26.77

As can be seen from above, oil production during 2010-11 is 9.68 MMT which is about 109% of the target of 8.83 MMT of oil. Gas production at 26.77 BCM during 2010-11 is about 95% of the target of 28.19 BCM of gas production set for the year.

The primary reasons for shortfall in targeted production during previous years in some of the major JV operated fields are as under:

- Delay in execution of pipeline project in Mangala field in RJ-ON-90/1 block in Rajasthan and consequent loss of oil production thereof.
- Less number of producer wells drilled in D1 & D3 fields in KG-D6 field in East Coast as compared to that of approved Field Development Plan, resulting in less gas production.

- Less than envisaged oil production from MA field in KG-D6 block, due to early water production from wells.
- Water encroachment and pre-mature depletion in Tapti field in Western offshore, leading to less gas and condensate production.
- Pressure decline, delay in implementation of water injection and non- drilling of required number of infill wells to maintain the oil and gas production level in Panna field in Western Offshore.
- Complete shutdown of Panna-Mukta Field for 96 days due to failure of Single Point Mooring (SPM) system during 2010-11.
- Natural decline in ageing and matured fields like Hazira, Ravva & CB-OS/2.
- Less than envisaged production from CBM blocks due to various issues such as delay in laying pipeline for gas transportation, distance from the market, land acquisition problems etc.

The Operators have been advised to adopt requisite measures to overcome the constraints identified as above and optimize oil and gas production".

1.23 As regard the targets fixed for production of crude oil and natural gas during the next 3 years, the Ministry furnished the following before the Committee:-

"The projection of domestic crude oil and natural gas production by ONGC, OIL and Pvt/JV companies during the next 3 years i.e. 2011-12 to 2013-14 is as under:

Crude oil production (MMT)

	2011-12	2012-13	2013-14
ONGC	24.774	24.830	27.833
OIL	3.760	3.910	4.010
Pvt/JV	10.530	12.000	12.800
Total	39.064	40.740	44.643

Natural gas production (BCM)

	2011-12	2012-13	2013-14
ONGC	23.536	24.444	23.947
OIL	2.633	2.900	3.200
Pvt/JV	27.720	28.000	31.000
Total	53.889	55.344	58.147

1.24 When asked to explain how these targets were fixed, the Ministry stated the following:-

"Crude oil and natural gas targets are decided by E&P companies considering technical parameters of the producing fields, so that optimal production from the field can be obtained maintaining good condition of hydrocarbon reservoirs/fields. While fixing the annual production targets, various factors such as reservoir & production performance of the field/block, work programme and planned physical inputs in the corresponding year, field life etc. are considered".

1.25 As regards action taken by DGH Government in case of non-achievement of targets by PSUs/private companies, the Ministry, in a written note, submitted the following:-

> "Under the PSC regime, performance of each exploration block /producing field is regularly monitored, deliberated and reviewed through various daily/monthly reports received from the Operators, field visits and surveillance, technical and Management Committee Meetings etc. and corrective measures are suggested to improve performance.
>
> In case of non-fulfillment of committed exploration work programme, actions are taken as per the provisions laid down in the Production Sharing Contracts (PSCs) and companies are liable to pay the cost of unfinished minimum committed work programme. In this regard, the Article 5.7 of PSC is reproduced as under:
>
> "In the event that the contractor fails to fulfill the said minimum work programme by the end of the relevant exploration phase or early termination of the contract by the Government for any reason whatsoever, each company constituting the contractor shall pay to the Government, as may be case, its Participating Interest share for an amount which, when evaluated in terms of the Minimum Work Programme specified for the relevant phase".

1.26 When the Committee desired to know whether DGH has been able to identify the reasons for under performance of the companies in terms of crude oil and natural gas production and suggest any concrete remedial measures, the Ministry furnished the following information:-

> DGH has already identified the reasons for under performance of the companies in terms of crude oil and natural gas production and has suggested from time to time suitable remedial measures for individual fields to improve the performance. These suggestion are as under:
>
> - Implementation of water injection for pressure maintenance.
> - Additional Development & infill wells for sustaining/augmenting oil/gas production.
> - Work-over & well stimulation in existing producing wells as required.
> - Submission of comprehensive development/redevelopment plan in few fields for optimum exploitation.
>
> Use of new technology in well completion & drilling".

1.27 The Projection of domestic crude oil and natural gas production by ONGC, OIL and private/JV companies during next 3 years i.e. 2011-12 to 2013-14 is 39.064 MMT to 40.740 MMT and 44.643 MMT and 53.889 BCM, 55.344 to 58.147 BCM respectively. In this regard, the Committee desired to know on what basis the Government/oil companies have made these projections despite under achievement of drilling targets during the last 3 years, the information furnished by the Ministry are as under:-

"The projected production targets for crude oil and natural gas depends on various factors such as reservoir & production performance of the field/block, work programme and planned physical inputs in the corresponding year, field life etc.

Pvt/JV companies

In case of private/JV companies, the increase in crude oil target is mainly due to estimated higher oil production from RJ-ON-90/1 block in Rajasthan and gas production from KG-D6 block.

ONGC

In case of ONGC, the additional crude oil and natural gas is expected from development of new small size and marginal fields in offshore areas various actions for augmenting/ maintaining the crude oil and natural gas production are being taken by ONGC. In addition, the focus on repair of existing wells, artificial lift and stimulation of wells, various efforts are being made/planned for enhancing oil production in the fields being operated by ONGC.

OIL

As far as Oil India limited (OIL) is concerned, the projection of crude oil and natural gas production was made considering induction of new technology for drilling (viz. Horizontal, J-bend drilling), effective IOR / EOR measures and development of newly discovered oil fields into production. Production projections are also based on proven reserves base and optimal reservoir management practices".

1.28 The Committee are constrained to note that ONGC has failed to achieve oil production targets third time in a row with production declining from 25.37 MMT in 2008-09 and 24.67 MMT in 2009-10 to 24.42 MMT in 2010-11. While OIL which could achieve oil production targets in 2008-09 and 2009-10, it could achieve only 97% of production target in 2010-11. The main reason cited by ONGC is natural decline in base production as most producing fields of ONGC are aged and have surpassed their plateau production phase and are in natural decline phase. The rate of production decline from these old and matured fields is about 7-8% of production and in case of OIL the production was less mainly due to prolonged shut down of Numaligarh Refinery Ltd. during its half of the year. The Committee have been informed that action taken by ONGC to offset decline from the matured fields by implementing of various IOR/EOR schemes and induction of State of Art technology in production enhancement and services taken of internationally renowned domain experts in this regard. Taking note of the initiatives taken by ONGC, the Committee desire that increased focus thereto be given so as to arrest the decline of oil production. The Committee are also unhappy at the loss of production due to prolonged shut down of Numaligarh Refinery Limited and desire that in future the company take timely action to prevent prolonged shut down.

1.29 The Committee further note the significant shortfall in achievement of production target of gas by private/joint venture companies due to less number of producer wells drilled in D1 and D3 fields in KG D6 block in East coast against the approved field development plan resulting in less production. The Committee view it with serious concern and feel that DGH has not effectively monitored and took timely corrective action to ensure that approved targets are adhered to by the private companies. The Committee, therefore, desire DGH to be more proactive in monitoring implementation of various targets by private companies. The Committee would also like to know the penalty imposed on these companies for their failure to achieve the approved drilling targets.

1.30 The Committee note that the various targets set for oil PSUs are finalised by a task force consisting of experts, representatives from Ministries and oil companies taking all relevant factors into account. After finalization of targets, MOUs are signed between oil PSUs and the Ministry. The Committee are however constrained to observe that these targets which are fixed with great deal of exercise are not taken seriously by the companies and most of the targets set during the last 3 years are not fulfilled with reasons cited which are often repetitive in nature. The Committee are of the view that with signing of MOUs between companies and Ministry, it become a commitment on part of companies to adhere to the targets. Therefore, any underachievement should be viewed seriously by the Ministry and suitable periodical corrective action should be taken to prevent shortfalls.

The Committee, therefore, recommend the Ministry to impress on oil companies both NOC and private, the absolute necessity to achieve the targets set for them with all seriousness and undertake indepth analysis for the shortfall and corrective action taken thereto. In case of repeated shortfall some penal action may be considered against the defaulter companies

E. Exploration of oil and gas

1.31 Consequent upon liberalization in petroleum sector, Government of India is encouraging participation of foreign and Indian companies in the exploration and development activities to supplement the efforts of national oil companies to narrow the gap between supply and demand. A number of contracts have been signed with both foreign and Indian companies for exploration and development of fields on production sharing basis.

1.32 In this context, the Committee desired to know the success achieved by the upstream oil companies in deepwater exploration during the last three years and how these companies (both public and private) proposed to intensify their efforts on such exploration. In a written reply, the Ministry apprised the Committee as under:-

> "34 exploratory wells have been drilled in deepwater blocks by National & Private Exploration & Production (E&P) companies (ONGC -15 wells & RIL - 19 wells) under the Production Sharing Contract (PSC) Regime during the period from 2007-08 to 2010-11 (upto 31.01.11). 10 oil/gas discoveries (ONGC - 3 discoveries & RIL -7 discoveries) have been notified to the Government. In addition, ONGC has made one gas discovery in Krishna Godavari basin in nomination block during 2009-10. These discoveries are under various stages of evaluation by the E & P Companies. The Government has approved the Rig Moratorium of three years for deepwater NELP blocks to undertake further exploratory and appraisal drilling activities in the deepwater blocks.
>
> It may be pertinent to mention that the gas discoveries namely D1 & D3 made during 2002 in deepwater block KG-DWN-98/3 (Operator-RIL) has been put on commercial production w.e.f April, 2009. Oil discovery D-26 (commonly known as MA field) made in the same block in 2006 has commenced oil and associated gas production w.e.f September, 2008 respectively". (written reply Q. 2)

1.33 Further, the Committee asked the Ministry to furnish details of oil and gas discoveries made by various National Oil Companies in the Country during the last 5 years and how many of these discoveries have been verified/confirmed by DGH. Replying to this, the Ministry submitted the following information:-

> "ONGC, OIL and Pvt/JV companies have made 223 hydrocarbon discoveries in last five years (upto February, 2011), out of which, 78 hydrocarbon discoveries are in production sharing regime and the rest remaining in nomination regime. ONGC and OIL have made 118 and 27 oil & gas discoveries in last 5 years from 2006-07 to 2010-11 (upto February 2011) in nomination regime respectively. The break-up of PSC regime discoveries is as under:

Discoveries made by Pvt/JVs under the PSC Regime (2006-11) till February, 2011			
S.No	**Operator**	**Oil**	**Gas**
1	BGEPIL	1	0
2	Essar Oil Ltd.	4	0
3	Focus	0	2
4	GSPC	11	8
5	Hardy	0	1
6	HOEC	1	1
7	Jubilant	2	3
8	ONGC	4	9
9	RIL	11	15
10	Cairn	3	2
	Total	**37**	**41**

Discovery DWN-E1 made in block KG-DWN-98/2 by ONGC during 2006-07 was not agreed by DGH as PSC provision was not followed".

1.34 As regards, the details of reviews by DGH of the progress of exploration activities in respect of Petroleum Exploration Licenses held by National Oil Companies on nomination basis during the last 5 years, the Ministry informed the Committee as under:-

"DGH carries out review of Exploration activities of ONGC and OIL for nomination blocks. The details of yearly review of ONGC and OIL by DGH from 2006-07 to 2010-11 are as under:

I – ONGC (2006-07)

Yearly Review of Exploration Activities of ONGC (2006-07) by DGH

Status of PEL blocks

Total number of PEL blocks : 111
Number of PEL blocks relinquished / conversion : 08

Status of MWP in PEL blocks

MWP achieved : 83
MWP not achieved : 20

- Non grant of PEL : 02
- Environmentally sensitive area : 02
- Awaiting MOU signing : 03
- Delay in drilling/3D API : 13

Exploration Activities

Activity	Target	Actual
2D (LKM)	40	459.15
3D (SKM)	1908+50(Ind)	6710.18
Wells (No.)	46 + 16 (Ind.)	43 + 13 (U/D)

Highlights: Oil & Gas discovery / indication has been observed in 13 wells

II - OIL

Yearly Review of Exploration Activities of OIL (2006-07) by DGH

Status of PEL blocks

Total number of PEL blocks : 19
Number of PEL blocks relinquished : 01

Status of MWP in PEL blocks

- MWP achieved : 04
- MWP not achieved : 15
- Delay in drilling : 13
- Delay in 3D API : 02

Exploration Activities

Activity	Target	Actual
2D (LKM)	610	30
3D (SKM)	125	18.83
Wells (No.)	12	1+2 (U/D)

Note: MWP: Minimum Work Programme
API: Acquisition, Processing and Interpretation
U/D: Under Drilling
Ind : Indicative
LKM: Line Kilometre
SKM: Square Kilomtere

I – ONGC (2007-08)

Yearly Review of Exploration Activities of ONGC (2007-08) by DGH

Status of PEL blocks

Total number of PEL blocks : 101
Number of PEL blocks relinquished / conversion : 10

Status of MWP in PEL blocks

MWP achieved : 69
MWP not achieved : 22

- Non grant of PEL : 06
- Delay in drilling/3D API : 16

Exploration Activities

Activity	Target	Actual
2D (LKM)	1404	824
3D (SKM)	2418+50(Ind.)	6103
Wells (No.)	52 + 15 (Ind.)	51+9 (U/D)

Highlights: Oil & Gas discovery / indication has been observed in 26 wells

II - OIL

Yearly Review of Exploration Activities of OIL (2007-08) by DGH

Status of PEL blocks

Total number of PEL blocks : 19
Number of PEL blocks relinquished : 03

Status of MWP in PEL blocks

MWP achieved : 07
MWP not achieved : 09

- Delay in drilling : 03
- Delay in PEL extension : 06

Exploration Activities

Activity	Target	Actual
2D (LKM)	300	NIL
3D (SKM)	106	106
Wells (No.)	4	1 (U/D)

Highlights: Oil & Gas discovery has been made in one well

<u>I – ONGC (2008-09)</u>

Yearly Review of Exploration Activities of ONGC (2008-09) by DGH

Status of PEL blocks

Total number of PEL blocks : 91
Number of PEL blocks relinquished / conversion : 12

Status of MWP in PEL blocks

MWP achieved : 53
MWP not achieved : 26

- Non grant of PEL : 09
- Delay in drilling : 17

Exploration Activities

Activity	Target	Actual
2D (LKM)	1640	2999
3D (SKM)	4001	8292
Wells (No.)	67 + 6 (Ind.)	72+20 (U/D)

Highlights: Oil & Gas discovery / indication has been observed in 23 wells

<u>II - OIL</u>

Yearly Review of Exploration Activities of OIL (2008-09) by DGH

Status of PEL blocks

Total number of PEL blocks : 16
Number of PEL blocks relinquished : NIL

Status of MWP in PEL blocks

MWP achieved : 07
MWP not achieved : 03

- Delay in drilling : 03

Exploration Activities

Activity	Target	Actual
2D (LKM)	1411	NIL
3D (SKM)	79	NIL
Wells (No.)	14	2+1 (U/D)

Highlights: Oil & Gas discovery has been made in one well

<u>I – ONGC (2009-10)</u>

Yearly Review of Exploration Activities of ONGC (2009-10) by DGH

Status of PEL blocks

Total number of PEL blocks : 79
Number of PEL blocks relinquished / conversion : 16

Status of MWP in PEL blocks

MWP achieved : 50
MWP not achieved : 13

- Non grant of PEL : 06
- Delay in drilling : 07

Exploration Activities

Activity	Target	Actual
2D (LKM)	360	337
3D (SKM)	1771	932
Wells (No.)	58 + 3 (Ind.)	68+24 (U/D) + 11 (U/T)

Highlights: Oil & Gas discovery / indication has been observed in 13 wells
Note: U/T: Under testing

<u>II - OIL</u>

Yearly Review of Exploration Activities of OIL (2009-10) by DGH

Status of PEL blocks

Total number of PEL blocks : 16
Number of PEL blocks relinquished : 03

Status of MWP in PEL blocks

MWP achieved : 07
MWP not achieved : 03

- Delay in drilling : 03

Exploration Activities

Activity	Target	Achual
2D (LKM)	175	139.25
3D (SKM)	25	25
Wells (No.)	13	03 (Under production / testing)

Highlights: Oil & Gas discovery has been made in one well

<u>I – ONGC (2010-11)</u>

Yearly Review of Exploration Activities of ONGC (2010-11), upto 30.09.2010 by DGH

Status of PEL blocks

Total number of PEL blocks : 63
Number of PEL blocks relinquished / conversion : 02

Status of MWP in PEL blocks

MWP achieved : 43
MWP not achieved : 18

- Non grant of PEL : 05
- Delay in drilling : 13

Exploration Activities

Activity	Target	Actual
2D (LKM)	NIL	44
3D (SKM)	360	1308
Wells (No.)	53 + 1 (U/D)	33+21 (U/D) + 4 (U/T)

Highlights: Oil & Gas discovery / indication has been observed in 12 wells

II - OIL

Yearly Review of Exploration Activities of OIL (2010-11) by DGH

Status of PEL blocks

Total number of PEL blocks : 13

Number of PEL blocks relinquished : 00

Status of MWP in PEL blocks

MWP achieved : NIL

Exploration Activities

Activity	Target	Actual
2D (LKM)	NIL	NIL
3D (SKM)	NIL	NIL
Wells (No.)	07	NIL”

1.35 In the context of DGH in India, the Committee desired to have information regarding the nature and kind of regulatory mechanisms adopted in developed/developing countries for effective monitoring of the performance of various parameters agreed upon in the production sharing contracts between the Governments and exploration companies. The information furnished in the Ministry, in this regard are as under:-

“DGH is the technical arm of the Ministry of Petroleum & Natural Gas and monitors the following aspects of E&P operations in the Country:

(i) It endeavors to ensure extensive exploration and maximization of production of oil & gas in Country’s sedimentary basins.

(ii) DGH also endeavors to ensure optimal exploitation of discovered resources in terms of optimum development and production, ultimate recovery, sound production & reservoir management, abandonment and safety practices.

The above parameters are dealt in accordance with the provisions under PSC and as per Good International Petroleum Industry Practices (GIPIP).

Further, monitoring mechanism involves relevant flow of information including periodical progress reports concerning fiscal, operational and related matters. In addition, DGH carries out inspections and also holds review meetings with the Contractors, from time to time. Progress is monitored through Management Committee Meetings & Operating Committee. Technical Meetings are also held by the Contractor for internal reviews and DGH is kept informed of such proceedings”.

1.36 During evidence, the Secretary, Ministry of Petroleum and Natural Gas deposed before the Committee as under:-

“In regard to shortfall in achievement of drilling, this has to be looked at in the context of what has been happening over the last few years. The drilling performance in the years 2007-08 by ONGC particularly was very low. So, the Ministry took concerted efforts and in the years 2008-09 and 2009-10, the drilling performance increased substantially. We do agree that there is going to be a marginal shortfall in terms of drilling performance of ONGC in 2010-11 but they are hopeful of having made up part of it in the last quarter. In case of Oil India, the oil production has increased substantially even though their drilling performance has not been as was in the previous year, but I am sure they will perform better in the current year. Oil India is geared up very well to achieve their targets in terms of oil and gas production and their physical performance even in terms of parameters like drilling will increase".

1.37 The Committee are concerned to note the unsatisfactory performance of public/private companies in respect of Minimum Work Programme (MWP) and consistent delay in achieving drilling targets in 3D Acquisition, Processing and Interpretation. The yearly review of exploration activities of ONGC and OIL by DGH shows that there has been significant shortfall during last 5 years (2006-11) in achieving MWP by both ONGC and OIL. The Committee note the major reason for the shortfall was due to delay in drilling programme in various blocks owned by ONGC&OIL. The Committee observe that although DGH, a technical arm of the Ministry of Petroleum and Natural Gas have a strong monitoring mechanism involving relevant flow of information including periodical progress reports concerning fiscal, operational and related matters and carries out inspections and also holds review meetings with the Contractors and management from time to time, the upstream companies have failed to achieve MWP during the last 5 years. While expressing their displeasure, the Committee desire that Government/DGH should take necessary steps to ensure that these upstream companies expedite their exploration work and make sincere efforts towards at least completing the Minimum Work Programme assigned to them.

F. Utilization of Play outlays by OIL

1.38 The details of Year-wise Outlays and actual expenditure of OIL are as follows:

Rs. in crore

Year	BE	RE	Actual
2008-09	2230.67	1718.81	1631.89
2009-10	2276.31	2375.35	1556.86
2010-11 (Upto Dec., 2010	4464.98	4212.98	1241.17

1.39 The Annual Plan outlay of OIL is Rs. 3180 crore for 2011-12, which is mainly on account of proposed expenditure on survey & geological, exploratory drilling, development drilling, capita equipment and facilities, NELP projects, Revival of production from Khagorijan oilfield in Assam, overseas ventures, etc. (Outcome Budget, Page 12)

1.40 Asked about the reasons for variation between BE, RE & Actual Expenditure of OIL, the following year-wise information was furnished to the Committee:-

2008-09

As against the approved plan outlay of Rs.Rs.2230.67 Crores in 2008-09 (BE), the revised plan outlay was reduced to Rs.1718.80 Crores mainly due to delays in Environmental Clearance, mobilization by the contractor in logistically difficult areas of Arunachal Pradesh, deferment of 2D-3C survey of 500 GLKM and non-availability of chartered hire rigs and surface / sub-surface problems. Against the BE target of drilling of 222350 Metres, for the year 2008-09, the drilling meterage achieved was 115867 Metres. Deferment of procurement ofhigh value items and delay in award of contracts was also done due to the other delays. The actual expenditure incurred towards plan outlay in the year was Rs. 1631.89 crores.

2009-10

As against 2009-10 BE target for Plan Outlay of Rs.2276.31 Crores, the Plan outlay for RE 2009-10 had been revised at Rs.2375.35 Crores. The upward revision for RE 2009-10 was mainly due to higher exploratory drilling anticipated under NELP/JVC blocks, outlay for which was increased from Rs. 942.05 crore to Rs. 1235.91 crore. But Actual Plan expenditure for the year was only Rs.1556.86 crores, which is 65.54% of the RE. Decrease of Actual expenditure over RE outlay was mainly due to shortfall in exploratory and development drilling expenditure in Assam and Arunachal Pradesh, short fall in expenditure in NELP blocks, shortfall in capital expenditure and expenditure on overseas ventures. Other major problems encountered were, acute land acquisition problems in Assam with repeated environmental and down-hole problems, prolonged production testing of a few wells, extended drilling operation in a few deep exploratory wells etc., which were time consuming. There was also a shortfall in exploratory drilling expenditure in NELP Non-Operated blocks, which was beyond the control of OIL. There was also lower expenditure of Rs. 90.86 Crore on Overseas ventures against the RE target of Rs. 241.46 Crore.

2010-11

As against BE 2010-11 Plan Outlay of Rs.4464.98 Crores, the RE target has been set at Rs.4212.99 Crores. The downward revision in 2010-11RE is attributed to the following:-

(i) Deferment of 560 GLKM of 2D Seismic Survey and 1000SQKM of 3D Seismic Survey in Rajasthan NELP blocks and 250 GLKM of 2D Seismic Survey in KG NELP blocks.

(ii) Downward revision of drilling target to 134350 mtrs. From 22050 mtrs. Due to non-availability of chartered rigs, land acquisition problem, delayed movement of rigs in difficult logistic areas, unprecedented inclement weather conditions etc.

(iii) Reduction in exploratory drilling meterage target from 68950 meters to 56415 mtrs. also resulted in reduction in drilling expenditure by Rs. 187 crore. Exploratory Drilling meterage of 34100 for NELP operated blocks in BE 2010-11 has been revised to 7235 meters in RE 2010-11, reducing expenditure from Rs.192.21 crores to Rs.59.65 crores. Similarly Development Drilling meterage of 117000 planned for BE in Assam & AP and Rajasthan nominated areas is reduced to 70700 meters in RE 2010-11. There is an overall decease of Rs. 499.92 Crores in Drilling Expenditure from BE 2010-11 to RE 2010-11.

1.41 Asked as to why the above-referred reasons could not be foreseen by OIL and how the Revised Estimates for the year 2010-11 are likely to be utilized by OIL, the Ministry of Petroleum and Natural Gas informed the Committee in a written reply as under:-

> "The main reasons for the shortfall which could not be foreseen during RE stage are as under:
>
> (a) Deferment of 2D seismic survey in Rajasthan on account of prioritization of area for 3D seismic survey.
>
> (b) In Krishna Godavari onland block, seismic survey job could not be undertaken due to prolonged rainy season and also due to cyclonic storm, a situation that could neither be envisaged or foreseen.
>
> (c) So far as revision of drilling targets are concerned, it was mainly because of unprecedented inclement weather conditions during 2010-11, which caused delay in plinth preparation, approach road and plinth were inundated with flood waters. There was an acute shortage of quarry materials during the monsoon period in the current year resulting in slow progress of drilling activities. Further, OIL planned for deployment of 6 (six) charter hired drilling rigs throughout the year 2010-11 with higher targets during BE stage. However, only 5 (five) drilling rigs could be made available for operation during the year resulting in lower achievement.
>
> (d) There has been shortfall in capital expenditure during the year 2010-11 mainly due to a few high value projects like procurement of 20 MW gas turbine, Non-associated gas field development including laying of number of Oil / Gas Pipelines, Secondary Tank Farm (STF), construction of Oil Collecting Station (OCS) at Barekuri, Assam etc. are in various stages of procurement / construction / commissioning etc".

