

**OIL AND NATURAL GAS CORPORATION
LIMITED—LOSS
CRUDE CONTAMINATED
SEDIMENTS AND
ABOVE THE NO**

151.15th Lok Sabha
Committee on Public
Undertaking ✓
Report No.- 9,10,14, to 16,18
Medium English

MINISTRY OF PETROLEUM AND NATURAL GAS

**COMMITTEE ON
PUBLIC UNDERTAKINGS
2010-2011**

FIFTEENTH LOK SABHA

**LOK SABHA SECRETARIAT
NEW DELHI**

NINTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS
(2010-2011)

(FIFTEENTH LOK SABHA)

**OIL AND NATURAL GAS CORPORATION LIMITED—LOSS DUE TO
SALE OF CRUDE CONTAINING BASIC SEDIMENTS AND WATER CONTENT
ABOVE THE NORMS**

(MINISTRY OF PETROLEUM & NATURAL GAS)

*[Action Taken by the Government on the recommendations contained in the
Thirty-Second Report (14th Lok Sabha) on Oil and Natural Gas Corporation
Limited—Loss due to Sale of Crude Containing Basic Sediments and
Water content above the norms based on Para 14.7.1 of the
Report on Union Government (Commercial) of the C&AG
of India No. 11 CA of 2008.]*



Presented to Lok Sabha on.....
Laid in Rajya Sabha on.....

31 AUG 2010

LOK SABHA SECRETARIAT
NEW DELHI

June, 2010/Jyaishta 1932 (Saka)

CPUNo. 942

Price: Rs. 25/-

© 2010 BY LOK SABHA SECRETARIAT

Published under Rule 382 of the Rules of Procedure and conduct of Business in Lok Sabha (Fourteenth Edition) and printed by the General Manager, Government of India Press, Minto Road, New Delhi-110002.

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE (2010-2011)	(iii)
INTRODUCTION	(v)
REPORT.....	1
APPENDIX	
I. Minutes of the sitting of Committee on Public Undertakings	14

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKING.
(2010-2011)

Shri V. Kishore Chandra S. Deo — *Chairman*

MEMBERS

Lok Sabha

2. Shri K.C. Singh 'Baba'
3. Shri Ramesh Bais
4. Shri Ambica Banerjee
5. Shri Hemanand Biswal
6. Shri Anant Kumar Hegde
7. Shri Shallendra Kumar
8. Shri Bajjayant Panda
9. Shri L. Rajagopal
10. Shri Nama Nageswara Rao
11. Chaudhary Lal Singh
12. Shri Ganesh Singh
13. Shri N. Dharam Singh
14. Shri Rajiv Ranjan Singh *alias* Lalan Singh
15. Shri Bhimsa Shankar *alias* Kushal Tiwari

Rajya Sabha

16. Shri Birendra Prasad Balshya
17. Shri Naresh Gujral
18. Shri Prakash Javadekar
19. Shri Bharatkumar Raut
20. Ms. Mabel Rebello
21. Dr. T. Subbarami Reddy
22. Shri Tapan Kumar Sen

SECRETARIAT

1. Shri J.P. Sharma — *Joint Secretary*
2. Shri Ajay Kumar Garg — *Additional Director*
3. Shri Paoliental Haokip — *Under Secretary*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this—Ninth Report on Action Taken by the Government on the recommendations contained in the Thirty-Second Report (14th Lok Sabha) on Oil and Natural Gas Corporation Limited—Loss due to Sale of Crude Containing Basic Sediments and Water Content above the norms based on Para 14.7.1 of the Report on Union Government (Commercial) of the C&AG of India No. 11CA 2008.

2. The Thirty-second Report of the Committee on Public Undertakings (2008-2009) was presented to Lok Sabha on 16th December, 2008. Action Taken Replies of the Government to the recommendations contained in the Report duly vetted by C&AG were received on 4th June, 2010. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 11th June, 2010. The Minutes of the sitting are given in Appendix-I.

3. An analysis of the action taken by the Government on the recommendations contained in the Seventh Report of the Committee is given in Appendix-II.

NEW DELHI;
11 June, 2010

21 Jyaishta, 1932 (Saka)

V. KISHORE CHANDRA S. DEO,
Chairman,
Committee on Public Undertakings.

REPORT

This report of the Committee deals with the action taken by the Government on the recommendations contained in the Thirty-second Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings which was presented to Lok Sabha on 16.12.2008.