1.42 The Committee observe that during 2009-10 against the Budget Estimates of Rs. 2375.35 crore, the actual expenditure by OIL was Rs. 1556.86 crore. Further, the actual expenditure by OIL during 2010-11 was only Rs. 1241.17 crore up to December, 2010 against the Budget Estimates of Rs. 4464.98 crore and the Revised Estimates of 4212.98 crore which comes to 27.8% utilization during the first three quarters. The reasons for downward revision of Plan outlays in 2010-11 by OIL have been attributed to deferment of 2D seismic survey in Rajasthan on account of prioritization of area for 3D seismic survey and prolonged rainy season and also due to cyclonic storming KG onland block. Revision in drilling targets due to non-availability of chartered rigs, land acquisition problem, delayed movement of projects, and capital investments therein, etc. The Committee fail to understand as to why the reasons now cited by the Government could not be foreseen at Revised Estimate stage. The huge mismatch between the plan outlay and utilization by OIL during 2010-11, point towards systematic flaws in the planning and execution of

work. The Committee also note from the outcome Budget document of Ministry that their Monitoring Cell independently monitors major projects being implemented by oil PSUs, covering all aspects from process design / basic engineering right up to completion stage. It generates a monthly report which brings out the current status of implementation of various projects along with the reasons for delay, if any. Critical areas which can impact the progress are also analysed. The Committee are constrained to note that despite the strict monitoring by the Ministry there has been large under utilization of funds. The Committee, therefore, recommend that the Government/DGH strengthen their monitoring mechanism to make it more effective and take all necessary steps to ensure that Budget estimates of Rs. 3180 crore for the year 2011-12 are fully utilized to achieve the set targets.

G. NELP

1.43 As regards the blocks offered under NELP Ninth round, the Committee were informed that a total of 34 exploration blocks were offered which comprise 8 blocks in deepwater, 7 blocks in Shallow water, 11 blocks in onland and 8 Type-S onland blocks (S Type blocks with area less than 200 sqkm). Regarding the details of blocks bid during IX round of NELP by different public and private companies, the Ministry submitted the following information:-

"74 bids were received for 33 blocks out of 34 exploration blocks offered under IX round of NELP. The block-wise details are as under:

SL.NO.	BASIN	BLOCK NAME	AREA (SQ.KM)	No. of Bids	Bidders
DEEP WATER BLOCKS					
1	GUJARAT-SAURASHTRA	GS-DWN-2010/1	8255	1	ONGC 40-OIL 40-GAIL 20
2	MUMBAI	MB-DWN-2010/1	7963	2	(i) BGEPIL 50-BHPB 50 (ii) ONGC 35-OIL 35-GAIL 30
3		MB-DWN-2010/2	7063	1	ONGC 35-OIL 35-GAIL 30
4	KERALA-KONKAN	KK-DWN-2010/1	10019	1	ONGC 40-OIL 40-BRPL 20
5	ANDAMAN	AN-DWN-2010/1	5901	1	ONGC
6		AN-DWN-2010/2	4560	1	ONGC
7		AN-DWN-2010/3	9145	2	(i) RELIANCE INDUSTRIES LTD. (ii) ONGC 50-OIL 50

8		AN-DWN-2010/4	4197	2	(i) RELIANCE INDUSTRIES LTD. (ii) ONGC 70-OIL 30
SHALLOW WATER BLOCKS					
9	GUJARAT-KUTCH	GK-OSN-2010/1	1361	2	(i) ONGC 60- OIL 30- GAIL 10 (ii) CEIL 10-CIL 90
10		GK-OSN-2010/2	1625	1	ONGC 90-GAIL 10
11	MUMBAI	MB-OSN-2010/1	2998	No bid	-
12		MB-OSN-2010/2	3411	1	OIL50-HPCL 30-BPRL 20
13	KERLA-KONKAN	KK-OSN-2010/1	2004	1	ONGC 40-OIL 30-IOC 30
14		KK-OSN-2010/2	1860	1	ONGC 40-OIL 30-IOC 30
15		KK-OSN-2010/3	1874	1	ONGC 40-OIL 40-HPCL 20
ONLAND BLOCKS					
16	ASSAM-ARAKAN	AA-ONN-2010/1	401	4	(i) PRIZE20-ABG80 (ii)ONGC40-OIL30-IOC10-GAIL10-EASTWEST10 (iii) JOGPL30-JODPL50-JEKPL20 (iv) DEL10-KGNI90
17		AA-ONN-2010/2	396	2	(i) OIL40-ONGC30-GAIL20-EWP10 (ii) JOGPL30-JEKPL20-JODPL50
18		AA-ONN-2010/3	171	1	OIL 40-ONGC 40-BPRL 20
19	VINDHYAN	VN-ONN-2010/1	3776	1	DEL 10- KGNI 90
20		VN-ONN-2010/2	4909	2	(i) DEL10-DNRL15-SWEPL75 (ii) PPCL10-DOGL90
21	GANGA	GV-ONN-2010/1	3025	1	ISHAR GASOIL PVT. LTD.
22	RAJASTHAN	RJ-ONN-2010/1	480	5	(i) ISHAR GASOIL PVT. LTD. (ii) GAIL40-BPRL40 -BFIL10-MIEL10 (iii)ONGC70-OIL30 (iv)DEL10-KGNI90 (v) RELIANCE INDUSTRIES LTD.
23		RJ-ONN-2010/2	535	5	(i) FOCUS10-BIL90 (ii) BPRL40-GAIL40-BFIL10-MIEL10 (iii)DEL10-DNRL15-SWEPL75

					(iv) OIL & NATURAL GAS CORPN. LTD. (v) RELIANCE INDUSTRIES LTD.
24	CAMBAY	CB-ONN-2010/1	782	3	(i) DEL10-KGNOG90 (ii)OIL & NATURAL GAS CORPN. LTD. (iii)CEIL10-CIL90
25		CB-ONN-2010/2	943	4	(i)ISHAR GASOIL PVT. LTD. (ii)DEL10-DNRL15-SWEPL75 (iii)OIL & NATURAL GAS CORPN. LTD. (iv)HL10-DOGL90
26		CB-ONN-2010/3	534	2	(i)DEL10-KGNOG90 (ii)OIL & NATURAL GAS CORPN. LTD.
27		CB-ONN-2010/4	61	2	(i) PRATIBHA OIL AND NATURAL GAS PRIVATE LIMITED. (ii) OIL & NATURAL GAS CORPN. LTD.
28		CB-ONN-2010/5	49	3	(i)PIC20-FIL80 (ii) OIL50-HPCL50 (iii)OIL & NATURAL GAS CORPN. LTD.
29		CB-ONN-2010/6	39	2	(i) CHINNAR COMMERCE PVT. LTD. (ii)ONGC80-IOC20
30		CB-ONN-2010/7	55	1	CHINNAR COMMERCE PVT. LTD.
31		CB-ONN-2010/8	42	5	(i) SANKALP OIL & NATURAL RESOURCES LIMITED (ii)BPRL25-GAIL25-EIL20-BFIL20-MIEL10 (iii)CHINNAR COMMERCE PVT. LTD. (iv)PRATIBHA OIL AND NATURAL GAS PRIVATE LIMITED (v) OIL & NATURAL GAS CORPN. LTD.
32		CB-ONN-2010/9	120	2	(i)SANKALP OIL & NATURAL RESOURCES LIMITED (ii)OIL & NATURAL GAS CORPN. LTD.
33		CB-ONN-2010/10	122	5	(i) SANKALP OIL & NATURAL RESOURCES

					LIMITED (ii) PIC10-MIEL65-FIL25 (iii)OIL & NATURAL GAS CORPN. LTD. (iv) DIVA OIL AND GAS LTD. (v)RELIANCE INDUSTRIES LTD.
34		CB-ONN-2010/11	131	6	(i)ESSAR OIL LTD. (ii)GAIL25-BPRL25-EIL20-BFIL15-MIEL15 (iii) ONGC40-OIL40-HPCL20 (iv)FIL90-PIC10 (v) PRIZE20-ABG80 (vi)RELIANCE INDUSTRIES LTD".

1.44 When the Committee desired to know about the blocks where single/no bids have been received, the Ministry of Petroleum and Natural Gas provided the following information:

"Total 14 blocks under NELP IX received single bids as under.

Sl. No.	Blocks Receiving Single Bids
1	GS-DWN-2010/1
2	MB-DWN-2010/2
3	KK-DWN-2010/1
4	AN-DWN-2010/1
5	AN-DWN-2010/2
6	GK-OSN-2010/2
7	MB-OSN-2010/2
8	KK-OSN-2010/1
9	KK-OSN-2010/2
10	KK-OSN-2010/3
11	AA-ONN-2010/3
12	VN-ONN-2010/1
13	GV-ONN-2010/1
14	CB-ONN-2010/7

The block MB-OSN-2010/1 did not receive any bid".

1.45 Replying to a query about the reasons for not offering all the left out 16 deepwater blocks of NELP VIII during 9th round of NELP, the Ministry submitted the following information:

"Under NELP-VIII round, 24 deepwater blocks were offered out of which bids were received for only 8 blocks and were awarded. The balance16 blocks were falling in Kerala-Konkan and Andaman basins. These two basins are Frontier basins and there is less availability of data, especially in Western part of Andaman basin.

Keeping in view this fact and the poor response of investors, these 16 blocks have not been re- offered in the succeeding NELP-IX Round".

1.46 Similar information about the shallow water and onland blocks offered but not awarded during NELP-VIII and again offered during NELP-IX were as under:-

"In NELP VIII, 28 shallow offshore blocks and 18 onland blocks were offered. Out of these, Production Sharing Contracts for 11 shallow offshore blocks and 13 onland blocks were signed. The left out blocks against the offered blocks were 17 offshore blocks and 5 onland blocks. The details are as under:

Sl. No.	Type	Offered blocks	Contract Signed blocks	Left out blocks
1.	Shallow offshore	28	11 (+2)*****	17
2.	Onland	18	13	5

*The blocks KK-OSN-2009/4 & KK-OSN-2009/5 were awarded under NELP-VIII to a Consortium of M/s Omkar Natural Resources Pvt. Ltd – Munros Energy Pvt. Ltd - Neris Energy Pvt. Ltd., but the companies refused to sign the contract.

Out of 17 left out shallow offshore blocks in NELP-VIII, 3 blocks have been re-offered under NELP-IX. These blocks are from Kerala-Konkan offshore basin viz., KK-OSN-2009/1, KK-OSN-2009/2 and KK-OSN-2009/3. The remaining left out blocks of NELP-VIII are likely to be offered in the future rounds of NELP after adding new set of geo-scientific data in the blocks".

1.47 Asked as to why these blocks from frontier basins with less availability of data were offered during NELP VIII round and any steps taken by the Government/DGH to ensure that availability of data in these basins to offer these blocks under the next round of NELP, the Ministry of Petroleum and Natural Gas, in their reply furnished the following:-

"In view of increasing exploration coverage in Frontier Basin area, in line with "Indian Hydrocarbon Vision -2025", 4 blocks in Kerala-Konkan offshore and 12 blocks in Andaman offshore offered under NELP-VIII round did not attract any bid.

DGH has acquired 2D seismic data in the Kerala-Konkan and Andaman offshore basins before launch of NELP-IX. Based on newly acquired data in Kerala-Konkan and Andaman offshore basins, 8 blocks were offered in NELP-IX and all the offered blocks have attracted bids".

1.48 In regard to a specific query whether technical capability of companies in terms of rig resources and particularly in deep water areas has been made an important feature in awarding of bids for NELP-IX, the Ministry provided the following information in a written reply:-

"A company with rig resources gets no extra weightage in awarding the blocks in deepwater. Under the Technical Capability of Bid Evaluation Criteria for NELP-VIII and NELP-IX, maximum 2 points are earmarked for drilling of deepwater exploratory wells during last 5 years. This criterion is one of the seven Technical Capability parameters which assess the Technical Capability of the Operator for award of deepwater blocks".

1.49 The Committee have been informed that Budget 2011 proposed to remove 7 years tax holiday for NELP blocks awarded after March 31, 2011. In this context, the Committee desired to know the major policy changes in awarding oil blocks offered in the ninth round of NELP and the reasons for removal of tax holiday, the Ministry submitted the reply as under:-

"Before finalization of NELP-IX bidding round, Government has undertaken extensive consultations with various stakeholders including E&P companies, industry bodies such as Confederation of Indian Industries (CII) and Association of Oil & Gas Operators (AOGO). The views of various stakeholders have been factored into, while preparing bid documents for NELP-IX. The key improvements in NELP IX were as under:

i) Initial Exploration Period to 5 years and total Exploration Period to 8 years in respect of Deep water and Frontier Areas (NE & Less explored) Exploration Period. (One year additional time compared to other blocks).

ii) Incentive for offering 3D seismic for the entire block area:

- To award maximum points earmarked for 2D seismic to bidders offering 3D seismic for the entire block.
- To waive off 2D seismic Mandatory Work Programme (wherever applicable) for bidders offering 3D seismic for the entire block.

iii) The ceiling limits for procurement procedures of goods and services have increased considering the rise in input cost in international market.

iv) Companies would be eligible for bidding for the earlier relinquished blocks which are now on offer in NELP IX, in case companies find the block attractive enough based on change in Geological concept or availability of New technology.

Under the draft DTC bill, 2010, the profit linked tax incentives are proposed to be replaced with investment linked incentives as it has been observed by Ministry of Finance that profit linked incentives are prone to misuse by shifting of profits from non exempt to exempt entity. It has been clarified in the NIO that the provisions of Income Tax Act, 1961 or such legislations as may be in force shall apply".

1.50 Regarding the impact of withdrawal of tax holiday on ninth round of NELP, the Ministry informed that there has not been any adverse impact on the NELP-IX round as could be observed from the good response received under this round.

1.51 During the evidence, the Committee wanted to know whether the NELP is going to be further liberalized to ensure more FDI and private players in this field, marginalizing the role of public sector, In reply, the Secretary, Ministry of Petroleum and Natural Gas deposed before the Committee as under:-

> "The point is that in India we have a level-playing field whether it is public sector from India or private sector from India or the foreign investor. All of them are on the same level and nobody gets any preference. The complaints so far have been that we have failed to attract private sector or foreign investment into the NELP round and till this round, majority of the blocks used to be taken by the public sector. There was an accusation immediately after the NELP-IX also, that the public sectors have come to bail out the Government. But the facts are completely different. In the last year, as against 76 blocks we had put on offer, we could actually give only 32 blocks. Actually, the contract was signed only for 32 out of which 20 were by the public sector and 12 were by the private sector. But this year the whole scenario has changed. As against the 34 blocks which were put on offer, we got bids for 33 blocks, of which 20 have actually gone to the private sector and only 13 to the public sector. So, for the first time, we actually have more private sector than the public sector. ONGC and Oil India together or individually put in bids for only 29 blocks and it was a competition between the private and the public sector and the foreign investors. Eight foreign companies have actually participated in the bids. So, in my opinion, NELP-9 has been a tremendous success considering that out of 34, we had bids for 33 and for one block only we did not get bids, as against 50 per cent of the blocks only for which we got bids in the last year. In the year before that when there was no recession or anything in the Country, NELP-7 out of the 41 blocks where Producing Sharing Contract were signed, 27 was by the public sector and 14 by the private sector. So, by any stretch of imagination, we have had tremendous attraction of the private sector in this Round. A total of 8 foreign companies had submitted their bids and the success has been very good.

Further, in a written note, Ministry submitted the following:-

> "NELP rounds blocks are offered and amended through international competitive bidding system on the basis of transparent and quantifiable Bid Evaluation Criteria (BEC) indicated in Notice Inviting Offers (NIO). The blocks are awarded to successful bidders, based on BEC, on the recommendations of Empowered Committee of Secretaries (ECS), after obtaining approval of Cabinet Committee on Economic Affairs. Thus, liberalized and transparent process is being adopted for offering of blocks under NELP rounds".

1.52 The Committee note that during NELP IX round, 34 exploration blocks were offered out of which 8 blocks were in deepwater, 7 blocks in shallow water and 11 blocks in onland, 8 type S-onland blocks. In all 74 bids were received for 33 blocks against 34 blocks offered. Out of 74 bids so received, there were single bids for 14 blocks and double bids for 10 blocks. In so far as the single bids are concerned, ONGC, OIL, HPCL, GAIL, BRPL bid for 11 blocks and the remaining 3 were bid by other companies. The Committee are informed that ONGC and OIL together or individually put in bids for 29 blocks in all and 8 foreign companies participated in

the bids. In all out of the 33 blocks for which bids were received, 20 have gone to the private sector and 13 to the public sector. In comparison during NELP VIII round, out of 41 blocks for which Production Sharing Contracts were signed, 27 went to the Public Sector Companies and 14 went to the Private Sector Companies. Thus, the Committee feel that as compared to 7th round, the bidding of Private Companies in ninth round of NELP has certainly improved. The Committee feel that though a level playing field is assured to all companies participating in NELP rounds, yet one of the main objectives of NELP is to attract investment from the foreign and private players to increase exploration and production activity. The Committee, therefore, desire that the Government, while striving for attracting investment in exploration through successive rounds of NELP, should also remain vigilant in stringently monitoring the implementation of the terms and conditions of contract for exploration work, capital expenditure pattern being undertaken by the contractor so that the vital national asset like crude oil and natural gas is explored, produced and delivered in the best interests of the nation.

1.53 As regards blocks left out under NELP VIII, the Committee note that 24 deep water blocks were offered out of which bids were received for 8 blocks and were awarded. Explaining the reasons for not offering the remaining 16 blocks during NELP IX round, the Government has informed that these block fall in Kerala-Konkan and Andaman basins and these basins are frontier basins and there is less availability of data especially in western part of Andaman basin. The Committee failed to understand as to why these blocks were offered in the first place when the required data were not available. While expressing their displeasure, the Committee recommend that the DGH should take more proactive role and develop adequate data in respect of every basin by using the latest survey technology before carving out the blocks for offer under NELP.

1.54 The Committee have observed that a Company with rig resources gets no extra weightage in awarding the blocks in deepwater and under the Technical Capability of Bid Evaluation Criteria for NELP-VIII and NELP-IX, maximum 2 points are earmarked for drilling of deepwater exploratory wells during last 5 years and is one of the seven Technical Capability parameters which assess the Technical

Capability of the Operator for award of deepwater blocks. In view of the scarcity of rig resources particularly in deep water areas and its consequent impact on drilling operations of companies, the Committee would like the Government to include the availability of rig resources, owned or chartered, with a company during the past 5 years as an important criterion in awarding of blocks in accordance with the best practices followed in other Countries.

H. Rig Availability

1.55 The Committee have been informed that exploration activities by ONGC and OIL have been affected / delayed in the recent past because of non-availability of adequate number of rigs. The Committee asked the Ministry to furnish details of the basin-wise exploratory work affected due to shortage of rigs during the last three years. The information furnished by the Ministry, in this regard is as follows:-

"<u>ONGC</u>

Due to worldwide shortage of rigs, ONGC could not mobilize deepwater / ultra deepwater rigs for completing the Minimum Work Programme (MWP) commitments in various blocks. As a consequence, exploratory drilling programme in the following blocks were affected:

Basin	Blocks	Remarks
KG	NELP: KG-DWN-98/2, KG-DWN-98/4, KG-DWN-98/5 and KG-DWN-2002/1 Nomination: KG-OS-DW-III & KG-OS-DW-EXTN	Exploratory Drilling affected to the extent of: (a) Appraisal drilling in KG-DWN-98/2 (b) 4 Wells in other NELP blocks (c) Two wells in nomination acreages.
Cauvery	CY-DWN-2001/1	Three wells
Mahanadi	MN-DWN-98/3, MN-OSN-2000/2, MN-DWN-2002/1, MN-DWN-2002/2, NEC-DWN-2002/2	Exploratory Drilling affected to the extent of: (a) Appraisal drilling in MN-DWN-98/3 and MN-OSN-2000/2 (b) 10 Wells in other NELP blocks
Andaman	AN-DWN-2002/1, AN-DWN-2002/2, AN-DWN-2003/1,	4 wells
Kerala-Konkan	KK-DWN-2001/3, KK-DWN-2002/2, KK-DWN-2002/3	3 wells
Western Offshore	Nomination: BB-OS-DW-I, BB-OS-DW-II GK-OS-DW-I	4 wells

As mentioned earlier, ONGC has currently deployed three rigs for completing the commitments in various blocks.

OIL

OIL is facing difficulties in charter hire of drilling rigs for its North- East operations and also for its in-Country NELP operations. As a result, OIL could not complete drilling of desired number of wells as planned. The details are as under:

Parameter	Unit	2008-09		2009-10		2010-11	
		Target BE	Actual	Target BE	Actual	Target BE	Actual up to Feb, 2011
Drilling:							
Exploratory	wells	29	13	22	16	31	13
Development	wells	35	28	44	30	46	23”

1.56 Regarding the kind and number of rigs available with ONGC and OIL for exploration and development work in onshore and offshore basins particularly in deep water basins, details are as under:-.

“ONGC

The details of drilling rigs operated by ONGC are as under:

Total Onshore : 88
Total Offshore : 36
Total ONGC : 124

	Onshore		**Offshore**	
	Mobile	**Skid Mounted**	**Jack-up**	**Drillship**
Own	14	54	7	2
Hired	7	13	21	6
Total	**21**	**67**	**28**	**8**

ONGC has currently deployed three deepwater rigs for completing the drilling commitments.

OIL

OIL is at present operating 10 in-house and 5(five) Charter Hire drilling rigs for its North East (NE) operation and one rig in Rajasthan. Most of these rigs are operating for more than 20-30 years. Despite continued efforts, OIL could engage 5 charter hire rigs from later part of the year 2008-09”.

1.57 As regards the long term strategies that have been evolved to overcome the shortage of rigs in order to meet the challenge of exploration and development drilling under the control of ONGC and OIL, information provided by the Ministry are as under:-

“ONGC

Currently, there is no shortage of drilling rig availability. However, to supplement the additional rig resource requirement, besides internal rig resources, rigs are charter hired from national/international market on need basis.

ONGC has 10 onshore and 4 offshore jack-up rig acquisition plans to augment internal rig resource availability.

As exploration activities are dynamic in nature, additional rig resources requirement are organized through charter hiring on as and when required basis.

OIL

OIL has initiated following long term measures to meet the requirements of Drilling rigs for its onshore operation:

- Initiated action for purchase of 3 Drilling rigs for its in-house operation.
- Refurbished 8(Eight) existing old vintage drilling rigs for prolonged safe operation.
- Charter hiring of required number of Drilling rigs to supplement the in-house fleet of rigs for its NE-operation.
- Overseas, NELP and offshore operation, OIL will charter hire drilling rigs as and when required.

1.58 The Committee have been informed that presently there is no shortage of drilling rigs for deep water operations carried out by ONGC. Regarding the details of deepwater wells drilled during last 3 years and reasons for variations against targets, the Ministry submitted the following:-

"During 2010-11 against a target of 15 wells, 11 wells have been drilled. Shortfall is due to rig equipment repairs, downhole complications and waiting due to hostile marine environment. Presently two deepwater rigs and two ultra deepwater rigs are under operation. The rigs DSS, DDKG and Platinum Explorer inducted in the years 2004-05, 2009 (August) and 2010 (December) respectively.

During 2009-10 :- 9 wells have been drilled against a target of 7 wells and therefore the achievement was more than the target.

During 2008-09: there was shortage of Deep water drilling rigs internationally due to high crude prices and enhanced drilling activities leading to imbalances in demand supply situation. The efforts of ONGC post 2006-07 for additional deepwater rigs could be successful for mobilizing rigs from 2009-10 onwards".

1.59 As regards the targets for offshore drilling and the achievements during the last three years by ONGC, information submitted by the Ministry are as under:-

"The details of targets and achievements, wherever applicable in respect of offshore drilling carried out by ONGC and Pvt/JV companies in last three years is as under:

ONGC

Well Drilling Performance in Offshore Area

	Development wells		**Exploratory wells**	
	Plan	**Actual**	**Plan**	**Actual**
2010-11*	165	140	48	40
2009-10	175	145	40	35
2008-09	149	138	55	34

* Provisional

Pvt/JV companies

Under the Production Sharing Contract (PSC) regime, the exploratory /appraisal drilling targets are based on the committed work programmes in different phases of the PSC and/or approved Appraisal Programme. Similarly, development drilling targets are based on the approved Field Development Plan. No year-wise targets have been fixed for Private/JV companies however; wells are to be drilled by the operators in the specified timeframe i.e. 2-4 years period. Hence, the annual targets cannot be specified as such. The actual number of wells drilled in offshore, under the PSC regime during last three years (2008-09 to 2010-11) is as under.

	Exploratory/Appraisal Wells drilled in Offshore	**Development Wells drilled in Offshore**
2008-09	14	18
2009-10	24	12
2010-11	16	6
Total	**54**	**36”**

1.60 When the Committee desired to know the details of idle rig days and consequential financial losses to upstream companies during the last 3 years, the Ministry submittd the following reply:-

“ONGC

The idle rig months along with estimated cost in respect of idling of rigs (including waiting on ready site/location, bandhs & barricades, others etc.) during last three years is as under:

	Idle Rig months	**Amount (Rs. in crore)**
2007-08	55.0	106.00
2008-09	72.4	527.90
2009-10	94.3	478.40

The reasons for rig idling days in ONGC are as under:

- Waiting on weather/ Natural Calamity
- Waiting on Location/Ready Site
- ➢ Waiting on locations/Ready sites is mainly because of delay in land acquisition for the locations falling under Tea gardens, reserve forest areas and eco-fragile areas of North Eastern work centers.
- Bandh Barricade by Locals.

OIL

OIL is hiring 5 drilling rigs in addition to 10 in-house drilling rigs for operation in the North East. As far as Oil India Limited (OIL) is concerned, there is no idling of drilling rig for any reason. However, due to difficult operational environment in the North

East for last several years there has been work interruption due to frequent bandhs, blockades, local resistance etc.

Loss of OIL's idle Rig days is shown as under:

(No. of Rig days)

	Environmental (Bandh, Barricade etc.,)	Locations preparatory work suffered for environmental reason	Non-availability of Charter Hire rigs as plan.
2008-09	30	146	861
2009-10	221	138	381
2010-11	255	792	365

As a result, OIL could achieve actual drilling of 104.84 Km (33 wells) in 2010-11 against the target of 125.50 Km (41 wells) as planned for the North East. The consequential financial impact for the above loss of rig days works out to approx. Rs. 10.37 crore, 7.40 crore and 14.12 crore for the year 2008-09, 2009-10 and 2010-11 respectively. The average approx. cost of one charter hiring of 2000 HP drilling rig for North East operation is Rs. 10.00 lakhs/day.

Pvt/JV companies

Private E&P operators in upstream sector usually do not own any drilling rigs, rather they charter hire rigs from drilling contractors for drilling operations. The contract clauses usually contain in-built penalty provisions, such as deductions of payments made to the drilling contractors etc., in case of any time loss on account of equipment failures or other lapses on part of the drilling contractors. Hence, the upstream E&P private operators do not directly incur any financial loss due to idle rig days of chartered hired rigs.

1.61 The Ministry has informed that as long-term measure to meet the requirement of drilling rigs for its onshore operation, OIL has initiated action for purchase of 3 drilling rigs for its in-house operation. In this context, the Committees desired to know whether purchase order for these drilling rigs have been placed or by what time these will be procured and the estimated expenditure on these purchases, the reply submitted by the Ministry, in this regard as under:-

"The purchase order for the three new drilling rigs planned for procurement by OIL has not been placed so far. The procurement process is in advanced stage at present. The estimated budget is as under:

- Budget estimate for 2 drilling rigs of 2000 HP capacity is of the order of Rs. 270 Crores.
- Budget estimate for 1 drilling rig of 700 HP capacity is of the order of Rs. 70 Crores".

Rig Moratorium

1.62 Government has announced a drilling moratorium of 3 years starting from 01.01.2008 to 31.12.2010 for 30 deepwater blocks under the PSC regime signed upto NELP-V where drilling commitments (except for development drilling) are existing as on 01.01.2009. A total of 47 Exploratory wells and 17 Appraisal wells were required to be drilled by National Oil Companies and Private Companies in Deep water blocks as on 01.01.2008 as per the work programme under the PSC regime. Out of above 47 wells, 31 wells have been drilled as on 01.03.2011.

1.63 The Committee asked the Ministry to explain the circumstances under which the National Oil Companies and Private Companies have requested the Government for a three years moratorium on drilling operations and the conditions and terms under which the request has been agreed to. In their written reply, the Ministry submitted as follows:

> "The rise in crude oil price from the year 2007-08 witnessed increase in drilling activities worldwide, resulting in shortage of drilling rigs and associated services. The shortage of rigs was found to be more prevalent in the deepwater areas, which require highly specialized rigs and their availability is limited. The effect of this global problem of deepwater rig shortage was also felt in India since a numbers of wells were to be drilled as part of work commitment made by E&P companies in various NELP blocks.
>
> Further, the rig availability scenario worsened due to the fact that despite contracting the Rigs well in advance, the rigs were not released in time by the existing user companies. Hence, in absence of any immediate solution to the problem, which was global in nature, the Indian E&P companies requested GoI for Rig Moratorium in line with the relief given to deepwater E & P operators in USA.
>
> Subsequently, Government has announced a drilling moratorium of 3 years starting from 01.01.2008 to 31.12.2010 for 30 deepwater blocks under the PSC regime signed upto NELP-V where drilling commitments (except for development drilling) are existing as on 01.01.2009.
>
> Rig moratorium was granted by GoI for 30 deepwater blocks as under.

Operator	**No. of blocks granted drilling moratorium**
ONGC	16
RIL	13
ENI	1"

1.64 Regarding the shortfall in achievement of targets of exploration and development drilling by National Oil Companies and Private Companies during the last 3 years due to moratorium on drilling operations, the Ministry submitted the following:

> "Rig holiday policy is applicable to only exploratory and appraisal drilling and does not apply in case of development drilling in deepwater blocks. A total of 47 Exploratory wells and 17 Appraisal wells were required to be drilled by National Oil Companies and Private Companies in Deep water blocks as on 1.1.2008 as per the work programme under the PSC regime. The break-up is as under:
>
> ONGC : (24 exploratory and 9 appraisal wells)
> RIL : (20 exploratory and 8 appraisal wells)
> ENI : (3 exploratory wells)
>
> Out of above 47 wells, 31 wells have been drilled as on 01.03.2011. The break-up is as under:
>
> ONGC : 14 (10 exploratory and 4 appraisal wells)
> RIL : 17 (10 exploratory and 7 appraisal wells)
> ENI : (Nil)"

1.65 Further, the Committee wanted to know whether the terms and conditions of NELP allow the National Oil Companies or private oil companies to bid and acquire blocks for exploration even without having adequate rig resources for such operations or any penalties have been imposed on the companies for their request for moratorium, the Ministry in their reply submitted the following:-

> **"**Most of the E&P companies do not own all of the deep water rigs , rather they charter hire deepwater drilling rigs from drilling contractors as and when required in order to have a mix of owned and/or chartered hired rigs . During the time of high oil prices in the year 2008, there was a phenomenal increase in global E & P activities, especially in deepwater area, leading to acute shortage in deepwater drilling rigs. However, the deepwater rig availability has increased gradually.
>
> **<u>Penalty clause in the Rig holiday policy approved by the Government</u>**
>
> As per the RIG Holiday Policy "In case Contractor fails to complete the drilling commitment at the end of the said moratorium period, the Contractor would be required to deposit the money equivalent to the cost of unfinished work programme including any additional exploration work programme (in line with the PSC, the extant guidelines / policy in place for determination of amounts of such unfinished work programme) along with interest, in case the relevant exploration Phase duration & maximum extension as per Extension Policy has already been availed".

1.66 When the Committee desired to know whether such moratorium are allowed in other countries where blocks are awarded through competitive bidding process as in the case of NELP, the Ministry submitted as under:-

> **"**Such moratorium is allowed in the USA. The Mineral Management Services (MMS) under the United State Department of Interior, which conducts all the leasing and

resources management functions of the Outer Continental Shelf (OCS) of Atlantic OCS area. MMS has allowed such moratorium through specific guidelines (NTL no. 2006-Go2) dated 10.02.2006 for approving "Suspension of Operations based on Rig delays, Lack of availability and Procurement of Long lead equipment".

1.67 The Committee wanted to know regarding the penalties along with the interest collected from the National Oil Companies and Private Companies in respect of unfinished work programme due to rig holiday policy, replying to this, Ministry have submitted the following:-

"The Rig Moratorium Period was granted from 01.01.2008 to 31.12.2010 for 30 exploration blocks (RIL- 13 + ONGC-16+ ENI-1) by Government of India as per Rig Moratorium Policy.

Out of the above 13 blocks operated by RIL, drilling commitment as per the Rig Moratorium Policy has been completed in 6 blocks. In the other 6 blocks RIL has sought extension as per the extension policy. In the remaining one block, 1 appraisal well could not be completed as per Rig Moratorium Policy which expired on 31.12.2010. However, RIL has represented to DGH/ MOP&NG that in this block, number of appraisal wells should be 1 instead of 2 wells provided in Rig Moratorium Policy.

In case of ONGC, out of 16 blocks under Rig Moratorium, drilling commitment has been completed in 6 blocks. In 9 blocks, the time is still available for drilling under the provisions of extension policy as mentioned above. In the remaining block, 5 appraisal wells could not be completed as per Rig Moratorium Policy which expired on 31.12.2010.However, ONGC has represented to DGH/ MOP&NG that in this block, number of appraisal wells should be 1 instead of 6 wells provided in Rig Moratorium Policy.

In case of ENI, in accordance with the provisions of the Rig Moratorium Policy, Contractor has time till 04.06.2013 to complete the drilling commitment in the block for which Rig Moratorium was granted.

Penalties along with interest, if any, would be ascertained after the completion of available periods for drilling in all the above blocks".

1.68 When the Committee asked regarding the present status of wells that have not been drilled so far by these companies due to the rig holiday policy, information furnished by the Ministry are as follows:-

"The present status of deepwater wells yet to be drilled under Rig Moratorium Policy is as under:

Operator	Wells Commitment as on 01.01.2008	Wells drilled as on 01.04.2011	Wells to be drilled
RIL	28	16	12
ONGC	33	14	19
ENI	3	Nil	3
TOTAL	**64**	**30**	**34**

Purchase of rigs and their costs

1.69 Regarding the hiring charges per year viz-a-viz the purchase cost (in Rs.) of each of the rigs required by ONGC/OIL for their drilling operation, the Ministry furnished the following information:-

> "The amount spent by ONGC on Hiring & Leasing of Rigs during last three years is as under:

(Rs. Crore)

Particulars	2007-08	2008-09	2009-10
Hiring & Leasing-Work Over Rigs(Onshore)	54.25	69.84	100.69
Hiring of Drilling rigs (onshore)	4.50	140.53	437.63
Hiring & Leasing-Work Over Rigs(Offshore)	93.51	106.83	97.52
Hiring of Drilling rigs (offshore)	3,550.50	6,243.39	8,493.68

> No rig has been purchased by ONGC during the above mentioned period i.e. from 2007-08. Therefore, purchase cost data is not available. However, actions are in hand for purchase of 6 rigs in onshore at a cost of Rs. 795.72 crore and 4 rigs in offshore at a cost of Rs.3539 crore (US$ 786.5 million).
>
> OIL
>
> OIL has not purchased any drilling rig during the referred period".

1.70 In view of the shortage of offshore rigs owned by ONGC and highly volatile rates for hiring rigs, the Committee asked the Ministry whether the company has any perspective plan to purchase more offshore drilling rigs to meet its drilling requirements, the Ministry furnished the following:-

> "Currently there is no shortage of offshore rigs. However, at times some of the hired rigs get delayed in deployment from its schedule, thereby reducing the rig month's availability.
>
> To meet the work requirement of offshore, ONGC is having 7 Jack-up and 2 floaters of its own and hired 27 rigs. To have the judicious mix of own and charter hire rig and to counter volatile rig hiring rates, ONGC has plan to purchase/acquire 4 Jack-ups initially. This strategic decision will help in inducting the new state-of-the-art rigs, lessen the dependency on hired rig and enhance the hands on experience".

1.71 Regarding the total landed cost of an offshore rig, if procured by the company, the Ministry of Petroleum and Natural Gas submitted as under:-

> "The total financial outgo on account of the acquisition of 4 Jack-ups offshore rigs is about US$ 786 million".

1.72 The Committee noted that Government had paid Rs. 3,550 core in 2007-08 for hiring rigs and it went up to Rs. 8493 crore in 2009-10. The Committee desired to know about the number of rigs available in the Country and amount of money is being paid for hiring rigs. (Proceeding Page no 30 & 31).

1.73 During the evidence, CMD, ONGC submitted following information before the Committee:-

> "Actually we have got mix of rigs only. We have a total of 124 rigs, which are presently operating. Out of that, 88 are online rigs, 68 are Departmental and 20 chartered hired. As regards offshore we have 36 rigs, 7 Departmental and 21 chartered hired. And that is, for jack up rig 21, and 8 drill ship. Out of that, 2 Departmental and 6 chartered hired rigs. These are the rigs available with us. Similarly, operation rigs are with Oil India. Oil India has got mainly online rigs. They have enough rigs for their operations. There is no situation where in we require swapping rigs between two companies. But in offshore, we are alone as on date. So, we are having an independent offshore operation departmentally, for which we are mixing our departmental rigs vis a vis chartered hired rigs for shallow water as well as deep water. Oil India may be having separate online rigs. In our case, the rate of chartered hired rigs gone up because of hiring three deep water rigs. Each deep water rig is costing today more than 500,000 dollar a day-five lakh dollars; that is bare rig plus with the service, it costs nearly 800,000 dollar a day. Sir, rigs are being hired, and the rates depend on demand and supply. We are hiring the same rig in 45,000 dollar one time during the peak time when the fuel price had gone to 147 dollar a day in August 2008. That time, the services cost increased, the rig hiring cost also had increased, and it touched up to 140,000 dollar a day. After three years, again we are getting the rig at 65,000 dollar a day. So, it depends upon the demand and supply situation. That is why, the rig prices are changing according to the demand and supply. So, at this moment, at least the cost of chartered hired rigs is a little bit less but we hire for a long period, four to five days at a stretch. That is why, we have to pay sometimes more and sometimes less".

1.74 Regarding deals made in rig hiring and the contract period of the deal the CMD furnished the following information:-

> "We have a minimum of three years contract. Some contracts are having the period of five years".

1.75 In view of the high fluctuations, the Committee further asked the Government that why don't Government go for three months and six months contract instead of three years. The reply of the CMD, in this regard, are as under:-

> "We do not get the rigs because of non-availability of rigs. We have to hire. For a short period, the rate will be very high. When demand is more and supply is less, you have to go by their terms. We cannot go by our terms. Onshore rig can be hired at the rate of Rs. 120 crore, and offshore jack up rig probably will cost about Rs. 400 crore to Rs. 500 crore. Similarly, for deep water rig, it may go up to Rs. 8,000 crore to-1500 million dollar or 2 billion dollars".

1.76 As the Government are paying Rs, 8,493 crore to acquire rig resource , the Committee desired to know whether Government has made any calculation regarding cost benefit or purchasing or hiring of rigs, the Government apprised the Committee as under:-

> "We are actually planning for purchase of some of the rigs. All onshore rigs are mostly departmental and we purchase from BHEL. We recently have our Board approval for purchase of six online rigs from BHEL. Similarly, we have a proposal for purchase of four jack up rigs also. That is also under process. So, we are having a mix of rigs today-departmental versus chartered hired".

1.77 Regarding cost of a rig which is about Rs. 500 crore and hiring charges of Rs. 8493 crore, the Secretary, Ministry of Petroleum and Natural Gas, further elaborated before the Committee as under:-

> "There are various types or rigs. For example, a rig is being used on land, that is one type of rig. There are other types of rigs which are used in shallow water, which will be less expensive. There are other rigs which are used in deep water. They can go up to 6,000 metres and so on at the deep water. The major expenditure on the daily rate has been on the ultra deep rigs which they have hired. These are not something which is just hired readily by floating a tender. These are hired from people who actually quote and build the rig to specifications which we require. So, the cost of the rig itself could run into Rs. 10,000 crore or more. That is why, they are hiring on a per day rate over a period of time. So, it is not that all the rigs are the same. The cost of each rig will depend on where it is used. So, the ultra deep rigs are the most expensive. It could be 2 bllion dollar".

1.78 The Committee note that in view of global shortage of drilling rigs and associated services, the Government announced a drilling moratorium of 3 years starting from 01.01.2008 to 31.12.2010 for 30 deep water blocks under the Production Sharing Contracts (PSC) regime signed up to NELP-V where drilling commitments (except for development drilling) were existing. Out of the 30 blocks for which moratorium was granted, 16 blocks belonged to ONGC, 13 to RIL and 1 to ENI. The Committee note with dismay that even after expiry of the rig moratorium policy on 31.12.2010, the ONGC has completed drilling commitment only in 6 blocks out of the 16 blocks and sought extension of time for 9 blocks. In the remaining 1 block the ONGC could not complete 5 appraisal wells and requested the Ministry /DGH that the number of appraisal wells should be 1 instead of 6. The position in the case of RIL is equally dismal as it could complete drilling commitment only in 6 blocks out of 13 blocks and sought extension for 6 blocks. In the remaining block, RIL could not complete 1 appraisal well and represented to the Government that appraisal wells

should be 1 instead of 2 as provided in the moratorium policy. Without going into the technicalities of the rig holiday policy and extension policy, the Committee feel that companies which enter into PSC for exploration activities should plan the requirement of rigs and their availability in advance instead of explaining such problems in terms of demand and supply for rigs due to volatility of international oil market. It is a fact that international oil market is subject to frequent volatility due to increasing gap between demand and supply besides other unforeseen circumstances leading to disruption. The companies which are required to complete minimum work programme under PSC should be made to comply with the set parameters in a timely manner instead of granting rig holiday or extensions on one ground or other. The role of the Government and DGH acquire great significance in this area. The Committee feel that policy of exploration should not allow the companies to drag on the exploration commitments unless there are exceptional and justified circumstances. The Committee, therefore, urge the Government to make an indepth analysis of the policy framework in this regard to prevent such delays in order to achieve the objectives of NELP.

1.79 The Committee note that ONGC has a total of 88 rigs for onshore operations and 30 rigs for offshore operations. Out of the 36 offshore rigs, 27 are charter hired 9 are owned by ONGC. OIL have 10 in house and 5 charter hire drilling rigs for its operation in North East and one rig in Rajasthan and most of these rigs are operating for more than 20 to 30 years.

The Committee are given to understand that ONGC has plans to acquire 10 onshore and 4 offshore jack up rigs to augment its rig resources while OIL has initiated action for purchase of 3 drilling rigs for its in house operations. The Committee note that the amounts spent on hiring drilling rigs for offshore operation by ONGC in 2007-08, 2008-09 and 2009-10 were Rs. 3550.59 crores, Rs. 6,243.39 crores and Rs. 8,493.68 crores respectively. While the charges spent on hiring of rigs for onshore operations for the said three years was Rs. 54.25 crore, Rs. 69.84 crore and Rs. 100.69 crores respectively. On the other hand, the proposed purchase price of 6 rigs in onshore and 4 rigs in offshore by ONGC was estimated at Rs. 795.72 crores and Rs. 3539 crore respectively. In this regard OIL has not indicated the amount spent on hiring of rigs during the said three year period but indicated the

budget estimate for 2 drilling rigs of 2000 1 Hp capacity as Rs. 270 crores and for 1 drilling rig of 700 HP capacity as Rs. 70 crores respectively. In view of the increasing participation of ONGC and OIL in various rounds of NELP and consequent need for increased drilling activity and also the frequent volatility of international oil market resulting in abnormal variation in charges for hired rigs, the Committee feel that it would be prudent for the National Oil Companies (NOCs) participating in exploration of oil and gas to acquire as many rigs as possible as it would facilitate induction of new State of the art rigs, lessen the dependency on hired rigs and also enhance the hands on experience. The Committee, therefore, recommend that the NOC should workout a perspective plan in this regard at the earliest to acquire self sufficiency of rig resources.

1.80 The Committee note that idle rig months in respect of ONGC during the last three years i.e. 2007-08 to 2009-10 for ONGC was 55 months, 72.4 months and 94.3 months and amount lost consequently was Rs. 106 crores, Rs. 527 crore and Rs. 478 crore respectively. The reasons for such loss were waiting on weather/natural calamity, waiting on location/site which was mainly due to delay in land acquisition for the locations falling under tea garden. In the case of OIL, loss was explained in terms of idle rig days for the said three years for three categories of reasons such as environmental suffering of locational preparatory work for environmental reasons and non availability of charter hire rigs. The consequential financial loss was said to be Rs. 10.37 crore, Rs. 7.40 crore and Rs. 14.12 crores respectively for the years 2008-09, 2009-10 and 2010-11. The Committee are not convinced with the reasons such as waiting on location/ready site due to delay in land acquisition, bands etc because they could be factored in advance in any plan for deployment of rigs for drilling operations. Advancing the same reasons year after year for idle rigs months/days indicates absence of any systematic planning or enforcement of corrective measures to minimize such losses. The Committee, therefore, recommend that the NOCs take suitable corrective steps for efficient deployment of rigs in order to arrest the increasing trend of idle rig months/days and consequent financial losses in the years ahead.

I. OVL

1.81 In view of unfavourable demand – supply balance of hydrocarbons in the Country, acquiring equity oil and gas assets overseas is one of the important components in enhancing energy security. The Government is encouraging national oil companies to aggressively pursue equity oil and gas opportunities overseas. ONGC Videsh Limited (OVL) is likely to produce about 8.69 Million Metric Tonnes (MMT) of oil and equivalent gas during the year 2010-11 from its assets abroad in Sudan, Vietnam, Venezuela, Russia, Syria, Brazil and Colombia. In this regard, the Committee asked the Ministry to give a detailed note on the equity oil and gas assets acquired by the OVL and other companies and how the oil and gas produced by these companies contributed to the energy security of India. In this regard, the Government informed the Committee as under:-

> "Currently ONGC Videsh Ltd. has oil and gas production from 9 projects namely Russia (Sakhalin-1 and Imperial), Syria (Al-Furat Project), Vietnam (Block 06.1), Colombia (Mansarovar Energy Project), Sudan (Greater Nile Oil Project and Block 5A), Venezuela (San Cristobal Project) and Brazil (BC-10). From a meagre production of just 0.253 Million Metric Tonne oil equivalent (MMTOE) in 2002-03, OVL has come a long way and has registered the highest ever production of 8.870 MMTOE oil and oil equivalent gas in 2009-2010. To this extent (production of OVL), OVL has contributed to the energy security of India.
> Other national oil companies viz. Indian Oil Corporation (IOCL), GAIL (India) Ltd (GAIL), Oil India Ltd. (OIL), Bharat Petroleum Corporation Ltd. (through its subsidiary Bharat Petroresources Ltd.), Hindustan Petroleum Corpn. Ltd. (HPCL) have exploration blocks abroad but no production has commenced from any of their assets so far".

1.82 The Committee were informed that utilization of Plan outlays by OVL during 2009-10 was 71.07% over the Revised Estimates and the reasons for less utilization were (i) less utilization in new projects (Rs. 498 crore) (ii) less utilization in Project Imperial, Russia (Rs. 444 crore) (iii) Less utilization in CPO V, Colombia (Rs. 93 crore) (iv) less utilization in the Project BC-10, Brazil (Rs. 227 crore) and (v) less utilization in Project PIVA, Venezuela (Rs.72 crore). Further, against the Revised Estimates of Rs. 6620.85 crore in 2010-11, the actual utilization by OVL during the year was Rs. 3259.70 crore up to 31.12.2010. (Page-14 Brief Note on DFG).

1.83 The Committee desired to know the reasons for under utilization of Plan outlays by OVL during 2009-10 in ongoing projects in Russia, Colombia and Venezuela. The Ministry in their reply submitted the following:-

"The reasons for under utilization of plan outlay by OVL during 2009-10 in Russia, Colombia and Venezuela are as under:
Russia: OVL has drilled less number of wells against the plan. OVL has also deferred the construction of surface facilities to subsequent years.
Colombia : Due to delay in clearance from Environmental Authority of Colombia, the seismic survey which was planned from first week of December 2009, could not be taken up.
Venezuela : OVL has drilled 2 wells against 4 planned due to non availability of rigs and deferred the construction of 20" diameter Pipeline".

1.84 The Committee further asked the Ministry regarding details of the projects/activities of OVL where the remaining outlays of Rs. 3361 crore (approximately) are targeted to be utilized during 2010-11, the Government submitted as under:-

"Till February 2011, approximately Rs. 4420 crore have been spent against revised estimate of Rs. 6620.85 crore. It is anticipated that till 31st March, 2011, the Plan expenditure would be approximately Rs. 5135 crore. The reasons for under utilization of Plan expenditure of the Projects are as under:

i. In Sudan, OVL has deferred 2D seismic acquisition, processing and interpretation as well as drilled less number of exploratory wells against the plan.

ii. OVL has deferred payments in Brazil, Myanmar and Cuba due to delay in E&P activities.

iii. In Libya, OVL has opted for paying the penalty instead of drilling a dry well. Therefore, lower utilization of plan outlay by OVL.

iv. In Syria, budget utilization was low due to slow progress for drilling of exploratory wells by the operator.

v. In Venezuela, delay in drilling of wells due to non-availability of rigs was witnessed.

vi. Lower investment on acquisition of new overseas projects".

1.85 Regarding building of oil assets abroad, during the course of evidence, the Secretary, added the following:-

"that the largest investment by any company abroad in India including the private and the public sector is actually by the ONGC Videsh which has invested something like $ 13 billion which is the largest investment by any single company on assets abroad. ONGC Videsh has been borrowing money from the ONGC for this purpose. I am happy to say that over 50 per cent of their borrowings has already been returned by the ONGC Videsh from the money they have made on their investment abroad. I am also happy to state that the ONGC Videsh has been showing an annual profit between Rs. 2000 and Rs.3000 crore per year which is a reasonable return on the investments they have made abroad.
Lastly, this is most important, that the ONGC Videsh was likely to produce about 9 million tones of oil and Gas abroad in the last financial year. This will be

approximately 22 per cent of the oil production in India. So, by any stretch of imagination, the performance of ONGC Videsh has been outstanding. Our engineers have gone to remote parts of the world like Sudan, Nilgeria, Russia, Vietnam, Columbia and Venezuela. Our engineers are working there and trying to produce oil. So, the performance of ONGC Videsh has been excellent.

If we talk of the energy security in the global sense, what India requires is the additional oil, additional assets. The assets that are there in India already are Indian assets. It is only the question of ownership that you are talking about. The assets we buy in Russia, Venezuela are bringing in additional assets into our kitty, so to say. So these are the Indian assets and ownership of these assets is not really a matter of relevance in so far as energy security is concerned".

1.86 The Committee desired to know how the oil assets being acquired by Indian Companies are contributing to the energy security of the Country and whether any or entire crude oil being produced by these foreign oil assets is being imported into India to meet its energy needs, the Ministry in a written note, submitted as under:-

"Acquisition of Oil and Gas properties overseas is basic cornerstone of India Hydrocarbon Vision 2025 as a means of promoting energy security of the nation. Thus the primary purpose of acquiring oil and gas exploration/producing assets abroad by OVL is to gain access to equity oil and gas overseas to enhance oil security of the nation. In normal circumstances, OVL's share of Oil after payment of royalty etc. is disposed off based on commercial considerations, and in many of the cases, due to high cost of transportation of crude to India, the oil gets diverted to local / nearby markets which can pay the optimum price.

A portion of crude oil entitlement of OVL has been brought to India (Nile Blend - Sudan and SOKOL - Russia) and has been processed in Indian refineries. The total quantity of crude shipped to India by ONGC Videsh Limited (OVL) during the last three years are as follows:

Year	Crude Shipped to India (in MMT)
2008-09	0.606
2009-10	0.620
2010-11	0.338"

1.87 The Committee desired to know the C&AG's findings on ONGC Videsh Limited regarding the purchase of the Imperial Energy Corporation with an amount of Rs. 10,320 crore in Russia. The C&AG found that the price is inflated involving a loss of Rs. 1180 crore.