Action taken notes have been received from the Government in respect of the recommendations contained in the report. The report had two recommendations both of which have been addressed by the Government in their action taken notes. However, C&AG have observed that some of the claims of the Government in their action taken notes are yet to be accomplished. The Ministry have also commented on these remarks of the C&AG. The Comments of the Committee after careful consideration of the comments of the Ministry on the remarks of the C&AG, are presented in this report.

In the original report, the Committee had observed and recommended on two aspects as given below:

Recommendation No. 1

Delay in Facility Upgrade

The Committee note that after dismantling of the Administered Price Mechanism (APM) with effect from 1st April, 2002, the Oil and Natural Gas Corporation Limited (ONGC) entered into a Memorandum of Understanding (MoU) with Indian Oil Corporation Limited (IOCL) in February, 2003 for sale of crude oil valid for April, 2002 to March, 2004. The MoU stipulated that the sale price was subject to discounts at slab rates if the crude oil supplied by ONGC contained basic sediments and water (BSW) above 0.2 per cent by volume. In this regard, the Committee note that prior to the signing of this MoU, the ONGC had infrastructure facilities to contain BSW content only to 1 per cent per unit volume. The contention of the Audit is that though the said MoU required BSW content less than 0.2% for realizing full sale price, the ONGC failed to timely upgrade its facilities to meet this requirement leading to supplies of crude oil to IOCL exceeding the benchmark of 0.2% thereby resulting in a loss of revenue of Rs. 96.96 Crore to ONGC by way of discounts to IOCL during April, 2004 to October, 2007.

As per the justification put forth by the ONGC, the Committee note that Company initiated the action immediately after signing the MoU to achieve the stipulated BSW norms for realizing the full price of the crude. The Committee have been informed that efforts have continuously been made by the company to upgrade their desalting, filtering and tanking facilities to achieve the international norm of 0.2 per cent BSW content in the crude oil. In this regard, the Committee further note that as per the latest position, the BSW level in the other assets of the company barring Assam have largely been contained to 0.2 per cent and below. As regards the financial loss incurred by the Company because of discounts given to IOCL on account of supplying crude with

higher BSW content, the Company has tried to justify the same by terming it as a notional loss only. According to the Company representatives during their deposition before the Committee, by offering such discounts the Company was able to bargain and get international parity price for the crude which was much higher than the crude oil price under the APM regime. Thus, it turned out to be a profitable proposition for ONGC to allow discounts particularly in view of the fact that upgradation or creation of infrastructure facilities for bringing down the BSW are long drawn processes integrated with many other process facilities involving huge investments.

After careful consideration of the Audit objections and the justification furnished by the Company, the Committee while giving some weightage to macro economic considerations adopted by the Company, feel that despite claiming to have taken steps to upgrade their facilities for reducing the presence of basic sediments and water to below 0.2 per cent, ONGC has not made adequate and timely efforts. This is evident from the fact that now even after a lapse of 5 years from the date of signing the MoU in February, 2003, some of the facilities of the Company have yet to achieve the desired international norm of BSW content. The Committee are of the opinion that having committed themselves to the task of attaining a BSW level of 0.2 per cent, and that being the global norm, ONGC could have acted more promptly in upgrading their facilities to meet the stipulated quality of crude oil. The Committee, therefore, recommend that the Company should enhance their efforts to achieve the desired BSW level uniformly across all its assets within the shortest possible duration and apprise the Committee of the progress made.

Reply of the Government

ONGC has initiated various efforts on reducing BS&W of crude oil as listed in *Annexure-I* attached herewith. As a result, BS&W of crude oil from all Assets of ONGC have been brought down considerably as seen in *Annexure-II* attached herewith. However, Assam and South Gujarat fields being very old, water cut in the produced well fluids of these fields have gone up substantially which is of the order of 75%.

Major revamping of process facilities at Assam Asset is being carried out as a part of "Assam Renewal Project (ARP)". Jobs under ARP have already been awarded in March, 2009. Since the project encompasses many aspects of field development, these jobs are expected to be completed by 2013. Similar efforts are being made to bring down BS&W of South Gujarat crude.

Asset-wise Details of Facility Upgrade for Control of BS&W in Crude Oil

Sl. No.	Asset/Basin	Facilities Installed	Facilities Planned/Under Implementation	Remarks
1.	Ahmedabad Asset	Construction of one (5th) 30000 M ³ Crude Storage Tank at Nawagam Desalter	Construction of one (6th) 30000 M ³ Crude Storage Tank at Nawagam Desalter Plant Additional 3 Desalting Vessels at Nawagam Desalter Plant Installation of 27 Tube Bundles at Nawagam Desalter (3 trains X 9 tubes each)	Commissioned on 16.5.2008 Awarded to M/s Bridge & Roof India, Kolkata (NOA: 2.6.2008, EDC: Sep. 09, Awarded to M/s Sai Rama Engineering NOA: 14.2.2008, EDC: 14.2.2008 Awarded to M/s BK Engineering NOA: 4.6.2008, EDC: One train completed on June 8, 2009, second train completed on July 03, 2009, third train expected by mid Aug. 2009
2.	Mehsana Asset	Two 10000 M ³ Tanks commissioned in May 07 One 10000 M ³ tank commissioned in Nov. 07	Construction of four 10000 M ³ tanks planned at Mehsana CTF-Under tendering process	Common facilities created at Nawagam Desalter Plant
3.	Ankleshwar Asset CPF Gandhar	Three Heater Treaters installed in Nov. 08	To replace Gas fired heater by steam heater Two additional wash tanks of 5000 M ³ each planned	LOI placed on M/s Tata Projects, EDC: 25.07.09
	CTF Ankleshwar	Two Heater Treaters commissioned		
	GGs Padra		Centralized Treatment facility planned near Padra/Dabka to treat crude from Ankleshwar and Cambay Sub Asset	

Sl. No.	Asset/Basin	Facilities Installed	Facilities Planned/Under Implementation	Remarks
4.	Assam Asset	Revamping of 32 Heater Treaters of Lakwa and Rudrasagar Fields completed	Upgradation of process facilities planned as a part of ongoing "Assam Renewal Project" (ARP). EDC of ARP: 2013	Present facilities are very old and were designed to handle maximum of 50% water content in produced crude oil. However, water content has risen to 78% in Lakwa Field and 79% in Rudrasagar Field, limiting efforts in reducing BS&W. EDC: Dec. 2009.
			Two new group gathering stations under construction in Rudrasagar Field	
5.	Jorhat Base	Second bath heater treater commissioned at GGS-II Khoraghat Third heater treater installed at GGS Borholla In-house recirculation processing system created at GGS Borholla	Installation of heater treater at GGS-I Khoragat Demulsified Injection Pumps at Khoragat GGS-I and II	
6.	Mumbai High Asset NQO Complex	Crude Oil Heater E 750 upstream of surge tank V 730 replaced in 2007	Hot oil system revamping Installation of three phase Separator and surge tank to handle additional well fluid of 60000 BLPD being created at NQD Crude oil heater E 760 upstream of surge tank V 740 being replaced in NQRC Phase I.	EDC: Dec. 2009 EDC: 2009
	ICP Complex	Two crude oil heaters replaced in June and Aug. 2006. Two well fluid heaters replaced in April and May 2007	Action taken to improve heating efficiency of well fluid heaters. Actions taken to line up one train in stabilized	

Sl. No.	Asset/Basin	Facilities Installed	Facilities Planned/Under Implementation	Remarks
			mode for three stage separation of water from crude. Job awarded to add one additional stage of separation in existing separation trains	EDC: Dec 2009
			New process planform ICP-R to handle additional 100000 BLPD Well Fluid	EDC: March 2011
	SHP Complex	Three separators- Internally cleaned in April 2006	Action initiated for cleaning well fluid heaters of SHG	
	BHS Complex	Following revamping jobs completed during commissioning of MSP platform in 2005-06. • Installation of two well fluid heaters at BHS • Installation of two well fluid heaters along with two inlet separators	Have planned to clean all installed well fluid heaters & crude oil heaters regularly.	
7.	Neelam & Heera Asset	Tube bundles of two crude oil heaters replaced in 2006	Recommendation of M/s NATCO, domain expert obtained on conversion of LP separator to a degasser vessel and surge tank to dehydrator vessel fitted with electrostatic coalescer.	Under NHRC Project-Being evaluated
		Tube bundles of first stage well fluid heater on HRG upstream separator replaced in 2008		
		During 2007-08 all separators cleaned internally		
		Demulsified closing through gas injection grid was introduced.		