1.88 In this regard, the Secretary deposed before the Committee as under:-

"We have got the C&AG Report. It has made a consolidated study of ONGC Videsh. Many aspects of ONGC's performance have been appreciated by the C&AG.

The Imperial Energy was one of the assets which the ONGC Videsh purchased in

Russia. It is a running field. It is in the middle of Siberia, in Tomsk. We actually have our engineers working in Siberia at minus 35/40 degrees producing oil. We are employing nearly 1000 Russians in that field-may be more by the contractors. The estimation of the ONGC Videsh in regard to the reserves which is the ultimate test of buying an asset has been validated. The reserves are there. It has been re-validated by an external source which the ONGC appointed to asses the reserves. In terms of production in the first two years, this has not been up to the target. They hope to hasten this process and come back on stream".

1.89 The utilization of Plan Outlay in Imperial Energy Corporation Oil field, Russia by ONGC Videsh Limited during 2009-10 was less by Rs. 440 crores. In their reply, the Government have stated that OVL has drilled less number of wells as targeted and has also deferred the construction of surface facilities to subsequent years. However, as per a Press Report, C&AG has revealed that all the wells drilled by OVL to produce oil are turning out to be dry. The Company has reported to be running up a huge loss of Rs. 1182 crores due to unrealistic estimation of oil reserves. (Reply to Q. No. 3, Additional LOP)

1.90 The Committee asked the Ministry to comments on the above observation of C&AG and the reasons for low estimation of reserves by OVL as the wells are reported to be turning out dry, the Ministry deposed before the Committee as under:-

"During the calendar years 2009 and 2010, Imperial Energy have drilled 75 wells during 2009-10 the details of which are as under:

Year	Exploratory / Appraisal Wells	Producer	Injectors	Total
2009	12	12	07	31
2010	08	19	17	44
Total	20	31	24	75

OVL has indicated that all the development wells (31) are hydrocarbon bearing. In addition, out of 20 exploration & appraisal wells, only two wells have gone dry.

The reserves of Imperial have been estimated based on industry practices in accordance with Petroleum Resource management System (PRMS) under Society of Petroleum Engineers (SPE) guidelines. The reserves of Imperial have been estimated / certified by companies of international repute-DeGolyer and MacNaughton (D&M) and Pangea. The estimation of reserves often undergoes upward or downward revision based on new/additional data/input.

C&AG in its Performance Audit Report on Joint Venture Operations of OVL had reported that the cost / investment in exploratory assets are low but have high risk. CA&G report also mentions "Out of 36 assets that the company acquired at the exploration stage at an investment of Rs. 6,206.83 crore, only five has been successful. Eight of these assets with an investment of Rs. 1,066.17 crore had to be abandoned (in three of these abandoned assets, the company was the sole owner and operator) and the remaining 23 projects were still in the process of exploration. The company is yet to succeed as an operator".

With reference to the above C&AG observation, OVL has indicated that it is essential for sustainable growth of an E&P company to follow the strategy of acquisition of exploration projects as well as discovered and production projects to maintain a balanced portfolio. OVL further mentioned that the conclusion drawn by C&AG regarding OVL not being successful as an operator is not based on facts. To substantiate this OVL had indicated that the company has been successful in discovering gas in Block 6.01 in Vietnam and Farsi Block in Iran. In case of Vietnam, production has commenced since January 2003 and the Master Development Plan (MDP) for Farsi has been accepted. OVL, as Operator, also discovered oil in Qatar though reserve established did not prove to be commercially viable and as a joint operator discovered oil and gas in the Block 279 and 285 in Nigeria. The discovery of oil & gas in the Nigerian blocks are still under evaluation. So it can be observed that the company has in fact been successful in making discoveries in many rank exploration projects. As Audit itself has brought out that 23 projects are still under exploration, it is not proper to say that the company has succeeded in only 5 out of 36. OVL's Success ratio in exploration efforts is 42% against the worldwide average of about 36%. The exploration expenditures involves risk capital and cost of dry wells should not be considered as unfruitful expenditure as it proves or disproves the existence of hydrocarbons. Therefore, expenditure incurred in survey and dry holes are investments for future.

In case of a producing asset acquired by the company in the Russian Federation, (Imperial Energy Corporation Plc) at a cost of Rs 10,320 crore, C&AG had reported " The company has been able to achieve production of only 15,803 barrels of oil per day (bopd) against the envisaged production level of 35,000 bopd and has therefore incurred a loss of Rs 1182.14 crore during the 15 months from January 2009 to March 2010".

With regard to above C&AG observation, OVL has submitted that the audit has reported the book profit/ (loss) which also considers non-cash items such as depreciation, depletion, amortization of goodwill etc. Jarpeno Ltd., the wholly owned holding entity of OVL for Imperial Energy Corporation, has made cash operating profit of USD 8.97 million (approx. Rs 40.5 crore) in the year 2009-10.

As regards the non-achievement of production targets, OVL has indicated that the estimates of future production were arrived at using the standard procedures followed in the industry with the information available at that point of time. The projections were worked out by M/s Pangea, the technical consultants of OVL and the technical team of OVL / ONGC. After acquisition, results from some of the fields were not as expected. The estimations were therefore, not unrealistic, but failed due to heterogeneity of the reservoirs, resulting from complexities of tectonics and depositional environments several million years ago. The success in accreting reserves in one of the fields – Maiskoye, corroborates this fact".

1.91 The Committee appreciate the progress made by the ONGC Videsh Limited (OVL) from a meager production of just 0.253 Million Metric Tonne oil equivalent (MMTOE) in 2002-03, as OVL has come a long way and registered the highest ever

production of 8.870 MMTOE oil and oil equivalent gas in 2009-10. The Committee find that C&AG in its report on purchase of Imperial Energy Corporation, Russia by OVL has revealed that all the wells drilled by OVL to produce oil are turning out to be dry and the company has reported to be running up a huge loss of Rs. 1182 crores due to unrealistic estimation of oil reserves. The Committee have noted that with reference to C&AG observation OVL has indicated that conclusion drawn by C&AG regarding OVL not being successful as an operator is not based on facts as 23 projects are still under exploration and exploration effort is 42% against the world wide average of about 36%. The Government have also stated that the exploration expenditure involves risk capital and cost of dry wells should not be considered as unfruitful expenditure as it proves or disproves the existence of hydrocarbons, therefore, expenditure incurred in survey and dry holes are investments for future. The Committee strongly feel that not only estimation of oil reserves was properly done but even the production potential and profile were not analysed which requires to be investigated. The Committee desire that all those blocks owned by the OVL should be studied and analysed with latest technologies so that production potential of these hydrocarbon reserves can be assessed properly and investment made in these blocks will not go in vain.

1.92 The Committee also note with serious concern that utilization of plan outlay by OVL during 2009-10 was very less in different projects acquired by the company. Against the revised estimates of Rs. 6620.85 crore in 2010-11, the actual utilization was only Rs. 3259.70 crore up to 31.12.2010. The Committee are not convinced with the various reasons cited by the OVL such as less utilization in new project, drilling of less number of wells against the plan in Russia and delay in clearance from Environmental Authority of Colombia etc. for under utilization. The Committee recommend that Government/OVL should take all necessary steps to utilize the fund earmarked for the particular year and adopt prudent measures before finalization of plan outlay by taking into account all the possible factors so that funds earmarked for the purpose are fully utilized. The Committee would like to be apprised of action taken by the Government in this regard.

J. PNGRB

1.93 The Petroleum and Natural Gas Regulatory Board (PNGRB) was set up by the Government on 01.10.2007 under PNGRB Act, 2006 with powers to regulate refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products & natural gas, excluding production of crude oil & natural gas, so as to protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products & natural gas and to ensure uninterrupted and adequate supply of petroleum, petroleum products & natural gas in all parts of the Country and to promote competitive markets and for matters connected therewith or incidental there to.

1.94 As regards the function and powers exercised by PNGRB after its establishment and the manpower and infrastructure set up required and developed by the Board for it smooth functioning, the Ministry have submitted the following information:-

> "PNGRB has commenced the task of tariff fixation for natural gas pipelines and city or local natural gas distribution networks under the provisions of the relevant Regulations. The process of authorization and declaration of existing natural gas pipelines as common and contract carrier pipelines has also been started. However, Hon'ble Supreme Court has restrained PNGRB to pass final orders on authorization vide interim order dated 15.03.2010. PNGRB is laying down standards, including safety norms, for the sector starting with City Gas Distribution.
>
> Government has sanctioned 44 posts including 4 posts of Advisors in PNGRB for smooth functioning of the Board. In addition, there are personnel in the PNGRB taken on loan/secondment basis from Oil PSUs.
>
> The infrastructure including the office and residential accommodation of the Board has already been earmarked to be set up at Ghitorni, Delhi which is presently functioning on a rented accommodation at World Trade Center, Baber Road, New Delhi".

1.95 Regarding different fees and other charges levied by PNGRB to make it self-sustainable for the last 3 years and autonomy of PNGRB in the matter of funding, the Ministry submitted the following information:-

> "Under the provisions of the relevant Regulations of PNGRB Act 2006, the Board empowers to levy fee and other charges at such rates and in respect of such services as may be determined by Regulations. PNGRB has notified the Petroleum and Natural Gas Regulatory Board (Levy of Fee and other charges) Regulations, 2007 vide notifications dated 26.11.2007 and 07.06.2010. During the year 2008-09, 2009-10 and the period from 01.04.2010 to 15.03.2011, PNGRB has received Rs.

11.85 crore, Rs. 2.47 crore and Rs.6.0 crore respectively towards application fee for grant of authorization for pipelines/City Gas Distribution projects, other charges, sale of tender documents etc.

The Board is also getting grants from the Budget of Ministry of Petroleum & Natural Gas to cover its expenditure".

1.96 In this regard, the PNGRB informed the Committee as under:-

"PNGRB is entrusted with a wide range of responsibilities under the said Act including that of grant of authorization for common / contract carrier pipelines for petroleum products and natural gas and for City and Local Area Natural Gas Distribution Networks (CGD). The Board is required under the Act to carry out its specific responsibilities in conformity with the provisions of the Act and the regulations notified by it. There is generally a considerable time lag for a newly set up regulatory body like PNGRB to become fully operational by over-coming the bottlenecks in the way of establishing and stabilizing its organization. In this regard, PNGRB was no exception. Inspite of this, the Board went about finalizing and notifying various regulations necessary for grant of authorization and for carrying out its other responsibilities on a top priority basis. The Board tried to focus on rapid expansion for the transportation and distribution of natural gas keeping in mind the fresh major discoveries in the Country of this precious and clean source of energy.

2. The Government had not notified Section 16 along with the provisions of the rest of the Act. The Board had pointed out to the Government that doubts could be raised about the legality of the functioning of the Board in the absence of this provision. The Central Government in consultation with Ministry of Law assured the Board repeatedly that the non-notification of Section 16 did not in any way affect its powers and that it should carry out all its functions under the said Act. However, when a PIL was filed before the Delhi High Court challenging the powers of the Board to grant authorisation for transportation pipelines and CGD networks in the absence of Section 16, the Central Government informed the Court that although all the provisions of the Act excluding Section 16 had been notified and the Board was fully functional to carry out its responsibilities under the Act, in its opinion it did not have powers to grant authorization in the absence of Section 16. In view of the Government's stand, the High Court restrained the Board vide its Interim Order dated 12th August, 2009 that while it can process all pending matters, it cannot pass any final orders. This Order was made absolute in the judgement of the High Court on 21st January, 2010 read with clarificatory order dated 8th February, 2010. The Board has challenged this Order before the Supreme Court where the matter continues to be sub judice.

3. The High Court order has been a major setback to the functioning of the Board. It not only prevented the Board from carrying out the mandate given to it under the said Act, but also impeded the process of establishing and stabilising its' organisation by not allowing for finalisation of such essential facilities as computerisation, manpower planning etc. due to the total uncertainties till the matter is finally adjudicated by the Supreme Court. In effect, this has severely pushed back the setting up of a modern, transparent, regulatory framework for the sector to achieve the basic objectives for which the Board has been constituted in general and for the rapid expansion of the infrastructure for transportation and distribution of natural gas and petroleum products.

4. The Board continues to be beset with the problems of getting the required manpower with appropriate background and experience. The main reason for this is that the Board has not been given any flexibility to decide on the number and nature of the manpower and their compensation packages which have been linked to the Government pay scales without the normal benefits such as Government accommodation. Not surprisingly, attempts by the Board to attract persons with necessary technical and professional background and experience to man the only 12 officers' level posts (out of the total 44 sanctioned by the Government) have not till date borne any results.

5. Clause (g) of sub-section (2) of Section 61 of the Petroleum and Natural Gas Regulatory Board Act, 2006 empowers the Board to levy fee and other charges at such rates and in respect of such services as may be determined by Regulations. Accordingly, PNGRB has notified the Petroleum and Natural Gas Regulatory Board (Levy of Fee and Other Charges) Regulations, 2007 (copies of the notifications dated 26th November 2007 and 7th June 2010 are enclosed). During the years 2008-09, 2009-10 and 2010-11 (upto 15.3.2011), PNGRB has received about Rs.11.85 crore, Rs.2.47 crore and Rs.6.0 crore respectively towards application fee for grant of authorisation for pipelines/CGD projects, other charges, sale of tender documents, etc. While PNGRB has requested MOP&NG to clarify whether the Board can utilize such revenue being generated for meeting its expenditure, it has been meeting its requirement of funds from the grant-in-aid received from the Government.

1.97 The Committee note that PNGRB was set up by the Government on 1.10.2007 under the provision of PNGRB Act, 2006 with powers to regulate inter alia refining, processing, transportation, marketing and sale of petroleum and petroleum products in the downstream oil and gas sector. These powers of the Board don't extend to production of crude oil and natural gas. The Committee note with concern that the Board has not become fully functional as it is still trying to overcome the difficulties in the way of its establishment and stabilization. According to the Board, the main difficulties being faced in this process are the delayed notification of Section 16 of the Act which enable it to grant authorization for transportation of pipelines and CGD networks. The matter regarding notification of the Section is presently pending in the Supreme Court. Another problem is of getting required manpower with appropriate background and experience since the Board has not been given any flexibility to decide the number and nature of the manpower and their compensation packages. Therefore, the Board could not fill up 12 officer level posts out of the total 44 posts sanctioned by the Government. The third area of concern in the functioning of the PNGRB is about utilization of revenue generated by the Board by way of fee for grant of authorization for pipelines/CGD projects other charges etc. The Committee were informed that during the year 2008-09, 2009-10 and 2010-11, the

PNGRB has received about Rs. 11.85 crore, Rs. 2.47 crore and Rs. 6.0 crore respectively towards application fee for grant of authorization etc. The Board has requested the Government to clarify whether it can utilize such revenue for its expenditure but there appears to be no confirmation on this point to the Board. Meanwhile, the Board is meeting its requirement of funds from grant-in-aid received from the Government. The Committee cannot but come to the inescapable conclusion that the above facts presently affecting the functioning of PNGRB present a sorry state of affairs for a Board entrusted with very significant regulatory duties in the down stream oil and gas sector. Besides, the Government is also considering amendment to the PNGRB Act to take away its safety related functions as the Board is thought to be saddled with too many functions. After giving careful consideration to all these aspects and the need for making the Board fully functional without further loss of time, the Committee recommend that the Government in consultation with PNGRB and other stake holders should resolve all the aforesaid problems and also make necessary amendment to the PNGRB Act, 2006 wherever required in a time bound manner to enable the Board to function effectively as an independent statutory regulator.

K. Oil Industry Safety Directorate (OISD)

1.98 The Committee desired to know the role of PNGRB which has been established as an independent statutory body viz-a-viz OISD which is an advisory body set up by the Ministry of Petroleum and Natural Gas, in reply, the Ministry apprised the Committee as under:-

> "PNGRB has been created under an Act of Parliament in the year 2006.The functions of PNGRB are to grant authorization to the entities to lay, build, operate or expand city or local natural gas distribution network and pipelines as a common carrier or contract carrier, lay down, by regulations, the technical standards and specifications including safety standards in activities relating to petroleum, petroleum products and natural gas, including the construction and operation of pipeline and infrastructure projects related to downstream petroleum and natural gas sector. The Technical Standards and Specifications including Safety Standards (T4S) Regulations being developed by PNGRB are through a public consultation process, where all stakeholders, PSUs and private players are involved. This practice are applicable to the entire sector covering both Government owned PSUs and private players working in downstream oil & gas sector in India.

Oil Industry Safety Directorate (OISD) was created by Ministry of Petroleum & Natural Gas (MoP&NG) through its Resolution in 1986. Oil Industry Safety Directorate (OISD) has been looking after the safety in the entire hydrocarbon chain in upstream and downstream sector viz oil exploration and production, petroleum refining, petroleum marketing and distribution, pipelines and gas processing plants as a Self Regulatory Organisation, The prime responsibility of OISD include;

i) To lay down Safety Norms and Standards
ii) To carry out Safety Audit / Inspection and check compliance to Standards
iii) To investigate into major causes of fire and incidents
iv) To disseminate Safety knowledge by organizing seminars / workshops / trainings.

1.99 When the Committee wanted to know whether with the establishment of PNGRB, the role of OISD has become redundant since PNGRB has also the power to do monitoring, investigate and impose penalties; the Ministry, furnished the following information:-

> "As far as PNGRB is concerned, Section 11 (i) and 61 (2) (h) of the PNGRB Act provide that the Board shall lay down by Regulations the technical standards and specifications, including safety standards, in activities relating to petroleum, petroleum products and natural gas. Oil Industry Safety Directorate (OISD) is presently handling not only safety standards, but the entire gamut of technical standards, including safety standards, conformity assessment, accidental investigation, training etc. As said above, in a meeting with industry in the wake of incident of fire at IOC depot at Jaipur, which was attended by Government as well as Private Companies, it was decided that OISD, which has already evolved and is continuing to evolve safety standards & specifications, be given legal teeth by making it a statutory organization and it should be further strengthened. Since the tasks of laying down of safety & technical standards, including specifications, are closely interwoven, OISD, rather than PNGRB, should be empowered to handle the complete domain of laying down of technical standards & specifications, including safety standards, for the Country for the sector as a whole. Statement relating there have also been laid on table of both Houses of Parliament.
>
> Since PNGRB has been saddled with too many functions and no other Regulator has as many functions, it would be prudent to strengthen the OISD by granting statutory status. The proposal would enable OISD to comprehensively address safety & technical standards & specifications for entire Oil & Gas Sector i.e. Upstream and Downstream".

1.100 OISD has so far formulated 112 standards / guidelines. OISD was also entrusted to conformity assessment of their codes, guidelines and approved standard operating practices through safety audits / inspections at regular interval. In this regard, the Committee asked the details of the norms regarding safety audits to be conducted by OISD for refineries, oil depots / LPG Plant, Cross Country Pipelines, the Ministry have furnished the following information:-

"The following norms are set by the Safety Council as regards the safety audits for refineries, oil depots / LPG Plant, Cross Country Pipelines etc.

	Area	**Frequency**
1.	**Refineries**	
	External Safety Audit	Once in 3 years
	Surprise Safety Checks	Every year
2.	**Gas Processing Plants**	
	External Safety Audit	Once in 3 years
	Surprise Safety Checks	Every year
3.	**Pipeline**	
	External Safety Audit (ESA)	First two rounds at a gap of 3 years and subsequent ESA after 5 years
	Surprise Safety Checks	On random basis after 2nd ESA
4	**Marketing Installations**	
	External Safety Audit	First- after 5 years of commissioning Thereafter only request audit Or surprise on random basis
	Surprise Safety Checks	10 every year
5	**Exploration and Production**	
	External Safety Audit	Once in 4 years. Since there are large number of on-land identical E&P installations (more than 500), many of them small, OISD can't audit these every 4 years. Hence, it is being emphasized to the companies that OISD audit observations of typical installations, are to be implemented by the company in all similar installations, and that is being monitored by OISD".

1.101 Asked details of audit done by OISD during the last 3 years, the Ministry furnished the following information:-

"The statistics of audits (External Safety Audits and Surprise Inspections), Plan Vs Actual in the last 3 years are given below:

Part – A : Down stream PSU Installations

Installations of PSU only	**2007- 08**		**2008-09**		**2009-10**	
	Plan	Actual	Plan	Actual	Plan	Actual
Marketing Installations (Nos.)	10	10	15	16	20	16
Refineries & Gas Processing Plants	13	13	17	17	12	13

(Nos.)						
Pipelines (Kms)	1400	1453	1600	1732	1600	2160

Part – B : Exploration & Production (both PSU & Pvt. /JV Companies)

Installations of PSUs & Pvt./JV Companies	**2007- 08**		**2008-09**		**2009-10**	
	Plan	Actual	Plan	Actual	Plan	Actual
ONSHORE						
(PSU) (Nos.)		45		45		52
(Pvt./JV) (Nos.)		22		13		10
Total (Nos.)	55	67	55	58	55	62
OFFSHORE						
(PSU) (Nos.)		8		5		9
(Pvt./JV) (Nos.)		0		2		1
Total (Nos.)	7	8	7	7	10	10”

1.102 During their study tour in January, 2011, the Committee were informed that the proposal to accord statutory status to OISD is under consideration. Regarding present status of the proposal, the Ministry apprised the Committee as under:-

> **“**The Petroleum & Natural Gas Regulatory Board (PNGRB), Act needs amendment to provide statutory status to OISD and the proposal is under active consideration of the Ministry.
> However, for offshore operations of Exploration and Production (E&P), OISD has been designated as the competent authority to exercise powers and functions as stipulated in the Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 for overseeing the safety aspects. These Rules were notified by the Govt. of India in June, 2008. Director General of Mines Safety (DGMS) continues to be statutory authority for on-land operations of E&P Sector”.

1.103 During the oral evidence on Demands for Grants (2011-12), the Secretary, Ministry of Petroleum and Natural Gas elaborated as under:-

> **“**Safety has been given as one of the mandates of PNGRB, while already safety continues to be the mandate of the OISD. We have had discussions with PNGRB in this regard and the point is that if PNGRB has to be empowered to look after the safety, you would have to create substantially large organization of personnel in PNGRB to implement this programme of safety. As you are perhaps aware that the functioning of the PNGRB is itself under Supreme Court stay and at this juncture to transfer any such part of the PNGRB may not be in the larger interest of safety of oil installations. The view of the Ministry is that presently the arrangements which are there, which is that the OISD will look after the safety issue and it should continue and as we go along we will continue to dialogue with PNGRB and consider what is to be done in this regard”.

1.104 As regards the non-compliance of safety norms by oil installations (company-wise) identified /observed during Inspections carried out by OISD, the Ministry furnished the following information: -

“The findings in the audit and inspection are of common nature and not specific to any Oil Company. However, the discipline wise broad areas of deficiencies are listed below:

1. Refineries and Gas Processing Plant

(i) Layout, Fire Fighting Facilities and a few process hardware not conforming to norms in case of Old Refineries, Gas Processing Plant set up prior to norms prescribed by OISD.
(ii) Incomplete updation of Standard Operating Procedures.
(iii) Non-compliance of Risk Mitigation Measures as identified in the risk analysis.
(iv) Non-compliance of a few statutory norms.

2. Pipelines

(i) Non-Compliance to a few Statutory Norms.
(ii) Non-Compliance of standards / guidelines prescribed by OISD in case old pipelines mainly in the areas of Intelligent pigging, coating survey, work permit system etc.
(iii) Incomplete updation of Standard Operating Procedures.

3. Marketing Installations

A. Risk Analysis of facilities in view of overall changes.
B. Non-availability of Updated Standard Operating Procedures.
C. Deficiencies in Maintenance and Operations of Fire Fighting systems.
D. Non-availability of adequate no. of technically qualified manpower.
E. Training of officers and employees.

4. Exploration and Production

4.1 Onshore – E&P

PSUs (ONGC & OIL)

A. Deficiencies in Fire Fighting System Vs OISD Norms
B. Improvement required in the Mock Fire Drill that should be based on real emergency scenario and to be conducted in odd hours also.
C. Inspection of Vessels Pipelines, Rigs and other structures
D. Training to Contractor employees and their record keeping
E. Non-compliance to Statutory Guidelines as regards gas flaring, disposal of drilling fluids and drill cuttings.
F. Training and due valid certification for well control to supervisory level personnel working on Drilling and work over rigs
G. Old installations not meeting inter-distance requirements as per OISD-STD-118 should be taken up for Risk Assessment and additional control measures should be introduced.
H. Non-availability of updated SOPs in production installations and work over rigs (ONGC)
I. Monitoring of implementation of audit observations by work centre management to be accorded priority.

Pvt. / JV Companies

In case of Pvt. /JV companies, some of the companies are required to take actions to rectify deficiencies related to fire fighting preparedness.

4.2 Offshore – E&P

PSU (ONGC)

Offshore Production Platforms:

a) Emergency Preparedness- Fire & Gas detection system, Fire Fighting Appliances, Life Saving Appliances.

b) Monitoring and proper authorization of bypassing of Safety devices
c) Proper certification "Fit for purpose status" of platforms
d) Deficiencies in Testing of safety devices as per laid down norms
Drilling Rigs:
a) Maintenance of fire fighting and life saving equipment
b) Well control equipment(including Blow Out Preventers) certification
c) Fitness verification of drilling equipment
d) Well control training
e) Interface management with drilling contractors Pvt/JV Companies Pvt/JV companies operating in offshore have by and large, taken prompt actions to rectify the deficiencies".

1.105 The Committee note that there is a serious overlap between OISD and PNGRB in so far as laying down of safety norms and standards are concerned. OISD which was set up by the Ministry of Petroleum and Natural Gas through a resolution in 1986 looks after safety in the entire hydrocarbon chain in upstream and downstream sector viz oil exploration and production, petroleum refining, petroleum marketing and distribution, pipelines and gas processing plants. On the other hand, the PNGRB which is a statutory body was set up on 01.10.2007 under the provision of PNGRB Act, 2006 and is empowered to lay down by regulations the technical standards and specification including safety standards relating to petroleum petroleum products and natural gas, construction and operation of pipeline and infrastructure projects related to down stream sector. The Committee are also informed by the Ministry of Petroleum and natural Gas that the PNGRB is saddled with too many functions and it would be prudent to strengthen OISD by granting statutory status. The proposal would enable the OISD to comprehensively address safety and technical standards and specifications for entire oil and gas sector. The Committee note with concern that the Government has not been able to visualize and sort out the issues of jurisdictional overlap between OISD and PNGRB when the Bill for setting up of the PNGRB was brought before Parliament. The Committee feel that it is not desirable to have two sets of bodies for regulating safety standards etc in the down stream sector. At the same time, the Committee are of the opinion that it is imperative to give OISD statutory status to enable the OISD to work effectively and independently in the area of safety standards and their enforcement in the entire oil and gas sectors because the OISD in its present form as an arm of the Ministry of

Petroleum and Natural Gas with no statutory powers can't be expected to enforce the safety standards as vigorously as is desirable. Though more than $3^{1/2}$ years have elapsed from the date of setting up of PNGRB, the Government is still in the process of consultation or consideration on giving statutory status to OISD and making necessary amendments to the PNGRB Act, 2006. Considering the need and urgency for maintenance of uniform and effective standards in oil and gas sectors in India, the Committee recommend that the Government should bring suitable legislation to give statutory status to OISD without further delay.

1.106 The Committee observe that the findings of the audit and inspection conducted by OISD indicate non-compliance of safety norms by oil installations which are of common nature and not specific to any oil company. In respect of refineries and gas processing plants, the deficiencies are related to lay out, fire fighting facilities and a few process hardware not conforming to norms in case of Old Refineries, incomplete updation of Standard Operating Procedures, non-compliance of Risk Mitigation Measures as identified in the risk analysis. As regards the pipelines network, the Committee note that non-compliance was limited to a few Statutory Norms, standards / guidelines prescribed by OISD in case of old pipelines mainly in the areas of Intelligent pigging, coating survey, work permit system etc., incomplete updation of Standard Operating Procedures are generally found at oil installation which are not complied by the companies. The Committee also note with concern that there are deficiencies in maintenance and operation of fire fighting system at marketing installations and onshore and offshore (exploration and production) wells of ONGC and OIL. In view of the recent accidents which have taken place at oil installations like Jaipur and Mumbai, the Committee recommend that Government should take necessary steps to strictly deal with non-compliance of safety norms by oil companies by fixing responsibility on service officers for all acts of omission and commission.

L. GAILTEL

1.107 With the opening of telecom sector in India in 1999, GAIL, having the advantage of right of way (RoW) and significant optic fibre assets along gas pipelines, was identified as one of the utility public sector companies as a potential infrastructure provider under the National Telecom Policy. GAIL thus entered into telecom business in 2001 by acquiring

Infrastructure Provider (IP-II) license to become a “Carriers’ Carrier” to capitalize the growth expected in demand for bandwidth in India.

1.108 When the Committee desired to know the activities of GAILTEL with particular reference to the physical and financial targets set so far and the actual and year-wise achievements for laying of optical fibre cable network along the National Gas Grid and city gas network and the number of cities that have been covered by the network, the Ministry explained as under:-

> **“**In order to ensure effective & efficient operation & control of gas pipelines and uninterrupted supply of natural gas, dedicated captive telecom network has been implemented for providing voice & real-time data communication facilities at all manned & unmanned remote pipeline locations of GAIL. With technological advancement from time to time, OFC network was built along pipelines.
>
> In view of the above, the Telecom group of the Company was brought under GAILTEL and was assigned with the responsibility of (i) extending services to all GAIL offices locations across various pipeline installations to meet captive communication requirement of voice, data & video connectivity; and (ii) extending Bandwidth, Fibre Lease services on commercial basis to Telecom Operators under IP-II, IP-I & ISP (Cat-A) licenses.
>
> The details of major OFC based telecom projects of GAIL along Pipeline & non-Pipeline routes are as under:
>
> a) Pipeline Routes:

Year of Deployment	Telecom Project	Network Length	Towns covered	Project Cost
1996-1997	GREP	600 km	10 nos.	Included in pipeline project cost
1999-2000	JLPL	1350 Km	10 nos.	Included in pipeline project cost
2000-2001	LANCO	220 Km	2 nos.	Included in pipeline project cost
2003-2004	VSPL	600 Km	06 nos.	Implemented under GAILTEL Phase-II & P/L projects
2003-2004	DVPL	600 Km	10 nos.	
2007-2008	DUPL	489 Km	03 nos.	Included in pipeline project cost
2008-2009	DPPL	312 Km	02 nos.	Included in pipeline project cost

b) Non-Pipeline Routes:

Year of Deployment	Telecom Project	Network Length	Towns covered	Project Cost
2002-2003	GAILTEL Phase-I	1700 Km	35 nos.	Rs. 260 crore
2004-2005	GAILTEL Phase-IIA	1650 Km	15 nos.	
2005-2006	GAILTEL Phase-IIB	1900 Km	25 nos.	
2006-2007	Southern	3559 Km	40 nos.	Rs. 30 crore

	Expansion			

Presently, GAIL has a reach of around 13027 km of OFC network along GAIL's reliable cross Country pipelines (5681 km) and state/national highway routes (7346 km), connecting around 150 towns/cities. Additionally, implementation of new OFC network (totaling ~ about 5200 km) has been envisaged along upcoming cross-Country pipeline networks. The existing & upcoming OFC networks span Rajasthan, Gujarat, Madhya Pradesh, Uttar Pradesh, Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu, Kerala and NCR. GAIL's wholly owned subsidiary, GAIL Gas Ltd (GGL), is also in the process of implementing OFC network along city gas pipeline networks currently in four cities namely, Meerut, Kota, Devas & Sonepat".

1.109 The Committee desired to know the names of the companies with whom the GAILTEL has entered into long term or short term contracts for sale / lease of its band-width and the income / revenue generated by the GAIL, during the last 5 years and the targets set for revenue generation for the next 5 years. The Ministry of Petroleum and Natural Gas, furnished the following information:-

"A. Short term contracts: The list of customers is as follows:

1. Tata Communications Ltd
2. Tata Tele Services Ltd
3. IDEA Cellular Ltd
4. Vodafone Ltd
5. Bharti Ltd
6. Swift mail communications Ltd
7. HCL Infinet Ltd
8. Tulip Telecom Ltd
9. CJ Online Ltd
10. BPL Ltd
11. Tata Tele Maharashtra Ltd
12. Aircell Ltd

B. Long term Contracts: NIL

C. The revenue generated by GAIL during the last five years is as follows:

1. FY 2005-06 : Rs 18.32 Cr
2. FY 2006-07 : Rs 25.36 Cr
3. FY 2007-08 : Rs 28.60 Cr
4. FY 2008-09 : Rs 24.52 Cr
5. FY 2009-10 : Rs 12.52 Cr

The bandwidth for captive communication of around Rs. 20 crore / annum (as per TRAI tariff without discount) is currently carried over OFC based network of GAIL.

D. Targets set for Revenue Generation for the next five years:

As Telecom Business segment is fiercely competitive and very dynamic, GAILTEL sets yearly targets based on the prevailing competitive scenario. The target set for FY 2011-12 is Rs 8.25 crore".

1.110 The Committee were informed that GAILTEL business is being reviewed for sustainability of the business with profitability by leasing out OFC infrastructure on long-term basis to interested telecom operators. However, GAILTEL has leased out OFC infrastructure on short-term contracts to various customers so far and no long-term contract was given to any company.

1.111 When asked about the reasons for opting only for short-term contracts instead of long-term contracts for leasing out OFC infrastructure from 2005-06 to 2009-10, the Ministry submitted the following information:-

> Initially, service providers were building up their own network for long-term sustainability of their business and, hence, there was limited requirement of infrastructure hiring. GAILTEL always was/is open to both long term and short term leasing of OFC infrastructure and capitalized suitable opportunities based on customer demand & GAILTEL's business viability.
> Of late, new entrants in telecom sector are keen on hiring of fibre & duct on long-term basis for faster rolling out of their networks and existing telecom operators are also hiring the fibre/duct infrastructure for strengthening & to increase the capillarity of their existing network GAILTEL is actively pursuing with them".

1.112 Regarding the advantages of long-term lease of OFC infrastructure as compared to short-term lease, the Ministry apprised the Committee as under:-

> "Initially, demand of bandwidth and its price were quite high. However, due to competitive telecom market, bandwidth rate has decreased. Due to unpredictability/uncertainty in demand & price of bandwidth, the leasing of OFC infrastructure on long-term basis is advantageous, so as to enhance the revenue accruals and to retain its customer base, besides meeting captive requirement".

1.113 Regarding the procedures being followed by the GAILTEL for lease/ sale of its band-width in connection with procedures of other public/ private companies, the Ministry of Petroleum and Natural Gas have furnished the following:-

> "For bandwidth lease services, GAILTEL follows guidelines laid down by Telecom Regulatory Authority of India (TRAI) which provides the upper ceiling rate. However, the rate offered to the customer is driven by market forces. Accordingly, depending upon the market conditions, GAILTEL offers discounts over the TRAI tariff to customers based on management approved discount structure.
> As per our information, other Public / Private sector operators, like RAILTEL, BSNL, PGCIL, Airtel, Reliance, etc, also follow a similar procedure/methodology".

1.114 When the Committee desired to know regarding the management approved discount structure for offering discounts over TRAI rates and the extent of discounts given to various companies by GAIL, the Ministry apprised the Committee as under:-

"Telecom Regulatory Authority of India (TRAI) fixed the upper ceiling of bandwidth lease charges. However, these are offered only on those routes, wherein only single provider exists. In other locations, bandwidth charges are market driven and less than TRAI tariff ceiling. Discounts are offered by telecom vendors, depending upon bandwidth volume, distance of leased line & location, duration of the contract, quality of service (SLA), prevailing market condition, etc. To be competitive in the market, GAILTEL has obtained the approval from management for slabs of discounts over TRAI tariff ceiling. GAILTEL has offered discounts ranging from 0% to 65% over the TRAI tariffs, The current average discount offered by GAILTEL is 38% over the TRAI tariff ceiling.

1.115 As regards the profit / loss statement of the GAILTEL project during the last 5 years and reasons for losses suffered by the project in any particular year along with steps taken to prevent recurrence of losses in future, the Government have submitted the following information:-

"The profit/loss statements of GAILTEL during last five years is as follows:-

Year	Revenue (Rs. Cr)	Gross margin (Rs. Cr)	Depreciation (Rs. Cr)	PBT (Rs. Cr)
2005-06	18.32	6.26	8.11	-1.85
2006-07	25.36	9.6	8.64	0.96
2007-08	28.60	12.88	9.72	3.16
2008-09*	24.52	4.45	7.40	-2.95
2009-10	12.52	-1.24	6.00	-7.24

Note:

1. There is negative gross margin in the year 2009-10. This is expected to be recur in 2010-11. The drop in gross-margin in 2008-09 is on account of written-off amount of Rs. 5.29 Cr against damaged OFC /Duct of GAILTEL abandoned network.
2. To minimize losses, GAIL is actively considering the long-term leasing of its OFC network infrastructure (fibre & duct) to interested new & existing telecom operators. New entrants in telecom sector are very keen on hiring of fibre & duct on long-term basis for faster roll out their networks. Further, existing telecom operators are also hiring fibre/duct infrastructure for strengthening & to increase the capillarity of their existing network.
3. For effective & efficient pipeline operation and automation of GAIL businesses & functions, a large bandwidth is being utilized for captive communication requirement of around Rs. 20 crore / annum (as per TRAI tariff) over GAIL's OFC based network.

The reasons for losses suffered in telecom business are due to ever falling bandwidth prices, customers building their own networks, lower quality of services due to damage of GAILTEL's inter-city OFC networks during massive NHAI expansions and limited scale & presence across telecom value chain".

1.116 The Committee have been informed that revenue generation of GAILTEL since 2007-08 had come down from Rs. 28.60 crore to Rs. 12.5 crore in 2009-10. Even the target set for financial year 2011-12 is Rs. 8.25 crore which is also not very encouraging. When asked about the reason behind less revenue generation the CMD, GAIL submitted the following:-

> "As regards, operations of the GAIL are concerned, primarily, we lay the optical fibre cable for monitoring the performance of the pipeline system. So, the spare capacity which we have, we try to lease out to the various telecom service providers. Over the year, the revenue generation from this has gone down because of the intense competition. The rates have gone down. Generally, the rates are approved by the TRAI. Now, all the service providers are creating their own infrastructure, laying their own optical fibre cable. That is why the demand has gone down. But still on a certain route, where there is no substitute available, GAIL is able to provide the services to them. Largely because the rates have gone down, TRAI has reduced the rate and further, because the completion that these companies are offering a discount on the TRAI approved rates, that is the reason that the revenue has gone down. But now after these 3G licences are coming up, again there is going to be a huge demand because they need larger bandwidths. So, we hope that in the next one year time, we will again pick up. Primarily, these optical fibre cables, which GAIL is laying along the pipelines are for the operation of the pipelines and we are trying to leverage the spare capacity, which we have. Apart from these revenues, this does not include the services, which these optical fibre cables provide to various operations of GAIL. If you load that, definitely this is a profitable segment separately".

1.117 The Committee observe that in order to ensure effective & efficient operation & control of gas pipelines and uninterrupted supply of natural gas, dedicated captive telecom network has been implemented for providing voice & real-time data communication facilities at all manned & unmanned remote pipeline locations of GAIL and with technological advancement from time to time, Optical Fibre Cable network was built along pipelines. The Committee were given to understand that GAIL having the advantage of right of way (RoW) and significant optic fibre assets along gas pipelines, was identified as one of the utility public sector companies as a potential infrastructure provider under the National Telecom Policy. The Committee further noted that GAIL has a reach of around 13027 km of OFC network along GAIL's reliable cross Country pipelines (5681 km) and state/national highway routes (7346 km), connecting around 150 towns/cities. Additionally, implementation of new OFC network (totaling ~ about 5200 km) has been envisaged along upcoming cross-Country pipeline networks. The Committee note that for profitability and diversifying

their business, GAILTEL has started to lease out OFC infrastructure to various public/private telecom operators. However, the Committee noted that GAILTEL has leased out OFC infrastructure on short-term contracts to various customers so far and no long-term contract was given to any company. The Committee strongly feel that GAILTEL should not be seen as a mere leasing out entity rather it should try to take up the task by its own and complete it. Even if GAILTEL is required to go for leasing out, it should always try to go for the long term contracts, rather than opting for the short ones as duration of the contract is also a criteria for offering discounts by telecom vendors.

1.118 The Committee also feel that the revenue earned by GAILTEL during the last five years is not more than Rs. 28.60 crore and even the target set for financial year 2011-12 i.e. Rs. 8.25 crore is not very encouraging. The Committee are given to understand that the revenue generation from GAILTEL business has gone down due to intense competition as other companies have kept the rate below the rates approved by TRAI. The Committee also note that all the service providers are now creating their own infrastructure laying their own optical fibre cable. With the 3G licenses coming up GAIL hope that demand of optical fibre cable will increase as they need larger bandwidths with a corresponding increase in revenue in future. Therefore, the Committee desire that since GAIL has entered into telecom business as infrastructure provider (IP-II) licence, it should try to establish GAILTEL as a standalone subsidiary and enter into the telecom business with the advantage of Right of Way and significant optic fibers as an independent telecom operator. It would be not only competitive from market point of view but also increase revenue from its telecom business.

M. Coal Bed Methane (CBM)

1.119 Coal Bed Methane (CBM) is an environment friendly clean fuel similar to Natural Gas. For exploration and production of CBM in the Country, the Government have so far awarded, 33 CBM blocks including 7 blocks in recently concluded fourth round of CBM to National, Private and Joint Venture Company. As of now, 250 BCM reserves have been established in 5 CBM blocks. At present, CBM gas production is about 1 lakh cubic metres per day.

1.120 As regards the progress made by the Public Sector Companies in the CBM blocks awarded to them since inception, the year-wise investment targets and actuals and quantum of Coal Bed Methane that has been commercially produced from these blocks so far, the Ministry submitted the following information:-

"Total 9 blocks have been awarded to ONGC for exploration and production of CBM, out of which 3 blocks have already been relinquished due to poor prospectivity in the blocks.

The details of progress along with investment made so far by ONGC in the allotted CBM blocks are as under:

- Incidental test production is being done and sold around 5000 cubic metres per day by ONGC from Jharia block.
- Draft Development Plan has been submitted for Bokaro block in Jharkhand, which is under evaluation.
- So far, ONGC has drilled 69 core holes, 23 Pilot wells and 12 Test Wells in the awarded CBM blocks.
- ONGC has made an expenditure of about Rs. 591.27 Crore till 31.12.2010 in CBM blocks against the target of about Rs. 636.32 Crore.

The year wise investment targets and actual are as under:

S N	**Year**	**Investment (Rs. in crore)**	
		Target	**Actual**
1	2003-04	6	6.65
2	2004-05	11	11.22
3	2005-06	26	26.3
4	2006-07	16.31	27.83
5	2007-08	79.01	110.69
6	2008-09	154	147.68
7	2009-10	178	150.4
8	2010-11 (Up to 31.12.10)	166	110.5"

1.121 The Committee have been informed that out of 9 blocks, awarded to ONGC for exploration and production of CBM, 3 blocks have been relinquished by ONGC due to poor prospectivity in these blocks. ONGC has drilled 69 core holes, 23 pilot wells and 12 test wells in the awarded CBM blocks.

1.122 As regards to total investment made in these blocks, the Ministry of Petroleum and Natural Gas, submitted as under:-

"ONGC has made a investment of Rs. 668.53 crore in 9 CBM blocks. The block-wise investments made by ONGC till 31.12.2010 is as under:

Sr. No.	**Block Name**	**Investment (Rs. Crores)**
1	BOKARO	153.26

2	N.KARANPURA	97.55
3	RANIGANJ NORTH	40.34
4	JHARIA	217.30
5	SOUTH KARANPURA	84.33
6	NORTH KARANPURA (W)	23.80
7	SATPURA	3.41
8	WARDHA	2.80
9	BARMER-SANCHOR	45.74
TOTAL		**668.53"**

1.123 When asked about regarding the 3 blocks relinquished by ONGC and the investments made in these blocks, the Ministry submitted the following:-

"The three CBM blocks have been relinquished by ONGC and the investments made in these blocks till 31.12.2010 are as under:

Sr. No.	Block Name	Time of Relinquishment	Investment (in Rs. Crores)
1	SATPURA (ST-CBM-2003/II)	October,2007	3.41
2	WARDHA (WD-CBM-2003/II)	August, 2007	2.80
3	BARMER-SANCHOR (BS(3)-CBM-2003/II)	March, 2008	45.74"

1.124 When the Committee desired to know whether DGH has re-examined the data for these 3 relinquished blocks and the outcome of DGH review, the Ministry apprised the Committee as under:-

"DGH has re-examined the data of the above three relinquished CBM blocks of ONGC and based on the findings/prospectivity, two blocks, namely, Satpura and Wardha, were re-offered under CBM IV Round. The Satpura block received bid and was awarded to Arrow Energy-Tata Power Consortium. However, the Wardha block did not receive any bid. The data for the third relinquished block, namely, Barmer-Sanchor (BS(3)-CBM-2003/II) is under examination".

1.125 Regarding the commencement of commercial production from blocks awarded to ONGC and the estimated production thereof, the Ministry submitted the following information:-

"Commercial production has not started from any of these Blocks till date. On preparation of development plans for the blocks, the exact date and quantity of production can be estimated".

1.126 The Committee wanted to know the details of the targets and achievements made by the operators on each of the CBM blocks during the last 5 years in terms of minimum committed work programme and committed investments, the Ministry submitted the following information:-

"The status of 33 CBM blocks in terms of minimum work programme (MWP), actual work carried out, committed investment in the block and actual investment made upto 1.1.2011 is as under:

CBM BLOCKS: STATUS AS ON 1.1.2011							
Sl. No.	**State/ Block Name**	**Operator**	**Phases**	**MWP**	**Actual**	**Committed Investment (Rs. Lakh)**	**Actual (Rs. Lakh)**
West Bengal (4)							
1	Raniganj (South)	GEECL	Development Phase	Coreholes :1	8	2250	60000
				Pilot Wells: 3	23		
				Dev. Wells : 100	78		
2	Raniganj (North)	ONGC	Phase-II	Coreholes : 8	8	2250	3241
				Test wells : 1	1		
				Pilot Wells : 2	0		
3	RG(E)- CBM-2001/1	Essar Oil	Phase-II	Coreholes :12	17	9450	32344
				Test wells :15	15		
				Pilot Wells :75	40		
4	BB-CBM-2005/III	BPE	Phase-I	Coreholes:8	6	15750	123
				Test wells:5	0		
				Pilot Wells:15	0		
Jharkhand (7)							
5	BK-CBM-2001/I	ONGC	Phase-II	Coreholes: 8	10	6570	4302
				Test wells: 2	2		
				Pilot Wells:12	8(5 V+1 (Hz.)		
6	NK-CBM-2001/I	ONGC	Phase II	Coreholes : 9	10	3600	3600
				Test wells : 2	2		
				Pilot Wells : 6	4		
7	Jharia	ONGC	Phase II	Coreholes : 8	10	4050	17588
				Test wells : 2	2		
				Pilot Wells :11	9		
8	SK-CBM-2003/II	ONGC	Phase I	Coreholes : 10	10	8010	1071
				Test wells : 3	3		
				Pilot Wells : 13	0		
9	NK(W)-CBM-2003/II	ONGC	Phase I (Applied for Relinquishment)	Coreholes : 8	8	5805	2616
				Test wells : 2	0		
				Pilot Wells: 10	0		

10	RM-CBM-2005/III	Arrow Energy	Phase - I (Applied for Relinquishment)	Coreholes : 8	4	5810	1289
				Test wells : 5	0		
				Pilot Wells : 15	0		
11	RM(E)-CBM-2008/IV	Essar Oil Limited	PEL yet to issued by the State Government	Coreholes : 30	0	10026	0
				Test wells : 2	0		
				Pilot Wells : 20	0		
Madhya Pradesh (6)							
12	SP(E)-CBM-2001/I	RIL	Dev Phase	Coreholes : 8	17	2790	6498
				Test wells : 2	5		
				Pilot Wells :10	10		
13	SP(W)-CBM-2001/I	RIL	Dev Phase	Coreholes : 8	14	2790	11285
				Test wells : 2	5		
				Pilot Wells:10	26		
14	ST-CBM-2003/II	ONGC	Relinquished	Coreholes : 3	3	1337	200
				Test wells : 0	0		
				Pilot Wells : 3	0		
15	SP(N)-CBM-2005/III	Geo Petrol	Phase-I	Coreholes : 8	0	7500	0
				Test wells : 5	0		
				Pilot Wells: 15	0		
16	SR-CBM-2005/III	Coal Gas	Phase- I	Coreholes : 8	8	1350	21
				Test wells : 2	0		
				Pilot Wells :10	0		
17	ST-CBM-2008/IV	Arrow Energy	PEL yet to issued by the State Government	Coreholes : 15	0	7996	0
				Test wells : 2	0		
				Pilot Wells :21	0		
Chhattisgarh (4)							
18	SH(N)-CBM-2003/II	RIL	Phase- II	Coreholes : 10	11	3564	2060
				Test wells : 5	5		
				Pilot Wells:10	0		
19	TR-CBM-2005/III	Arrow Energy	Phase - I	Coreholes : 8	8	7470	3035
				Test wells : 5	5		
				Pilot Wells:15	0		
20	MR-CBM-2005/III	Arrow Energy	Phase - I (Applied for Relinquishment)	Coreholes : 8	10	7740	2050
				Test wells : 5	0		
				Pilot Wells:15	0		
21	SP(NE)-CBM-2008/IV	Essar Oil Limited	PEL yet to issued by the State Government	Coreholes : 25	0	10912	0
				Test wells : 2	0		
				Pilot Wells:25	0		

Rajasthan (5)							
22	BS(I)-CBM-2003/II	RIL	Phase II (Applied for Relinquishment)	Coreholes : 8	8	3708	2485
				Test wells : 2	2		
				Pilot Wells: 10	0		
23	BS(2)-CBM-2003/II	RIL	Phase II (Applied for Relinquishment)	Coreholes : 8	8	3645	1636
				Test wells : 2	2		
				Pilot Wells :10	0		
24	BS(3)-CBM-2003/II	ONGC	Relinquished	Coreholes : 8	8	6494	1808
				Test wells : 2	2		
				Pilot Wells : 12	0		
25	BS(4)-CBM-2005/III	Geo Petrol	Phase-I	Coreholes : 8	0	7950	1808
				Test wells : 5	0		
				Pilot Wells :15	0		
26	BS(5)-CBM-2005/III	Geo Petrol	Phase-I	Coreholes : 8	0	7950	0
				Test wells : 5	0		
				Pilot Wells : 15	0		
Maharashtra (1)							
27	WD-CBM-2003/II	ONGC	Relinquished	Coreholes : 2	2	7980	200
				Test wells : 0	0		
				Pilot Wells : 2	0		
Andhra Pradesh (2)							
28	KG-CBM-2005/III	Geo Petrol	PEL yet to issued by the State Government	Coreholes : 8	0	855	200
				Test wells : 5	0		
				Pilot Wells :15	0		
29	GV(N)-CBM-2005/III	Coal Gas	PEL yet to issued by the State Government	Coreholes : 8	0	7980	0
				Test wells : 5	0		
				Pilot Wells :15	0		
Orissa (2)							
30	TL-CBM-2008/IV	Essar Oil Limited	PEL yet to issued by the State Government	Coreholes : 30	0	11488	0
				Test wells : 2	0		
				Pilot Wells :25	0		
31	IB-CBM-2008/IV	Essar Oil Limited	PEL yet to issued by the State Government	Coreholes : 25	0	9531	0
				Test wells : 2	0		
				Pilot Wells :20	0		
Assam (1)							
32	AS-CBM-2008/IV	Arrow Energy	PEL yet to issued by the State Government	Coreholes : 15	0	11880	0
				Test wells : 2	0		
				Pilot Wells :30	0		

Tamil Nadu (1)							
33	MG-CBM-2008/IV	GEECL	PEL yet to issued by the State Government	Coreholes : 50	0	9400	0
				Test wells : 2	0		
				Pilot Wells :30	0		

* The investment figures for ONGC CBM blocks is upto 31.12.2009. PEL : Petroleum Exploration License

1.127 The Committee desired to have details of discoveries of CBM made so far and the likely time required for their full development to reach their peak production. Replying to this, the Ministry submitted information as follows:-

"So far, CBM reserves of about 8.92 trillion cubic feet (TCF) has been established in 5 CBM blocks. In CBM blocks, the likely time requirement for full development to reach peak production level is generally 5 to 6 years from the start of development activities. Out of the five blocks, the field development plans (FDPs) have been approved for all the blocks except Bokaro, for which Draft Development Plan has been submitted and is currently under examination by DGH. As per the approved FDPs, the estimated time to reach the peak production level in each of the CBM blocks is as under:

Sl. No.	**Block Name**	**Operator**	**Reserve Established** (TCF)	**Estimated Time to Reach Peak Production as per approved FDP**
1.	SP(East)-CBM-2001/I	RIL	1.69	2019-20
2.	SP(WEST)-CBM-2001/I	RIL	1.96	2014-15
3.	Raniganj(South)	GEECL	1.92	2015-16
4.	Bokaro	ONGC	1.20	FDP is under examination by DGH
5.	RG(East)-CBM-2001/I	ESSAR	2.15	2014-15
		TOTAL =	**8.92"**	

1.128 Further, when the Committee asked about the present status of exploration and exploitation of CBM as a viable alternative fuel in developed countries, the Ministry replied as under:-

"As per information available in public domain, USA & Australia are the leading countries in commercial CBM production. China has also commenced commercial CBM production. Some other countries including Indonesia have planned to commence the commercial production of CBM".