BS&W (%)

	MH	NG	SG	AA	AB	KG	Cauvery
April-09	0.12	0.08	0.39	0.78	0.15	0.05	0.05
May-09	0.27	0.10	0.40	0.89	0.23	0.05	0.05
June-09	0.20	0.12	0.38	0.80	0.23	0.05	0.05

LEGEND:

MH:	Mumbai High	NG:	North Gujarat
SG:	South Gujarat	AA:	Assam Asset
AB:	Assam Arakan Basin	JG:	Krishna Godavary

[Ministry of Petroleum & Natural Gas O.M. No. O-27012/1/2008-EO
dated 3.6.2010]

Remarks of Office of C&AG on the reply of the Government

The various facilities planned/under implementation for control of BS&W in crude oil are yet to be completed. Facilities as and when completed may be intimated to audit.

Comments of the Ministry on the remarks of Office of C&AG

Status of the various facilities planned for control of Basic Sediments and Water (BS&W) in crude oil

Actions taken to upgrade the facilities to contain BS&W level in various assets of ONGC are as follows:

(i) Mumbai

The status of actions taken/being taken for facilities up gradation in Mumbai High Asset, Neelam & Heera Asset and Uran Plant to reduce/control BS&W is as below:

A. OFFSHORE

(1) Mumbai High Asset

At all the process complexes, the crude oil is treated with suitable dosages of normal demulsifier/low temperature demulsifier to bring down the emulsified water content in the vicinity approx. 1% in the dispatched crude from offshore.

- Silicon base low temperature demulsifier is being used regularly at ICP and NQO (in low temperature separator and the results are excellent. Material is under procurement for further period of one year.
- In the earlier global tender for low temperature demulsifier, the material received from various vendors conformed to specification in lab test but in actual field trial all the products partly failed to meet the performance criteria. Simultaneously efforts are being made through R&D by RGL, Panvel and vendors to further improve/develop low temperature demulsifier for regular use.

NQC Complex

- Crude oil heater E-750 upstream of surge tank V-730 and crude oil heater E-760 upstream of surge tank V-740 have been replaced with new ones. These crude oil heaters will be made operational after revamping of hot oil system being executed under NQ reconstruction project Phase-I. Expected Date of Completion (EDC) for revamping of hot oil system is September, 2010. After commissioning of hot oil system, temperature of crude oil heaters can be maintained resulting in improved separation in surge tanks.
- Under NQD Enhancement Project new process facility consisting of three phase separators and surge tank is being created at NQD. This project is under execution and EDC is May, 2010.

ICP Complex

- Exchanges were cleaned and put in use. Five more exchangers have become due for cleaning and have been sent to Nhava. The job has been awarded and the EDC of cleaning of exchangers is July, 2010.
- All the three surge tanks are in line to drain maximum water.
- Enhanced Liquid Handling Capacity Project of ICP Complex is under commissioning stage and likely to be commissioned by May/June, 2010.

BHS Complex

Exchangers have been cleaned.

SHP Complex

The cleaning of well fluid heater of SHG is yet to be taken up due to congestion at the platform. It is not possible to take out the exchanger and has to be cleaned *in situ*. A suitable agency is being firmed up to take up the job.

(2) Neelam & Heera Asset

Neelam Heera Reconstruction Project:

Recommendations of the adequacy study of Heera Process system *vis-a-vis* future production profile carried out by IOGPT in 2007-08 for de-bottlenecking to improve processing and the recommendations of domain expert M/s NATCO to improve the quality of Crude Oil export from Heera being implemented in the ongoing NHRC Project at Heera. The actions implemented/under implementations are:

- Increase in Nozzle size of gas lines of HRG-HP-A & B Separators (Completed).
- Increase in weir heights of all HP separators (Completed).
- Two new redesigned well fluid heaters installation in progress.
- Internal Instrumentation and Piping of all the vessels in the oil and gas separation system being upgraded.
- Conversion of LP Separator to de-gasser Vessel in progress.
- Conversion of Surge tank to electrostatic dehydrator is being taken up in the NHRC Project to achieve 0.5% BSW.

Low Temperature Demulsifier:

- Successful field train conducted with M/s Dow Corning low temperature silicone based demulsifier namely DM-5 to solve the emulsion problem of Heera field.
- Successful field trial conducted with M/s Momentive, USA low temperature silicone based demulsifier namely Silbreak-322 in Heera field on the basis of RGL results after conducting lab performance analysis of various low temperature demulsifier including silicone based demulsifier.