1.129 The Committee observe that so far CBM reserves of about 8.92 trillion cubic feet has been established in 5 CBM blocks and according to the Ministry of Petroleum and Natural Gas, the likely time requirement for full development to reach peak production level is generally 5 to 6 years from the start of development activities. The Committee, however, noted with concern that while 16 blocks were awarded to different companies by the end of 2nd round of CBM held in 2004, the commercial production of CBM has started only from one block i.e. Raniganj (South) in West Bengal operated by M/s GEECL in July 2007 and there is no additional production from any block during the last 4 years. The Committee further observe that cumulative production of CBM gas in 2010-11 was 36.19 MMSCM from April 2010 to February 2011, which is very insignificant in comparison to established reserves. The Committee are dismayed to note that even the minimum work programme for blocks like Raniganj East (West Bengal) entrusted to Essar Oil in 2002 is not completed. Similary, Sohagpur (Chattisgarh) SP(E)CBM-2001 amd SP(W) CBM-2001 are still at developmental stage even after total expenditure of Rs. 177.83 crore with committed investment of Rs. 55.80 crore. The Committee also view with serious concern that as regards BK-CBM-2001/1 (Bokaro) awarded to ONGC in 2002, against the committed investment of Rs.65.70 crore, the actual are Rs. 43.02 crore and the field development plan of the block is still under examination by DGH. The Committee further observe that ONGC has incurred a cumulative investment of Rs. 591.27 crore in 9 CBM block awarded to it and only one block i.e. Jharia had witnessed incidental test production since 2002. While expressing their dissatisfaction over the very low CBM production in the Country since the awarding of blocks in 2001, the Committee cannot but deplore the way the Government/DGH is monitoring the exploitation of CBM reserves in the Country. The Committee desire that Government/Oil PSUs to make an indepth analysis of the reasons for scanty production from these reservoirs and take concrete and corrective action including application and import of new advanced exploration technologies and technical knowhow, if necessary.

1.130 The Committee further observe that out of 33 blocks, Government has not yet issued Petroleum Exploration License (PEL) in 9 blocks including RM(E)-CBM-2008/IV, ST-CBM-2008/IV, SP(NE)-CBM-2008/IV blocks, KG-CBM-2005/III operated by

Geo Petrol, GV(N)-CBM-2005/III owned by coal gas in Jharkhand, Madhya Pradesh, Chattisgarh and Andhra Pradesh respectively. The Committee recommend that the Ministry of Petroleum and Natural Gas and DGH should take proactive steps in consultation with State Governments concerned to ensure issue of Petroleum Exploration Licenses expeditiously. The Committee would like to be apprised of the action taken in this regard.

N. Gas Hydrate

1.131 DGH has done pioneering work for initiating gas hydrate exploration in the Country. Reconnaissance surveys were carried out by DGH in the East Coast and Andaman Deepwater areas in 1997 which deciphered the most promising areas for Gas Hydrates. The surveys have indicated the presence of several Gas Hydrate leads/prospects. The total prognosticated gas resource from the gas hydrates in the Country is placed at 1894 TCM. The Government of India formulated a National Gas Hydrate Programme (NGHP) in 1997 for exploration and development of gas hydrates resources of the Country. DGH is actively involved in the programme.

BUDGET OUTLAY (In Rs. Lakhs)

2009-2010			2010-11			2011-12
BE	RE	Actual	BE	RE (Proposed)	Actual (April 10 Jan.'11)	Be (Proposed)
6401.00	6119.00	6005.55	6041.55	5849.55	2981.51	8957.00

Source of generation of funds for the Budget : Grants from OIDB

1.132 The Committee have been informed that Gas Hydrate is at Research & Development (R&D) stage world over. India, U.S.A & Japan are one of the pioneers in the field of Gas Hydrate. In accordance with the roadmap for National Gas Hydrate Programme (NGHP), India has already acquired core samples with the help of the drill ship "JOIDES Resolution", USA. In December 2008, an MoU was signed between the Directorate General of Hydrocarbons (DGH) and US Geological Survey (USGS), USA for cooperation on exchange of scientific knowledge and technical personnel in the field of Gas Hydrate and research with the view to exploit the potential of the Gas Hydrate as an alternate source of energy. Second NGHP expedition has been planned in 2010 to map the prospects of Gas Hydrate in Krishna Godavari and Mahanadi deepwater areas.

1.133 Regarding the assessment of potential of gas hydrate in the Country, the Ministry submitted the following information:-

"After establishing the presence of gas hydrate in the KG, Mahanadi & Andaman offshore deepwater areas of the Indian offshore and seeing the commercial nature of interest in the Exploration & Exploitation of Methane from Gas hydrates, the NGHP has adopted a strategy to concentrate on the KG deep water area of the Indian Offshore and to emphasize in the R&D of development of technology for the commercial exploitation of methane from gas hydrate. With this in mind the resource estimation of gas hydrates in the KG offshore is being taken up on priority.

NGRI, Hyderabad is in the process of carrying out areal extent and quantitative assessment of gas-hydrates in Krishna-Godavari offshore , while NIO, Goa has taken up a project to carry out Qualitative estimates of the spatial extent of hydrate deposits using seismic attenuation studies, and modeling of BSR over the scattered gas hydrates zones for various source frequencies".

1.134 As regards, the details of the National Gas Hydrate Programme (NGHP) conducted in the Country so far and the prospects of gas Hydrate mapped in Krishna Godavari and Mahanadi deepwater area as targeted during 2010, in a written note furnished by the Ministry, following information were provided:-

"The NGHP efforts in Indian offshore for gas hydrate exploration led to the following:

- Conducted comprehensive analyses of gas-hydrate-bearing marine sediments in both passive continental margin and marine accretionary wedge settings;
- Discovered gas hydrate in numerous complex geologic settings and collected an unprecedented number of gas hydrate cores (more than 2800 m from 21 sites and 39 holes);
- Delineated and sampled one of the richest marine gas hydrate accumulations yet discovered in the world in Krishna-Godavari basin which was 132m of massive Hydrate of Structure I type (Dominantly Methane) having an almost complete cage occupancy in the large cages and perfect crystallization.

- Discovered one of the thickest and deepest gas hydrate occurrences yet known (Andaman Islands) which revealed gas-hydrate-bearing volcanic ash layers as deep as 612 meters below the seafloor;
- Established the existence of a fully developed gas hydrate system in the KG & Mahanadi basin of the Bay of Bengal;

NGHP Expedition 01 has shown that conventional sand and fractured-clay reservoirs are the primary emerging economic targets for gas hydrate production in India. Because conventional marine exploration and production technologies favor the sand-dominated gas hydrate reservoirs, investigation of sand reservoirs will be likely to have a higher near-term priority in the NGHP program.

The commercial production of methane from gas hydrates is still a far-fetched thought globally. Currently NGHP is carrying out Delineation & Resource estimation studies for the Gas hydrates discovered in the Krishna Godavari & Mahanadi areas".

1.135 When asked about the total expenditure incurred (year-wise) so far on R&D activities in gas hydrate, the Ministry furnished the following information:-

"The expenditure made on NGHP project till 15th March 2011 is about Rs.21.294 crore. The year-wise break-up is as under:

Expenditure on NGHP Projects up to 15.03.11		
S.No	**Year**	**Amount (Rs Lakhs)**
1	2001-02	247
2	2002-03	1179
3	2003-04	109
4	2004-05	368
5	2005-06	245
6	2006-07	15369
7	2007-08	1820
8	2008-09	107
9	2009-10	1850
Total		**21294"**

1.136 Considering the fact that it is not found commercially viable to produce methane from Gas hydrates even in advanced countries as on date, the Committee asked the Government to justify the need for continuing the NGHP in India even after 10 years of research and exploration in this area, and to explain whether any review has been made of the necessity and relevance of this programme so far and if so, the conclusion/findings of such a review. In their reply , the Ministry submitted as under:-

> "Gas hydrate was identified as one of the possible sources for alternate energy in India by the Govt. and hence it needs to be evaluated both for its quantum and feasibility of technical recovery in commercial quantity. The Gas Hydrates have huge energy resource of gas i.e. one cubic metre of methane hydrates contain 164 cubic metre of methane. This energy resource cannot be ignored and hence, the R&D program in this area should not be stopped altogether".

1.137 Regarding the reasons for the abnormal increase in expenditure to the extent of Rs. 153.69 crore on NGHP during the year 2006-07, the Ministry replied as under:-

> "The reason for the abnormal increase in the year 2006-07 is because of the NGHP expedition -01, which itself initiated a release of Rs. 180 Crore and most of it was released during the financial year 2006-07".

1.138 The Committee are given to understand that there are huge prospects of reservoirs of gas hydrate in the Country and the total prognosticated gas resource from the gas hydrates is placed at 1894 TCM. The Committee note that Government of India formulated a National Gas Hydrate Programme (NGHP) in 1997 for exploration and development of gas hydrates resources of the Country. The Committee further note that reconnaissance surveys which were carried out by DGH in the East Coast and Andaman Deepwater areas in 1997 deciphered the most promising areas for Gas Hydrates and after establishing the presence of gas hydrate in the KG, Mahanadi & Andaman offshore deepwater areas of the Indian offshore and seeing the commercial nature of interest in the exploration & exploitation of Methane from Gas hydrates, the NGHP has adopted a strategy to concentrate on the KG deep water area of the Indian Offshore and to emphasize in the R&D of development of technology for the commercial exploitation of methane from gas hydrate. The Gas Hydrates have huge energy resource of gas i.e. one cubic metre of gas hydrates contain 164 cubic metre of methane.

In view of above, the Committee feel that Gas Hydrates as an alternate energy resource has great potential and research and development programme in this area should be intensified. Accordingly, the Committee understand that from 1997 to 2011, Government has already made an expenditure of about Rs. 212.94 crores on delineation and resource estimation studies for the Gas hydrates. The Committee feel that there should have been a road map or time bound plan to at least evaluate

gas hydrates both for its quantum and technical recovery in commercial quantity before going in for commercial production. The Committee desire that Government should complete the technical evaluation and make efforts to bring required technologies to extract methane from gas hydrates through collaboration with advance Countries like USA & Japan who are also into these research areas in time bound manner and investment should also be made on evolving or bringing required technologies to extract methane from gas hydrates reservoirs already identified in the Country.

O. Shale gas

1.139 Shale gas – or gas trapped in layers of sedimentary rocks - is a frontier area and the USA is the only market that has commercially viable operations, though Canada and China too have clocked substantial progress. Several basins in India such as Cambay in Gujarat, Assam-Arakan in the North-East and Gondwana in central India are believed to hold shale gas. The Government has also given the priority on identification and exploitation of Shale gas potential in the Country. Resource assessment of Shale deposits in Assam and Arunachal Pradesh is in progress with the expertise of an International reputed company. Activities pertaining to Shallow Corchole drilling geological mapping, sampling and analysis were carved out. The process is likely to be completed by 2010. The shale gas formations are also reported to be spread over several sedimentary basins such as Cambay Gondwana, and KG on land and Cauvery river.

1.140 Asked to explain, whether the shale gas potential in the Country has been assessed by the DGH and any pilot project has been set up for shale gas exploration in the Country, the Ministry replied as under:-

> "DGH has initiated the process for assessment of Shale Gas Potential in the Country. To supplement the efforts, ONGC is carrying out Shale Gas R& D project in two CBM blocks in Damodar Basin".

1.141 As regards the investments made so far for identification and exploitation of shale gas in the Country the physical and financial targets set for this work during the next 5 years, the Ministry in a written reply, furnished the following: -

> "Government has already signed an MOU with Department of States (DOS), USA for Shale Gas resource assessment study in the Country through US Geological Survey

(USGS), USA. Further, Government is in the process of formulating a Shale Gas policy. Future plan regarding exploration, development and production of Shale gas would depend on the outcome of prospectivity studies and resource assessment.
A Memorandum of Understanding (MOU) on Shale Gas Resources between India and USA was signed on 06.11.2010 in New Delhi. Main elements/objectives of MOU for cooperation in the field of Shale Gas include.

- Shale Gas Resource Assessment.
- Technical Studies.
- Regulatory Framework Consultation.
- Investment Promotion"

1.142 Regarding the positive conclusions drawn from analysis of research activities relating to shale gas which were reported to be completed in 2010, the Ministry furnished the following:-

"As part of the R & D Project, ONGC has drilled a shale gas well in Ichapur area in Raniganj North CBM blocks in West Bengal. ONGC has reported shale gas flow in the R & D well RNSG-1. The quantity of gas production and reserve is yet to be established".

1.143 When the Committee desired to know about present status of research in other countries in respect of shale gas deposits vis-à-vis the Indian efforts, the Ministry, in their reply submitted the following:-

"Currently Shale Gas is being commercially produced in USA and constitutes about 17% of total US gas production. Further, Canada and few European countries have taken up Shale gas resource assessment/exploration activities.
Government has initiated the process of Shale gas resource assessment and identification of prospective area for Shale gas exploration. An MoU between Government of India and Department of States, USA has been signed for co-operation in the area of Shale gas. The required technology for shale gas exploration/exploitation such as drilling of horizontal wells, multi-stage hydrofacturing etc. are available in the Country".

1.144 During the course of evidence, the Secretary, apprised the Committee as under:-

"In regard to the shale gas we have made a commitment that in the course of the next one year the first round of shale gas will be launched but as we have moved forward on this, there are certain difficulties arising and these are on account of two issues. One is, what is going to be the environmental impact of having shale gas and secondly shale gas by its very nature requires large quantities of water usage for fractionation and we are still examining this. An MoU has been signed with the US Government which will address these two issues".

1.145 The Committee have observed that currently shale gas is being commercially produced in USA constituting about 17% of total gas production of US and Canada and a few European countries have taken up Shale gas resource assessment/exploration activities. The Committee note that the Government have initiated the process of Shale gas resource assessment and identification of prospective area for Shale gas exploration and an MoU between Government of India and Department of States, USA has been signed for co-operation in the area of Shale gas. The Committee have also noted that the required technology for shale gas exploration/exploitation such as drilling of horizontal wells, multi-stage hydro facturing etc are available in the Country. The Committee appreciate the fact that Government is making efforts to identify prospective reserves of shale gas in the Country and as part of the R&D Project ONGC has drilled a shale gas well in Ichapur area in Raniganj, north CBM blocks in West Bengal. In view of this development, the Committee desire that the Government should make all out efforts to develop this native source of alternate fuel and the areas of concern related to production of shale gas, i.e. environment impact of production of shale gas and need of huge quantity of water for fractionation of rocks should be addressed at the earliest so that after making huge investments in term of money and efforts in the project would not go in vain due to these problems.

P. Coal Gasification

1.146 ONGC has signed an Agreement of Collaboration (AOC) with Skochinsky Institute of Mining, Russia on 25th November 2004 for Underground Coal Gasification (UCG) which is valid till 24th November, 2011. During examination of DFGs (2010-11), the Committee were informed that one Underground Coal Gasification Project at Vastan Mine Block, near Surat is envisaged to be completed in phases comprising of various stages right from site selection to construction of UCG Enterprise and total financial implication of the project is US $ 15.32 million. The time period and cost are based on work in Russian conditions and are subject to change in Indian conditions. In this connection, the Committee wanted to know regarding the present status of the projects and other sites identified by ONGC for UCG projects and the Ministry furnished the following information:-

“a) Status in respect of Vastan Mine Block

ONGC has signed MOUs with major coal/lignite companies of India viz. Coal India Ltd. (CIL), Neyveli Lignite Corporation Ltd. (NLC), Gujarat Mineral Development Corporation ltd. (GMDC), Gujarat Industries Power Company Ltd. (GIPCL) etc. for UCG projects.

The project is envisaged to be completed in phases comprising of various stages right from site selection to trial run of UCG pilot. The status of different stages of the project are detailed as follows:

Stage-1: Site Selection

One site namely Vastan Mine block belonging to GIPCL in Surat district, Gujarat was found suitable by SIM for UCG out of eleven sites studied. The suitability studies was completed in January 2006.

Stage-2: Detailed Characterization & pilot Layout

In the Vastan site further data generation for the design and execution of UCG pilot experimentation have been carried out. Eighteen bore holes have been drilled for detailed mapping of Lignite. A detailed High Resolution Shallow Seismic Survey was also carried out for subsurface characterization. The data had been analyzed and location and layout of UCG Pilot finalized in July 2007.

Stage-3: Detailed designing

An extensive search for suitable agencies for detailed designing of Vastan UCG pilot was carried out and finally the contract for detailed design was awarded in May 2009 to the Ukrainian design institute, OJSC Dongiproshakht. Complete Engineering Design of UCG pilot scheme was made available in November 2009.

Stage-4: Construction of UCG Pilot

The contract for the stage-4 along with budgetary quote has already been received from SIM, Russia which is based on the design prepared by OJSC Dongiproshakht. The contract can be signed only after the award of **Mining Lease** to GIPCL which is the applicant and our MOU partner for the project. However, the spade work for execution of pilot module in terms of land acquisition, electric supply, water connection, soil survey etc. have already been initiated.

<u>Status of Statutory Clearances:</u>

i) Environmental Clearance

Environmental clearance from MoEF, GoI has been obtained in the month of Feb’ 2010.

ii) Land acquisition

Land acquisition process has begun. However, possession will be taken after the award of mining lease

iii) Mining Lease

- Application for ML was filed by our MOU partner company viz. GIPCL earlier on Nov 16, 2006 to Ministry of Coal (MoC).

- After issue of guidelines on UCG by the Ministry of Coal, GoI on 13th July 2009, it was again applied for allocation of Vastan UCG Mine block to the MoC, GoI on 20th July 2009.

- After receiving some queries from MoC, the modified application for ML was again forwarded by Govt. of Gujarat to MoC, GoI, New Delhi with favorable recommendation on 21st Nov'2009.

- Ministry of Coal, GoI in its communication dated 08.12.2009 returned the application for direct allocation of Vastan Mine Block for UCG Pilot and advised to apply after the Blocks for UCG are published / advertised.

- The application was resubmitted on February 03, 2010, with recommendations from Chief Secretary Govt. of Gujarat for allocation of Vastan mine block on nomination basis for R&D point of view.

- The matter was repeatedly pursued through various agencies. As a result MoC wrote a letter to NLC on dated 10/1/2011 regarding Underground Coal Gasification in Vastan Lignite Block. It directed NLC for interaction with Commissioner of Geology & Mines, Government of Gujarat for compilation of lignite reserve in the state of Gujarat including that of Vastan Lignite Block. Accordingly a tripartite meeting involving GIPCL, NLC and Commissioner of Geology & Mines, Govt of Gujarat was held at Gandhinagar on February 23, 2011. ONGC participated in the meeting as facilitator. The lignite reserve data of the Vastan block is being compiled and likely to be completed by the end of March 2011.

b) Status of Other UCG Sites:

In order to make a dent on the energy front through use of UCG technology, a number of additional sites were jointly identified by ONGC & NLC for studying their suitability to UCG. These are Tadkeshwar in Gujarat and Hodu - Sindhari & East Kurla in Rajasthan. One more site was jointly identified by ONGC & GMDC viz. Surkha in Bhavnagar Distt., Gujarat. The data of all the fields have already been analysed for evaluating the suitability of these sites for UCG and all the sites have been found suitable for UCG. The projects will be taken up on the basis of learning curve from Vastan project**.** Tadkeshwar site of NLC is likely to be taken up after Vastan project".

1.147 The Committee wanted to know as to why during 7 years of Agreement of Collaboration (AOC), no project could be commissioned by ONGC and mining lease is not awarded in respect of one of the UCG project Vatson Mine Block near Surat (Gujarat). In reply, the Ministry apprised the Committee as under:-

"Implementation of UCG project is being carried out in various stages along with a domain expert through technology transfer. These stages are Site Selection, Detailed characterization, detailed designing, construction of pilot, commissioning of UCG pilot and trial run. Out of six stages required for implementation, works planned in first 3 stages have been completed and 4th stage task (contract for erection and design) is in hand. The execution is held up for allocation of Vastan mine block (mining lease) to ONGC's MoU partner, Gujarat Industrial Power Company Limited (GIPCL)".

1.148 As no project has been commissioned during the last 7 years, the Committee further asked the Ministry, whether the Agreement of Collaboration with SIM, Russia which is valid till 24th November. 2011 is likely to be extended, the Government apprised the Committee as under:-

> "The Agreement of Collaboration (AOC) with Russian institute SIM is most likely to be extended beyond 24th Nov.'2011 as the institute has asked for 11 months for erection and commissioning of surface facilities after allocation of mining lease and land acquisition, in addition to 6 months for trial of the pilot".

1.149 Regarding the details of payments made on account of Agreement Collaboration to Russian institute, the Ministry to Petroleum and Natural Gas informed the Committee as under:-

"A total payment of USD 1.333 million has been made to the Skochinsky Institute of Mining, Russia (SIM) and the break up is as under:

Site selection (first phase, 11 sites)	:	USD	243000.00
Pilot layout for Vastan	:	USD	385000.00
Scientific support for Engg. design (Vastan)	:	USD	451080.00
Techno-economic analysis (Vastan)	:	USD	144095.00
Additional Site selection (second phase, 4 sites)	:	USD	110000.00

Besides the above mentioned payments to SIM, USD 960987.00 has been paid to Ukrainian institute OJSC Dongiproshakht, identified by SIM for design of surface facilities".

1.150 The Committee note that ONGC has signed an Agreement of collaboration (AOC) with Skochinsky Institute of Mining, Russia on 25th November 2004 for underground coal gasification which is valid till 24th November, 2011 and also signed MOUs with major coal/lignite companies of India viz. Coal India Ltd. (CIL), Neyveli Lignite Corporation Ltd. (NLC), Gujarat Mineral Development Corporation ltd. (GMDC), Gujarat Industries Power Company Ltd. (GIPCL) etc. for Underground Coal Gasification (UCG) projects. The Committee understand that the project implementation envisages different stages from site selection to construction of UCG pilot to complete the project. In regard to statutory clearance the Committee are surprised to note that application for Mining lease which was filed by GIPCL (Gujarat Industries Power Company Limited) on November 16, 2006 to Ministry of Coal is still pending even after $4^{1/2}$ years and environmental clearance from the Ministry of Environment and Forest has been obtained only in the month of February, 2010. The Committee express their grave concern over poor implementation of the UCG projects and recommend that Government should fix a

realistic time schedule for every stage of the UCG projects and monitor them regularly to prevent delays and consequent cost overrun in implementation of such important projects as UCG. The Committee would also like to be apprised of the action plans chalked out by the Government/NOC in this regard to put the pending UCG project on fast tract to achieve the projected targets.

Q. Hydrogen as an Autofuel

1.151 The Ministry of Petroleum & Natural Gas has set up a Hydrogen Corpus Fund on the use of hydrogen as an auto fuel. The Indian Oil Industry has to work synergistically and in close coordination with reputed technological institutions to make headway in this frontier area. With this object in mind, the Ministry has set up a hydrogen corpus fund of Rs. 100 crore with contribution from Oil PSUs/OIDB as follows:-

(i)	OIDB	Rs. 40 crore
(ii)	ONGC, IOC, GAIL	Rs. 16 crore each
(iii)	HPCL, BPCL	Rs. 6 crore each

1.152 The Committee were informed that OIDB maintain the Account of the fund. OIDB has so far contributed an amount of Rs. 10 crore to the corpus. M/s IOCL, ONGC & BPCL have already taken up R&D activities for usage of Hydrogen as a source of energy. Scientific Advisory Committee (SAC) have been approved 6 projects estimated to cost Rs. 43.06 crore for implementation by various PSUs and other institutions. An amount of Rs. 30.76 crore has been approved for these projects from HCF.

1.153 The Committee desired to know the progress made to operationalise the use of hydrogen as an autofuel and the total expenditure incurred so far from HCF and the resultant outcome of R&D activities in the field. In this regard, the Ministry, in a written note, submitted the following:-

> "IOC R&D Centre has been undertaking research projects for promoting Hydrogen / Hydrogen and Compressed Natural Gas as transport fuel since 2005. IOC have commissioned HCNG and Hydrogen dispensing stations at IOC- R&D at Dwarka, New Delhi. A project on "Vehicle Performance Testing with different HCNG blends" along with the Society of Indian Automobile Manufacturers (SIAM) and Ministry of New and Renewable Energy (MNRE) has been completed. As per scope of the project, performance and emissions data on seven test vehicles using 10-25% HCNG blends were generated. Based on the study, Project Monitoring Committee recommended the usage of 18% hydrogen in CNG. Optimization of engines for 18% HCNG operation by OEMs is in progress. Base data on optimized 3-wheelers and passenger car have been generated and field trials are under progress.

Hydrogen Corpus Fund (HCF) was set-up during the month of March 2004. Some of the Projects initiated at IOC R&D under the HCF are as follows:

(i) Setting up of HCNG dispensing station at IndianOil COCO station at Dwarka, New Delhi by IOC R&D in collaboration with MNRE;

(ii) Demonstration project on use of Hydrogen CNG blends in Automotive vehicles

IOC R&D has developed Single Step Compact Steam Methane Reforming Technology for Production of HCNG .The demonstration plant is likely to be set up by July, 2011. In India, the use of Hydrogen as Auto fuel is under experimental stage. Commercial utilization of Hydrogen as such or as HCNG will depend upon the cost economics of Hydrogen production and application. Development of large scale Photo-Catalytic process using modular reactors for Hydrogen production by IOC R&D is under progress in collaboration with BHU, Banaras.

The amount spent on R&D projects for promoting Hydrogen / HCNG as transport fuel during the last five years is ~Rs 10.0 Crores. This is mainly towards setting up of HCNG dispensing stations at Indian Oil R&D Centre, Faridabad and at COCO, Dwarka".

1.154 Enquired about any proved technology that has been developed in the world to use hydrogen as an auto fuel, the Ministry furnished the following information:-

"Yes. The Fuel cell technology developed earlier (1940) for Spacecraft is being developed for transport sector .The technology is being subjected to demonstration trials using hydrogen as auto fuel. Further, trials are also underway on vehicles with Internal Combustion Engine (ICE) fuelled by Hydrogen & HCNG. Some of the progress made in USA and Europe are as follows:

- In United States, DOE had funded several projects for demonstration of fuel cell vehicles including cars & buses. Auto and Energy Industry are currently demonstrating 152 Fuel Cell Vehicles (FCVs) and 24 hydrogen stations and has reached more than 2.8 million miles of real-world driving, demonstrating 75,000 miles of on-road durability.
- In California, partnerships of Auto companies, energy companies, and local, state, and federal government have placed almost 300 FCVs on the road since 2001, with 2.5 million miles traveled.
- Toyota, Savannah River National Lab and NREL verified in a road test that the Toyota Highlander Fuel Cell Vehicle can achieve an estimated range of 431 miles on a single full tank of compressed hydrogen gas and an average fuel economy of 68.3 miles per gallon of gasoline equivalent.
- Some of the research institutes in USA have been conducting demonstration trials on internal combustion engine (ICE) powered vehicles on Hydrogen-CNG blends.
- In Europe, under Clean Urban Transportation for Europe (CUTE), 27 fuel cell powered buses had been operated in 9 European cities, in 7 different countries and built a mileage of 8,50,000 km during the period of 2001-06.

- A demonstration project - Zero Regio on “Demonstration of fuel cell vehicles and hydrogen infrastructure” had been undertaken by 16 European organizations during Nov. 2004 to May 2010. This project was implemented at Frankfurt in Germany and Mantova in Italy. Eight fuel cell vehicles were operated in this project which included 5 Mercedes Benz A-Class cars and 3 Fiat New Panda cars.
- BMW has been operating a demonstration fleet of cars with internal combustion engine (ICE) fuelled by Hydrogen stored in cryogenic tank”.

1.155 When, the Committee desired to know whether any step has been taken by the Government to bring that technology in the Country, the Ministry in their reply submitted the following:-

> “In order to accelerate the development and utilization of hydrogen energy in the Country, a National Hydrogen Energy Board (NHEB) was set up under Ministry of New and Renewable Energy (MNRE) in the year 2004. The National Hydrogen Energy Board has constituted a Steering group for preparation of National Hydrogen Energy Road map for Hydrogen Production, Storage, and application in Power Generation and Automobiles, Hydrogen System Integration.
> The NHEB Road map has identified two major initiatives – Green Initiatives for Future Transport (GIFT) and Green Initiative for Power Generation (GIP). As per the NHEB Road map, one million vehicles & 1000 MW of power generating capacity will be developed based on hydrogen energy by 2020”.

1.156 The Committee note that Ministry of Petroleum and Natural Gas has set up a Hydrogen Corpus Fund (HCF) in 2004 for promoting hydrogen as transport fuel to accelerate the development and utilization of hydrogen energy. However notmuch headway has been made in production, storage and distribution of hydrogen except setting up of a dispensing station in New Delhi by IOC R&D in collaboration with Ministry of New and Renewable Energy and the demonstration project on use of Hydrogen CNG blends in Automotive vehicles after 7 years of initiation of the project. The Committee express their unhappiness that even after lapse of 8 years no tangible progress has been made and, therefore, recommend that the Government should chalk out a plan to ensure that all the identified R&D projects are initiated and completed in a given time frame.

The Committee strongly urge the Government to make sincere efforts to bring the technology already developed in the world and further R&D activities should only be restricted to the trial of these technologies. Although the Government have stated that commercial utilization of Hydrogen and HCNG will depend upon the cost

economics of hydrogen production, the Committee would also like to be apprised of the likely cost of production of hydrogen and at the same time desire that development of large scale photocatalystic processing modular reactors for hydrogen production which are under progress by IOC R&D centre and Banaras Hindu University should be expedited at the earliest.

New Delhi;	**ARUNA KUMAR VUNDAVALLI,**
26 July, 2011	**Standing Committee on Petroleum and**
***Sharvana,* 1933 (Saka)**	**Natural Gas**

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS

Sl No.	Reference Para No. of the Report	Conclusions/Recommendations
1	1.14	The Committee observe that the Non-Plan Budget (2011-12) of Rs. 23676.20 crore of the Ministry of Petroleum and Natural Gas comprises mainly of subsidy for domestic LPG and PDS Kerosene, freight subsidy on retail products for far-flung areas, subsidy for supply of natural gas to North East Region and the setting up of Petroleum and Natural Gas Regulatory Board. This also includes provision of Rs. 20000 crore for compensation to Oil Companies for under recoveries on account of sale of sensitive petroleum products. The Committee are of the view that these Non-Plan demands of the Ministry of Petroleum and Natural Gas are in order and expect the Ministry to keep expenditure within the sanctioned Budget of the Ministry and they should follow all the instructions of the Ministry of Finance to effect economy in non plan expenditure.
2	1.15	The Committee note that a token provision of Rs. 1.00 crore each was provided in the Budget of 2010-11 and 2011-12 for the proposed plan scheme of providing free LPG connections to all eligible BPL families. While the details and modalities of the scheme are still under consideration of the Government, it is expected to release 35 lakh LPG connection to BPL families every year. The Ministry have informed the Committee that for the time being, the proposed scheme will be for one year (i.e. remaining year of the XI Five Year Plan Period) and its further extension for the XII plan period will be considered at appropriate stage. Considering the importance of the scheme, the Committee recommend the Ministry to earnestly pursue with Government for early clearance of the scheme so that it is implemented at the earliest in the current year. The Committee further desire the scheme be extended for the next Five Year Plan till all eligible BPL families are covered under the scheme.
3	1.16	The Committee note as per Economic Survey (2010-11), the budgetary support for the proposed scheme has been restricted to the extent of 50% of the total funds required and rest of the 50% would be drawn for the CSR funds of six major oil companies and OMCs namely ONGC, IOCL, BPCL, HPCL, OIL and GAIL. However, on this issue, Ministry of Petroleum and Natural Gas in their reply have informed that OMCs had advised that 20% of the CSR fund is to be contributed by them towards the scheme for release of new LPG connection to BPL families. The Committee hope that the remaining 30% will be contributed by other oil companies so that there will be no financial constraints in the implementation of the scheme.
4	1.20	The Committee note that in the year 2009-10, the Government have incurred an expenditure of Rs. 2770 crore under the "PDS Kerosene on Domestic LPG Subsidy Scheme 2002" whereby the Government is

		providing a subsidy of Rs. 0.82 per litre on PDS Kerosene to Rs. 22.58 per cylinder on Domestic LPG (at 1/3rd level of the rate for 2002-03) to OMCs. However, the total under-recovery on domestic LPG alone during the year 2009-10 was Rs. 14,257 crore. As regards a proposal under consideration of the Government to restrict four cylinders during a year that can be given at subsidized rate to all consumers, the Committee strongly feel that to offset the huge losses made on account of subsidized domestic LPG cylinders, the Government may consider to do away with providing subsidized LPG to rich and affluent people including those holding constitutional posts, public representatives like MPs, MLAs/MLCs. The Committee are of the firm opinion that such an initiative by the Government will help to expand its subsidized LPG distribution to the rural people who are more in the need of this clean fuel. The Committee desired to be apprised of concrete action taken in this regard within a period of 3 months.
5	1.28	The Committee are constrained to note that ONGC has failed to achieve oil production targets third time in a row with production declining from 25.37 MMT in 2008-09 and 24.67 MMT in 2009-10 to 24.42 MMT in 2010-11. While OIL which could achieve oil production targets in 2008-09 and 2009-10, it could achieve only 97% of production target in 2010-11. The main reason cited by ONGC is natural decline in base production as most producing fields of ONGC are aged and have surpassed their plateau production phase and are in natural decline phase. The rate of production decline from these old and matured fields is about 7-8% of production and in case of OIL the production was less mainly due to prolonged shut down of Numaligarh Refinery Ltd. during its half of the year. The Committee have been informed that action taken by ONGC to offset decline from the matured fields by implementing of various IOR/EOR schemes and induction of State of Art technology in production enhancement and services taken of internationally renowned domain experts in this regard. Taking note of the initiatives taken by ONGC, the Committee desire that increased focus thereto be given so as to arrest the decline of oil production. The Committee are also unhappy at the loss of production due to prolonged shut down of Numaligarh Refinery Limited and desire that in future the company take timely action to prevent prolonged shut down.
6	1.29	The Committee further note the significant shortfall in achievement of production target of gas by private/joint venture companies due to less number of producer wells drilled in D1 and D3 fields in KG D6 block in East coast against the approved field development plan resulting in less production. The Committee view it with serious concern and feel that DGH has not effectively monitored and took timely corrective action to ensure that approved targets are adhered to by the private companies. The Committee, therefore, desire DGH to be more proactive in monitoring implementation of various targets by private companies. The Committee would also like to know the penalty imposed on these companies for their failure to achieve the approved drilling targets.
7	1.30	The Committee note that the various targets set for oil PSUs are

		finalised by a task force consisting of experts, representatives from Ministries and oil companies taking all relevant factors into account. After finalization of targets, MOUs are signed between oil PSUs and the Ministry. The Committee are however constrained to observe that these targets which are fixed with great deal of exercise are not taken seriously by the companies and most of the targets set during the last 3 years are not fulfilled with reasons cited which are often repetitive in nature. The Committee are of the view that with signing of MOUs between companies and Ministry, it become a commitment on part of companies to adhere to the targets. Therefore, any underachievement should be viewed seriously by the Ministry and suitable periodical corrective action should be taken to prevent shortfalls. The Committee, therefore, recommend the Ministry to impress on oil companies both NOC and private, the absolute necessity to achieve the targets set for them with all seriousness and undertake indepth analysis for the shortfall and corrective action taken thereto. In case of repeated shortfall some penal action may be considered against the defaulter companies.
8	1.37	The Committee are concerned to note the unsatisfactory performance of public/private companies in respect of Minimum Work Programme (MWP) and consistent delay in achieving drilling targets in 3D Acquisition, Processing and Interpretation. The yearly review of exploration activities of ONGC and OIL by DGH shows that there has been significant shortfall during last 5 years (2006-11) in achieving MWP by both ONGC and OIL. The Committee note the major reason for the shortfall was due to delay in drilling programme in various blocks owned by ONGC&OIL. The Committee observe that although DGH, a technical arm of the Ministry of Petroleum and Natural Gas have a strong monitoring mechanism involving relevant flow of information including periodical progress reports concerning fiscal, operational and related matters and carries out inspections and also holds review meetings with the Contractors and management from time to time, the upstream companies have failed to achieve MWP during the last 5 years. While expressing their displeasure, the Committee desire that Government/DGH should take necessary steps to ensure that these upstream companies expedite their exploration work and make sincere efforts towards at least completing the Minimum Work Programme assigned to them.
9	1.42	The Committee observe that during 2009-10 against the Budget Estimates of Rs. 2375.35 crore, the actual expenditure by OIL was Rs. 1556.86 crore. Further, the actual expenditure by OIL during 2010-11 was only Rs. 1241.17 crore up to December, 2010 against the Budget Estimates of Rs. 4464.98 crore and the Revised Estimates of 4212.98 crore which comes to 27.8% utilization during the first three quarters. The reasons for downward revision of Plan outlays in 2010-11 by OIL have been attributed to deferment of 2D seismic survey in Rajasthan on account of prioritization of area for 3D seismic survey and prolonged

		rainy season and also due to cyclonic storming KG onland block. Revision in drilling targets due to non-availability of chartered rigs, land acquisition problem, delayed movement of projects, and capital investments therein, etc. The Committee fail to understand as to why the reasons now cited by the Government could not be foreseen at Revised Estimate stage. The huge mismatch between the plan outlay and utilization by OIL during 2010-11, point towards systematic flaws in the planning and execution of work. The Committee also note from the outcome Budget document of Ministry that their Monitoring Cell independently monitors major projects being implemented by oil PSUs, covering all aspects from process design / basic engineering right up to completion stage. It generates a monthly report which brings out the current status of implementation of various projects along with the reasons for delay, if any. Critical areas which can impact the progress are also analysed. The Committee are constrained to note that despite the strict monitoring by the Ministry there has been large under utilization of funds. The Committee, therefore, recommend that the Government/DGH strengthen their monitoring mechanism to make it more effective and take all necessary steps to ensure that Budget estimates of Rs. 3180 crore for the year 2011-12 are fully utilized to achieve the set targets.
10	1.52	The Committee note that during NELP IX round, 34 exploration blocks were offered out of which 8 blocks were in deepwater, 7 blocks in shallow water and 11 blocks in onland, 8 type S-onland blocks. In all 74 bids were received for 33 blocks against 34 blocks offered. Out of 74 bids so received, there were single bids for 14 blocks and double bids for 10 blocks. In so far as the single bids are concerned, ONGC, OIL, HPCL, GAIL, BRPL bid for 11 blocks and the remaining 3 were bid by other companies. The Committee are informed that ONGC and OIL together or individually put in bids for 29 blocks in all and 8 foreign companies participated in the bids. In all out of the 33 blocks for which bids were received, 20 have gone to the private sector and 13 to the public sector. In comparison during NELP VIII round, out of 41 blocks for which Production Sharing Contracts were signed, 27 went to the Public Sector Companies and 14 went to the Private Sector Companies. Thus, the Committee feel that as compared to 7th round, the bidding of Private Companies in ninth round of NELP has certainly improved. The Committee feel that though a level playing field is assured to all companies participating in NELP rounds, yet one of the main objectives of NELP is to attract investment from the foreign and private players to increase exploration and production activity. The Committee, therefore, desire that the Government, while striving for attracting investment in exploration through successive rounds of NELP, should also remain vigilant in stringently monitoring the implementation of the terms and conditions of contract for exploration work, capital expenditure pattern being undertaken by the contractor so that the vital national asset like crude oil and natural gas is explored, produced and delivered in the best interests of the nation.

11	1.53	As regards blocks left out under NELP VIII, the Committee note that 24 deep water blocks were offered out of which bids were received for 8 blocks and were awarded. Explaining the reasons for not offering the remaining 16 blocks during NELP IX round, the Government has informed that these block fall in Kerala-Konkan and Andaman basins and these basins are frontier basins and there is less availability of data especially in western part of Andaman basin. The Committee failed to understand as to why these blocks were offered in the first place when the required data were not available. While expressing their displeasure, the Committee recommend that the DGH should take more proactive role and develop adequate data in respect of every basin by using the latest survey technology before carving out the blocks for offer under NELP.
12	1.54	The Committee have observed that a Company with rig resources gets no extra weightage in awarding the blocks in deepwater and under the Technical Capability of Bid Evaluation Criteria for NELP-VIII and NELP-IX, maximum 2 points are earmarked for drilling of deepwater exploratory wells during last 5 years and is one of the seven Technical Capability parameters which assess the Technical Capability of the Operator for award of deepwater blocks. In view of the scarcity of rig resources particularly in deep water areas and its consequent impact on drilling operations of companies, the Committee would like the Government to include the availability of rig resources, owned or chartered, with a company during the past 5 years as an important criterion in awarding of blocks in accordance with the best practices followed in other Countries.
13	1.78	The Committee note that in view of global shortage of drilling rigs and associated services, the Government announced a drilling moratorium of 3 years starting from 01.01.2008 to 31.12.2010 for 30 deep water blocks under the Production Sharing Contracts (PSC) regime signed up to NELP-V where drilling commitments (except for development drilling) were existing. Out of the 30 blocks for which moratorium was granted, 16 blocks belonged to ONGC, 13 to RIL and 1 to ENI. The Committee note with dismay that even after expiry of the rig moratorium policy on 31.12.2010, the ONGC has completed drilling commitment only in 6 blocks out of the 16 blocks and sought extension of time for 9 blocks. In the remaining 1 block the ONGC could not complete 5 appraisal wells and requested the Ministry /DGH that the number of appraisal wells should be 1 instead of 6. The position in the case of RIL is equally dismal as it could complete drilling commitment only in 6 blocks out of 13 blocks and sought extension for 6 blocks. In the remaining block, RIL could not complete 1 appraisal well and represented to the Government that appraisal wells should be 1 instead of 2 as provided in the moratorium policy. Without going into the technicalities of the rig holiday policy and extension policy, the Committee feel that companies which enter into PSC for exploration activities should plan the

		requirement of rigs and their availability in advance instead of explaining such problems in terms of demand and supply for rigs due to volatility of international oil market. It is a fact that international oil market is subject to frequent volatility due to increasing gap between demand and supply besides other unforeseen circumstances leading to disruption. The companies which are required to complete minimum work programme under PSC should be made to comply with the set parameters in a timely manner instead of granting rig holiday or extensions on one ground or other. The role of the Government and DGH acquire great significance in this area. The Committee feel that policy of exploration should not allow the companies to drag on the exploration commitments unless there are exceptional and justified circumstances. The Committee, therefore, urge the Government to make an indepth analysis of the policy framework in this regard to prevent such delays in order to achieve the objectives of NELP.
14	1.79	The Committee note that ONGC has a total of 88 rigs for onshore operations and 30 rigs for offshore operations. Out of the 36 offshore rigs, 27 are charter hired 9 are owned by ONGC. OIL have 10 in house and 5 charter hire drilling rigs for its operation in North East and one rig in Rajasthan and most of these rigs are operating for more than 20 to 30 years. The Committee are given to understand that ONGC has plans to acquire 10 onshore and 4 offshore jack up rigs to augment its rig resources while OIL has initiated action for purchase of 3 drilling rigs for its in house operations. The Committee note that the amounts spent on hiring drilling rigs for offshore operation by ONGC in 2007-08, 2008-09 and 2009-10 were Rs. 3550.59 crores, Rs. 6,243.39 crores and Rs. 8,493.68 crores respectively. While the charges spent on hiring of rigs for onshore operations for the said three years was Rs. 54.25 crore, Rs. 69.84 crore and Rs. 100.69 crores respectively. On the other hand, the proposed purchase price of 6 rigs in onshore and 4 rigs in offshore by ONGC was estimated at Rs. 795.72 crores and Rs. 3539 crore respectively. In this regard OIL has not indicated the amount spent on hiring of rigs during the said three year period but indicated the budget estimate for 2 drilling rigs of 2000 1 Hp capacity as Rs. 270 crores and for 1 drilling rig of 700 HP capacity as Rs. 70 crores respectively. In view of the increasing participation of ONGC and OIL in various rounds of NELP and consequent need for increased drilling activity and also the frequent volatility of international oil market resulting in abnormal variation in charges for hired rigs, the Committee feel that it would be prudent for the National Oil Companies (NOCs) participating in exploration of oil and gas to acquire as many rigs as possible as it would facilitate induction of new State of the art rigs, lessen the dependency on hired rigs and also enhance the hands on experience. The Committee, therefore, recommend that the NOC should workout a perspective plan in this regard at the earliest to acquire self sufficiency of rig resources.

15	1.80	The Committee note that idle rig months in respect of ONGC during the last three years i.e. 2007-08 to 2009-10 for ONGC was 55 months, 72.4 months and 94.3 months and amount lost consequently was Rs. 106 crores, Rs. 527 crore and Rs. 478 crore respectively. The reasons for such loss were waiting on weather/natural calamity, waiting on location/site which was mainly due to delay in land acquisition for the locations falling under tea garden. In the case of OIL, loss was explained in terms of idle rig days for the said three years for three categories of reasons such as environmental suffering of locational preparatory work for environmental reasons and non availability of charter hire rigs. The consequential financial loss was said to be Rs. 10.37 crore, Rs. 7.40 crore and Rs. 14.12 crores respectively for the years 2008-09, 2009-10 and 2010-11. The Committee are not convinced with the reasons such as waiting on location/ready site due to delay in land acquisition, bands etc because they could be factored in advance in any plan for deployment of rigs for drilling operations. Advancing the same reasons year after year for idle rigs months/days indicates absence of any systematic planning or enforcement of corrective measures to minimize such losses. The Committee, therefore, recommend that the NOCs take suitable corrective steps for efficient deployment of rigs in order to arrest the increasing trend of idle rig months/days and consequent financial losses in the years ahead.
16	1.91	The Committee appreciate the progress made by the ONGC Videsh Limited (OVL) from a meager production of just 0.253 Million Metric Tonne oil equivalent (MMTOE) in 2002-03, as OVL has come a long way and registered the highest ever production of 8.870 MMTOE oil and oil equivalent gas in 2009-10. The Committee find that C&AG in its report on purchase of Imperial Energy Corporation, Russia by OVL has revealed that all the wells drilled by OVL to produce oil are turning out to be dry and the company has reported to be running up a huge loss of Rs. 1182 crores due to unrealistic estimation of oil reserves. The Committee have noted that with reference to C&AG observation OVL has indicated that conclusion drawn by C&AG regarding OVL not being successful as an operator is not based on facts as 23 projects are still under exploration and exploration effort is 42% against the world wide average of about 36%. The Government have also stated that the exploration expenditure involves risk capital and cost of dry wells should not be considered as unfruitful expenditure as it proves or disproves the existence of hydrocarbons, therefore, expenditure incurred in survey and dry holes are investments for future. The Committee strongly feel that not only estimation of oil reserves was properly done but even the production potential and profile were not analysed which requires to be investigated. The Committee desire that all those blocks owned by the OVL should be studied and analysed with latest technologies so that production potential of these hydrocarbon reserves can be assessed properly and investment made in these blocks will not go in vain.
17	1.92	The Committee also note with serious concern that utilization of plan

		outlay by OVL during 2009-10 was very less in different projects acquired by the company. Against the revised estimates of Rs. 6620.85 crore in 2010-11, the actual utilization was only Rs. 3259.70 crore up to 31.12.2010. The Committee are not convinced with the various reasons cited by the OVL such as less utilization in new project, drilling of less number of wells against the plan in Russia and delay in clearance from Environmental Authority of Colombia etc. for under utilization. The Committee recommend that Government/OVL should take all necessary steps to utilize the fund earmarked for the particular year and adopt prudent measures before finalization of plan outlay by taking into account all the possible factors so that funds earmarked for the purpose are fully utilized. The Committee would like to be apprised of action taken by the Government in this regard.
18	1.97	The Committee note that PNGRB was set up by the Government on 1.10.2007 under the provision of PNGRB Act, 2006 with powers to regulate inter alia refining, processing, transportation, marketing and sale of petroleum and petroleum products in the downstream oil and gas sector. These powers of the Board don't extend to production of crude oil and natural gas. The Committee note with concern that the Board has not become fully functional as it is still trying to overcome the difficulties in the way of its establishment and stabilization. According to the Board, the main difficulties being faced in this process are the delayed notification of Section 16 of the Act which enable it to grant authorization for transportation of pipelines and CGD networks. The matter regarding notification of the Section is presently pending in the Supreme Court. Another problem is of getting required manpower with appropriate background and experience since the Board has not been given any flexibility to decide the number and nature of the manpower and their compensation packages. Therefore, the Board could not fill up 12 officer level posts out of the total 44 posts sanctioned by the Government. The third area of concern in the functioning of the PNGRB is about utilization of revenue generated by the Board by way of fee for grant of authorization for pipelines/CGD projects other charges etc. The Committee were informed that during the year 2008-09, 2009-10 and 2010-11, the PNGRB has received about Rs. 11.85 crore, Rs. 2.47 crore and Rs. 6.0 crore respectively towards application fee for grant of authorization etc. The Board has requested the Government to clarify whether it can utilize such revenue for its expenditure but there appears to be no confirmation on this point to the Board. Meanwhile, the Board is meeting its requirement of funds from grant-in-aid received from the Government. The Committee cannot but come to the inescapable conclusion that the above facts presently affecting the functioning of PNGRB present a sorry state of affairs for a Board entrusted with very significant regulatory duties in the down stream oil and gas sector. Besides, the Government is also considering amendment to the PNGRB Board to take away its safety related functions as the Board is thought to be saddled with too many functions. After giving careful consideration to all these aspects and the need for making the Board

		fully functional without further loss of time, the Committee recommend that the Government in consultation with PNGRB and other stake holders should resolve all the aforesaid problems and also make necessary amendment to the PNGRB Act, 2006 wherever required in a time bound manner to enable the Board to function effectively as an independent statutory regulator.
19	1.105	The Committee note that there is a serious overlap between OISD and PNGRB in so far as laying down of safety norms and standards are concerned. OISD which was set up by the Ministry of Petroleum and Natural Gas through a resolution in 1986 looks after safety in the entire hydrocarbon chain in upstream and downstream sector viz oil exploration and production, petroleum refining, petroleum marketing and distribution, pipelines and gas processing plants. On the other hand, the PNGRB which is a statutory body was set up on 01.10.2007 under the provision of PNGRB Act, 2006 and is empowered to lay down by regulations the technical standards and specification including safety standards relating to petroleum petroleum products and natural gas, construction and operation of pipeline and infrastructure projects related to down stream sector. The Committee are also informed by the Ministry of Petroleum and natural Gas that the PNGRB is saddled with too many functions and it would be prudent to strengthen OISD by granting statutory status. The proposal would enable the OISD to comprehensively address safety and technical standards and specifications for entire oil and gas sector. The Committee note with concern that the Government has not been able to visualize and sort out the issues of jurisdictional overlap between OISD and PNGRB when the Bill for setting up of the PNGRB was brought before Parliament. The Committee feel that it is not desirable to have two sets of bodies for regulating safety standards etc in the down stream sector. At the same time, the Committee are of the opinion that it is imperative to give OISD statutory status to enable the OISD to work effectively and independently in the area of safety standards and their enforcement in the entire oil and gas sectors because the OISD in its present form as an arm of the Ministry of Petroleum and Natural Gas with no statutory powers can't be expected to enforce the safety standards as vigorously as is desirable. Though more than $3^{1/2}$ years have elapsed from the date of setting up of PNGRB, the Government is still in the process of consultation or consideration on giving statutory status to OISD and making necessary amendments to the PNGRB Act, 2006. Considering the need and urgency for maintenance of uniform and effective standards in oil and gas sectors in India, the Committee recommend that the Government should bring suitable legislation to give statutory status to OISD without further delay.
20	1.106	The Committee observe that the findings of the audit and inspection conducted by OISD indicate non-compliance of safety norms by oil installations which are of common nature and not specific to any oil company. In respect of refineries and gas processing plants, the

		deficiencies are related to lay out, fire fighting facilities and a few process hardware not conforming to norms in case of Old Refineries, incomplete updation of Standard Operating Procedures, non-compliance of Risk Mitigation Measures as identified in the risk analysis. As regards the pipelines network, the Committee note that non-compliance was limited to a few Statutory Norms, standards / guidelines prescribed by OISD in case of old pipelines mainly in the areas of Intelligent pigging, coating survey, work permit system etc., incomplete updation of Standard Operating Procedures are generally found at oil installation which are not complied by the companies. The Committee also note with concern that there are deficiencies in maintenance and operation of fire fighting system at marketing installations and onshore and offshore (exploration and production) wells of ONGC and OIL. In view of the recent accidents which have taken place at oil installations like Jaipur and Mumbai, the Committee recommend that Government should take necessary steps to strictly deal with non-compliance of safety norms by oil companies by fixing responsibility on service officers for all acts of omission and commission.
21	1.117	The Committee observe that in order to ensure effective & efficient operation & control of gas pipelines and uninterrupted supply of natural gas, dedicated captive telecom network has been implemented for providing voice & real-time data communication facilities at all manned & unmanned remote pipeline locations of GAIL and with technological advancement from time to time, Optical Fibre Cable network was built along pipelines. The Committee were given to understand that GAIL having the advantage of right of way (RoW) and significant optic fibre assets along gas pipelines, was identified as one of the utility public sector companies as a potential infrastructure provider under the National Telecom Policy. The Committee further noted that GAIL has a reach of around 13027 km of OFC network along GAIL's reliable cross Country pipelines (5681 km) and state/national highway routes (7346 km), connecting around 150 towns/cities. Additionally, implementation of new OFC network (totaling ~ about 5200 km) has been envisaged along upcoming cross-Country pipeline networks. The Committee note that for profitability and diversifying their business, GAILTEL has started to lease out OFC infrastructure to various public/private telecom operators. However, the Committee noted that GAILTEL has leased out OFC infrastructure on short-term contracts to various customers so far and no long-term contract was given to any company. The Committee strongly feel that GAILTEL should not be seen as a mere leasing out entity rather it should try to take up the task by its own and complete it. Even if GAILTEL is required to go for leasing out, it should always try to go for the long term contracts, rather than opting for the short ones as duration of the contract is also a criteria for offering discounts by telecom vendors.
22	1.118	The Committee also feel that the revenue earned by GAILTEL during

		the last five years is not more than Rs. 28.60 crore and even the target set for financial year 2011-12 i.e. Rs. 8.25 crore is not very encouraging. The Committee are given to understand that the revenue generation from GAILTEL business has gone down due to intense competition as other companies have kept the rate below the rates approved by TRAI. The Committee also note that all the service providers are now creating their own infrastructure laying their own optical fibre cable. With the 3G licenses coming up GAIL hope that demand of optical fibre cable will increase as they need larger bandwidths with a corresponding increase in revenue in future. Therefore, the Committee desire that since GAIL has entered into telecom business as infrastructure provider (IP-II) licence, it should try to establish GAILTEL as a standalone subsidiary and enter into the telecom business with the advantage of Right of Way and significant optic fibers as an independent telecom operator. It would be not only competitive from market point of view but also increase revenue from its telecom business.
23	1.129	The Committee observe that so far CBM reserves of about 8.92 trillion cubic feet has been established in 5 CBM blocks and according to the Ministry of Petroleum and Natural Gas, the likely time requirement for full development to reach peak production level is generally 5 to 6 years from the start of development activities. The Committee, however, noted with concern that while 16 blocks were awarded to different companies by the end of 2^{nd} round of CBM held in 2004, the commercial production of CBM has started only from one block i.e. Raniganj (South) in West Bengal operated by M/s GEECL in July 2007 and there is no additional production from any block during the last 4 years. The Committee further observe that cumulative production of CBM gas in 2010-11 was 36.19 MMSCM from April 2010 to February 2011, which is very insignificant in comparison to established reserves. The Committee are dismayed to note that even the minimum work programme for blocks like Raniganj East (West Bengal) entrusted to Essar Oil in 2002 is not completed. Similary, Sohagpur (Chattisgarh) SP(E)CBM-2001 amd SP(W) CBM-2001 are still at developmental stage even after total expenditure of Rs. 177.83 with committed investment of Rs. 55.80 crore. The Committee also view with serious concern that as regards BK-CBM-2001/1 (Bokaro) awarded to ONGC in 2002, against the commited investment of Rs.65.70 crore, the actual are Rs. 43.02 crore and the field development plan of the block is still under examination by DGH. The Committee further observe that ONGC has incurred a cumulative investment of Rs. 591.27 crore in 9 CBM block awarded to it and only one block i.e. Jharia had witnessed incidental test production since 2002. While expressing their dissatisfaction over the very low CBM production in the Country since the awarding of blocks in 2001, the Committee cannot but deplore the way the Government/DGH is monitoring the exploitation of CBM reserves in the Country. The Committee desire that Government/Oil PSUs to make an indepth analysis of the reasons for scanty production from these reservoirs and take concrete and corrective action including application

		and import of new advanced exploration technologies and technical knowhow, if necessary.
24	1.130	The Committee further observe that out of 33 blocks, Government has not yet issued Petroleum Exploration License (PEL) in 9 blocks viz RM(E)-CBM-2008/IV, ST-CBM-2008/IV, SP(NE)-CBM-2008/IV blocks, KG-CBM-2005/III operated by Geo Petrol, GV(N)-CBM-2005/III owned by coal gas in Jharkhand, Madhya Pradesh, Chattisgarh and Andhra Pradesh respectively. The Committee recommend that the Ministry of Petroleum and Natural Gas and DGH should take proactive steps in consultation with State Governments concerned to ensure issue of Petroleum Exploration Licenses expeditiously. The Committee would like to be apprised of the action taken in this regard.
25	1.138	The Committee are given to understand that there are huge prospects of reservoirs of gas hydrate in the Country and the total prognosticated gas resource from the gas hydrates is placed at 1894 TCM. The Committee note that Government of India formulated a National Gas Hydrate Programme (NGHP) in 1997 for exploration and development of gas hydrates resources of the Country. The Committee further note that reconnaissance surveys which were carried out by DGH in the East Coast and Andaman Deepwater areas in 1997 deciphered the most promising areas for Gas Hydrates and after establishing the presence of gas hydrate in the KG, Mahanadi & Andaman offshore deepwater areas of the Indian offshore and seeing the commercial nature of interest in the exploration & exploitation of Methane from Gas hydrates, the NGHP has adopted a strategy to concentrate on the KG deep water area of the Indian Offshore and to emphasize in the R&D of development of technology for the commercial exploitation of methane from gas hydrate. The Gas Hydrates have huge energy resource of gas i.e. one cubic metre of gas hydrates contain 164 cubic metre of methane. In view of above, the Committee feel that Gas Hydrates as an alternate energy resource has great potential and research and development programme in this area should be intensified. Accordingly, the Committee understand that from 1997 to 2011, Government has already made an expenditure of about Rs. 212.94 crores on delineation and resource estimation studies for the Gas hydrates. The Committee feel that there should have been a road map or time bound plan to at least evaluate gas hydrates both for its quantum and technical recovery in commercial quantity before going in for commercial production. The Committee desire that Government should complete the technical evaluation and make efforts to bring required technologies to extract methane from gas hydrates through collaboration with advance Countries like USA & Japan who are also into these research areas in time bound manner and investment should also be made on evolving or bringing required technologies to extract methane from gas hydrates reservoirs already identified in the Country.
26	1.145	The Committee have observed that currently shale gas is being

		commercially produced in USA constituting about 17% of total gas production of US and Canada and a few European countries have taken up Shale gas resource assessment/exploration activities. The Committee note that the Government have initiated the process of Shale gas resource assessment and identification of prospective area for Shale gas exploration and an MoU between Government of India and Department of States, USA has been signed for co-operation in the area of Shale gas. The Committee have also noted that the required technology for shale gas exploration/exploitation such as drilling of horizontal wells, multi-stage hydro facturing etc are available in the Country. The Committee appreciate the fact that Government is making efforts to identify prospective reserves of shale gas in the Country and as part of the R&D Project ONGC has drilled a shale gas well in Ichapur area in Raniganj, north CBM blocks in West Bengal. In view of this development, the Committee desire that the Government should make all out efforts to develop this native source of alternate fuel and the areas or concern related to production of shale gas, i.e. environment impact of production of shale gas and need of huge quantity of water for fractionation of rocks should be addressed at the earliest so that after making huge investments in term of money and efforts in the project would not go in vain due to these problems..
27	1.150	The Committee note that ONGC has signed an Agreement of collaboration (AOC) with Skochinsky Institute of Mining, Russia on 25th November 2004 for underground coal gasification which is valid till 24th November, 2011 and also signed MOUs with major coal/lignite companies of India viz. Coal India Ltd. (CIL), Neyveli Lignite Corporation Ltd. (NLC), Gujarat Mineral Development Corporation ltd. (GMDC), Gujarat Industries Power Company Ltd. (GIPCL) etc. for Underground Coal Gasification (UCG) projects. The Committee understand that the project implementation envisages different stages from site selection to construction of UCG pilot to complete the project. In regard to statutory clearance the Committee are surprised to note that application for Mining lease which was filed by GIPCL (Gujarat Industries Power Company Limited) on November 16, 2006 to Ministry of Coal is still pending even after 4$^{1/2}$ years and environmental clearance from the Ministry of Environment and Forest has been obtained only in the month of February, 2010. The Committee express their grave concern over poor implementation of the UCG projects and recommend that Government should fix a realistic time schedule for every stage of the UCG projects and monitor them regularly to prevent delays and consequent cost overrun in implementation of such important projects as UCG. The Committee would also like to be apprised of the action plans chalked out by the Government/NOC in this regard to put the pending UCG project on fast tract to achieve the projected targets.
28	1.156	The Committee note that Ministry of Petroleum and Natural Gas has set up a Hydrogen Corpus Fund (HCF) in 2004 for promoting hydrogen as transport fuel to accelerate the development and utilization of hydrogen energy. However notmuch headway has been made in production,

		storage and distribution of hydrogen except setting up of a dispensing station in New Delhi by IOC R&D in collaboration with Ministry of New and Renewable Energy and the demonstration project on use of Hydrogen CNG blends in Automotive vehicles after 7 years of initiation of the project. The Committee express their unhappiness that even after lapse of 8 years no tangible progress has been made and, therefore, recommend that the Government should chalk out a plan to ensure that all the identified R&D projects are initiated and completed in a given time frame. The Committee strongly urge the Government to make sincere efforts to bring the technology already developed in the world and further R&D activities should only be restricted to the trial of these technologies. Although the Government have stated that commercial utilization of Hydrogen and HCNG will depend upon the cost economics of hydrogen production, the Committee would also like to be apprised of the likely cost of production of hydrogen and at the same time desire that development of large scale photocatalystic processing modular reactors for hydrogen production which are under progress by IOC R&D centre and Banaras Hindu University should be expedited at the earliest.

NOTE OF DISSENT

My note of dissent in the Report on Demands for Grants (2011-12) is being submitted as hereunder:-

1 In Para 1.20, in 8th line

After "…….at subsidized rate to all consumers," following be inserted in continuation…..

'the Committee strongly oppose such proposal for restricting four cylinders during a year for delivery at subsidized rate.'

Then a new sentence may begin with

'The Committee strongly feel that……

2 In para 1.20, in line 11-12 the sentence 'having an income of more than 6 lakh per annum' be deleted.

The basic point is that limiting delivery of "four cylinders in a year at subsidized prices" is prohibitingly restrictive it being less than even twenty percent of the annual cooking fuel requirement of a standard Indian family among the poor/lower middle class strata on the average.

Secondly, the income ceiling of Rs. 6 lakh per annum is too low as would exclude a large sector of wage earners, workers and employees from the cooking fuel subsidy coverage. It may be noted that these section of wage earners do not have either intention or avenue generally to conceal their income like the "profit-earners".

3 After present para 1.20, the following be added as a separate para

Further, in order to address the problem of burden on the OMCs as well as the volatility of prices in the international market, the Committee reiterates its earlier recommendation for a) doing away with the import duty on crude oil, b) rationalization of other taxes on petroleum products and c) formation of a price-stabilization fund out of the cess charged on ONGC and OIL.

4 Following para may also be inserted in appropriate place:

The Committee notes that the reply given by ONGC through the Ministry in the matter of not exercising its preemptive right on proposed transaction between Cairn (India) and Vedanta is not convincing enough. In view of the potential of the oil-fields in Rajasthan under Cairn(India) to produce 2,40,000 barrels of crude oil per day, which is about half of ONGC's present domestic production, this valuable asset should not be allowed to be taken over by a company having no exposure, experience and expertise in exploration and production of oil. The Committee, therefore, is of the opinion that ONGC should review its Board decision taken in January 2011 in view of present global crude oil price as well as the intangible assets inbuilt in the concerned oil fields, in the interests of country's energy security.

Sd/
Shri Tapan Sen
28.6.2011 & 8.7.2011

PART II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE SECOND REPORT OF THE COMMITTEE ON DEMANDS FOR GRANTS (2010-11) OF MINISTRY OF PETROLEUM & NATURAL GAS

The Standing committee on Petroleum & Natural Gas presented their Second Report (Fifteenth Lok Sabha) on 'Demands for Grants of the Ministry of Petroleum & Natural Gas' for the year 2010-11 on 22.04.2010. The Report contained 25 observations/recommendations. In compliance of Direction 73A of the Directions by the Speaker, the Minister of Petroleum and Natural Gas made a statement in Lok Sabha on 02.12.2010 giving the status of implementation of the recommendations made by the Committee in their 2nd Report (Fifteenth Lok Sabha). As per the Minister's statement, all the recommendations contained in the 2nd Report on Demands for Grants of the Ministry of Petroleum and Natural Gas for the year 2010-11 were accepted by the Government which were under different stages of implementation. Based on the Action Taken Replies received from the Ministry of Petroleum and Natural Gas on the above mentioned Report, the Committee presented their 7th Action Taken Report (Fifteenth Lok Sabha) to the House on 08.03.2011. In their Action Taken Report, the Committee brought out that out of the 25 Observations/Recommendations contained in the Second Report, 9 Observations/Recommendations were accepted by the Government. The Committee did not desire to pursue 6 recommendations as the reply given by the Government was considered satisfactory. In respect of 5 recommendations final replies of the Government were awaited. The replies of the Government in respect of 5 Recommendations were not accepted by the Committee and these were reiterated for implementation by the Government.

2. The areas related to these 5 recommendations which were reiterated are as follows:-

(i) Delay in land acquisition for Rajiv Gandhi Institute of Petroleum Technology in Rae Bareli, Uttar Pradesh.

(ii) Non -adherence of principles of prudent financial management by Centre of High Technology.

(iii) Consistent shortfall in achieving the oil production targets by major upstream PSUs/Private Joint Venture Companies and non- achievement of targets in gas production by private companies.

(iv) Delay in refill supply by LPG distributors.

(v) Extension of CNG network in the remaining States/UT.

PART-III

ANNEXURE-I

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2010-11)

EIGHTH SITTING

(05.04.2011)

The Committee sat on Tuesday, the 5th April 2011 from 1100 hrs. to 1315 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Ramesh Bais
4 Smt. Santosh Chowdhary
5 Dr. Ratna De
6 Shri Mukesh B. Gadhvi
7 Shri Dilipkumar Mansukhlal Gandhi
8 Shri Gorakh Prasad Jaiswal
9 Shri Sudarshan Bhagat
10 Dr. Thokchom Meinya
11 Shri Mahabal Mishra
12 Shri Danve Raosaheb Patil
13 Shri K. Narayan Rao
14 Shri Om Prakash Yadav

Rajya Sabha

15 Shri Vijay Kumar Rupani
16 Shri Tapan Kumar Sen
17 Prof. Ram Gopal Yadav
18 Dr. Prabha Thakur
19 Smt. Gundu Sudharani
20 Shri Sabir ali

Secretariat

1.	Shri A.K.Singh	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri J.V.G. Reddy	-	Additional Director
4.	Shri Arvind Sharma	-	Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri S.Sundareshan	-	Secretary
2.	Shri P.K. Sinha	-	Special Secretary
3.	Shri Sudhir Bhargava	-	Additional Secretary
4.	Shri Apurva Chandra	-	Joint Secretary (M)
5.	Shri D.N. Narasimha Raju	-	Joint Secretary
6.	Shri L.N. Gupta	-	Joint Secretary
7.	Shri Vivek Kumar	-	Joint Secretary
8.	Dr. Achana Mathur	-	Economic Advisor

Representatives of Public Sector Undertakings and other organizations

1.	Shri A.K. Hazarika	-	C&MD, ONGC
2.	Shri N.M. Borah	-	C&MD, OIL
3.	Shri R.S. Butola	-	Chairman, IOCL
4.	Shri B.C. Tripathi	-	C&MD, GAIL
5.	Shri S. Roy Chowdhury	-	C&MD, HPCL
6.	Shri R.K. Singh	-	C&MD, BPCL
7.	Shri A.K. Purwaha	-	C&MD, EIL
8.	Shri Arun Kumar	-	Secretary, OIDB
9.	Shri S.K. Srivastava	-	Director General, DGH
10.	Shri D.N. Reddy	-	President, RGIPT
11.	Shri J. Thomas	-	Director, OVL
12.	Shri D. Basu	-	MD, Biecco Lawrie & Co. Ltd.
13.	Shri B. Mohanty	-	Director, PPAC
14.	Shri K. Subramanian	-	Director, Balmer Lawrie and Co. Ltd.
15.	Shri Rajan K. Pillai	-	CEO, ISPRL

2. At the outset, Hon'ble Chairman welcomed the Secretary, Ministry of Petroleum and Natural Gas and accompanying officials of the Ministry and Public Sector Undertakings to the sitting of the Committee held in connection with examination of Demands for Grants (2011-12) of the Ministry.

3. Thereafter, the Secretary, Ministry of Petroleum and Natural Gas made introductory remarks about various activities and achievements of the Ministry and the companies under its administrative control with special reference to Demands for Grants (2011-12) of the Ministry and Plan outlays of the oil PSUs.

4. The Committee then discussed a number of issues in connection with examination of DFG (2011-12) of the Ministry. The major issues discussed were shortfall in both developmental and exploratory drilling targets, availability and hiring of rigs, efforts made by the Government to overcome the problem of under-utilization of capacity of North-East refineries, functioning of OISD vis-à-vis PNGRB, Strategy for development of alternate sources of natural gas viz. Coal Bed Methane, Shale Gas, Gas Hydrate etc. and progress achieved in this regard, reasons for delay in implementation of scheme for LPG connections for BPL families launched during 2010-11, implementation of Rajeev Gandhi Gramin LPG Vitrak Scheme, issues related to success of NELP rounds, fuel and non-fuel components of petroleum products, need for zero import duty on crude oil and reduced excise duty on petroleum products, production performance of the upstream companies, acquisition of assets by ONGC Videsh Limited (OVL) and their valuation, royalty issue of ONGC over Cairn-Vedanta deal, valuation of KG D-6 block and proposed sale of 30% share by Reliance Industries to British petroleum, Oil Marketing Companies in the oil exploration sector, etc.

4. The clarifications sought by the Members on various issues relating to the subject were responded to by the representatives of the Ministry. However, on some of the issues to which replies were not readily available, the Chairman directed the Secretary to submit the required information within a fortnight.

5. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

ANNEXURE-II

MINUTES
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2010-11)

ELEVENTH SITTING

(20.6.2011)

The Committee sat on Monday, the 20th June, 2011 from 1100 hrs. to 1430 hrs. in Committee Room "D", Parliament House Annexe, New Delhi.

PRESENT

Shri Aruna Kumar Vundavalli - Chairman

MEMBERS

Lok Sabha

2 Shri Anandrao Adsul
3 Shri Ramesh Bais
4 Dr. Ratna De
5 Shri Mukesh B. Gadhvi
6 Shri Dilipkumar Mansukhlal Gandhi
7 Shri Maheshwar Hazari
8 Shri Gorakh Prasad Jaiswal
9 Shri Sudarshan Bhagat
10 Shri Vikrambhai A. Madam
11 Dr. Thokchom Meinya
12 Shri Mahabal Mishra
13 Shri Danve Raosaheb Patil
14 Shri C.L. Ruala
15 Shir A.K.S. Vijayan
16 Shri Om Prakash Yadav

Rajya Sabha

17 Shri Sillvius Condpan
18 Shri Vijay Kumar Rupani
19 Shri Tapan Kumar Sen
20 Prof. Ram Gopal Yadav
21 Dr. Prabha Thakur
22 Shri Sabir Ali

Secretariat

1.	Shri A.K. Singh	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri Arvind Sharma	-	Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas

1.	Shri G.C.Chaturvedi	-	Secretary
2.	Shri Sudhir Bhargava	-	Additional Secretary
3.	Shri L.N.Gupta	-	Joint Secretary
4.	Shri Apurva Chandra	-	Joint Secretary

<u>Ministry of Road Transport and Highways</u>

1.	Shri Anand Prakash	-	Director

<u>Ministry of Heavy Industries and Public Enterprises</u>

1.	Shri Sushil Lakra	-	Industrial Advisor

<u>Ministry of Environment and Forests</u>

1.	Shri R.K.Suri	-	Director

Representatives of Public Sector Undertakings and other organizations

1.	Shri S. Roy Chowdhury	-	C&MD, HPCL
2.	Shri R.K. Singh	-	C&MD, BPCL
3.	Shri B. Mohanty	-	Director, PPAC
4.	Shri B.N.Bankapur	-	Director (Refineries), IOCL
5.	Shri G.C.Daga	-	Director (Mkt), IOCL
6.	Shri R.K.Malhotra	-	Director (R&D), IOCL
7.	Shri K. Murali	-	Director (Refineries), HPCL

2. ** ** ** ** ** ** ** ** ** ** **
3. ** ** ** ** ** ** ** ** ** ** **
4. ** ** ** ** ** ** ** ** ** ** **
5. ** ** ** ** ** ** ** ** ** ** **
6. ** ** ** ** ** ** ** ** ** ** **
7. ** ** ** ** ** ** ** ** ** ** **

8. The Committee then considered and adopted draft Report on Demands for Grants (2011-12) of Ministry of Petroleum and Natural Gas with following modifications:-

(i) **In Para 1.20, for** "people in higher/middle income bracket including those holding constitutional posts, public representatives like MPs, MLAs/MLC officials in Government, public and private sectors etc. The Committee are of the firm opinion that such an initiative by the Government will not only help in reducing under-recoveries of the OMCs on account of subsidized LPG distribution but will also help the Government to expand its LPG distribution to the rural people who are more in the need of this clean fuel"

substitute "rich and affluent people having an income of more than Rs. 6 Lakh per annum including those holding constitutional posts, public representatives like MPs, MLAs/MLCs. The Committee are of the firm opinion that such an initiative by the Government will help to expand its subsidized LPG distribution to the rural people who are more in the need of this clean fuel".

(ii) **In Para 1.52, for** "The Committee feel that though a level playing field is assured to all companies participating in NELP rounds, yet one of the main objectives of NELP is to attract investment from the foreign and private players to increase exploration and production activity. The Committee, therefore, desire that to attract investment from sources other than Indian PSUs, the terms and conditions of NELP should be made attractive for greater competition and participation of private players in future rounds of bidding in line with the best practices available in the other Countries"

substitute "The Committee, therefore, desire that the Government, while striving for attracting investment in exploration through successive rounds of NELP, should also remain vigilant in stringently monitoring the implementation of the terms and conditions of contract for exploration work, capital expenditure pattern being undertaken by the contractor so that the vital national asset like crude oil and natural gas is explored, produced and delivered in the best interests of the nation".

9. The Committee authorised the Chairman to finalise the Report in the light of consequential changes, if any, arising out of the factual verification of the Report by the Ministry and present the same to both Houses of Parliament.

The Committee then adjourned.

** Matter not related to this Report.