B. URAN PLANT

The status of facilities up-gradation is as below:

Sl.No.	Topic	Status
1.	Replacement of vessels and exchangers, and installing free water knock out drum (at the inlet of CSU)	EOI floated on August, 2009 through ONGC site. In response, 5 vendors participated in the EOI meet held on 15-16 September, 2009. Scope of work finalized and budgetary quotes being sought. Out of 15 exchangers 3 nos. of exchangers are under procurement. (LOI placed with M/s Hindustan Door-Oliver on 28th October, 2009). Expected delivery by October, 2010. For rest of 12 exchangers, IOGPT is studying for the latest technology, use of tube/wire inserts which will increase the turbulence and reduces fouling. Expected report by end of April, 2010 but study by IOGPT completed & report submitted on March, 2010 with recommendation. Case being initiated for implementation.
2.	Online monitoring	Enterprise wise SCADA system pertaining to Uran and Trombay Asset are installed at Uran Plant Trombay Terminal, and Custody Transfer Metering Stations at HPCL, BPCL, Jawahar Deep and JNPT. The Tags pertaining to Uran Plant which are interfaced with SCADA system have been identified by Uran Process persons with approval of competent authority of Uran Plant. On 2nd March, 2010, Real time flow, pressure, temperature data of BPCL, Flow data of Jawahar Deep, MUT line receive data, Pump dispatch data of Uran and Gas flow data of Trombay were witness by audit team at SCADA HMI.
3.	Additional tank	Proposal of additional 60000 m ³ capacity of storage tank was dropped due to non-availability of land. Director (Offshore) has made a high level Committee to check the feasibility of outsourcing IOT infrastructure and energy services nearby Uran having land and other tanking facilities and required infrastructure. Committee will submit its report shortly.

(II) Mehsana Asset

Mehsana Asset is making continuous efforts to reduce the BS&W content in Oil dispatched from Mehsana Asset and always maintained BS&W content around 4% which is well below the design inlet condition of desalter plant at Nawagam.

In a quest to further reduce the BS&W content in dispatched oil, Mehsana Asset has commissioned 2 nos. of 10,000 m³ capacity tanks at Mehsana CTF in May, 2007 and additional 1 tank of 10,000 m³ capacity in November, 2007 which has further reduced the BS&W content to the range of 2 to 3% due to availability of adequate settling time for crude oil Mehsana CTF.

The readings of BSW content in crude oil dispatched from Mehsana to Nawagam Desalter plant for the year 2009-10 are as under:

Month	Average BS&W content in dispatched crude oil (%V/V)
April, 2009	2.3
May, 2009	2.35
June, 2009	2.2
July, 2009	2.47
August, 2009	2.35
September, 2009	2.65
October, 2009	2.74
November, 2009	3.22
December, 2009	3.12
January, 2010	2.87
February, 2010	2.65
March, 2010	2.81
Average for FY 2009-10	2.64

Moreover, construction of 4 nos. of 10,000 m³ tanks at Mehsana CTF is in process at Mehsana Asset to meet the constraints of storage facilities as per industry practices, which may help in further improving the quality of Crude oil dispatched from Mehsana. Job has been already awarded for construction of these proposed 4 nos. of 10,000 m³ capacity tanks with scheduled completion by July, 2012.

Common facilities for BS&W control before dispatch to refinery have been created centrally at Navagam Desalter Plant which is operated by Ahmedabad Asset.

(III) Ahmedabad Asset

In order to attain BS&W content less than 0.2% various efforts were made by the Asset. In this regard, additional facilities were planned at Desalter Plant, Navagam. Some facilities have been completed and some are under implementation.

Present status of the facilities is as under:

A. Status of Completed Facilities:—

- 5th & 6th Crude oil storage tank of 30,000 M³ capacity have been commissioned on 16.5.2008 & 30.8.2009 respectively.
- NOA was placed on 4.6.2008 on M/s B.K. Engineering, Bhilai for replacement of 27 Tube Bundles. Work has completed on 31.8.2009.

B. Status of Facilities under Implementation:—

- NOA was placed on 14.2.2008 on M/s Sairama Engineering for additional 3 nos. desalting vessels along with reprocessing of crude and associated facilities with EDC as 14.2.2010. The facilities have been completed mechanically and commissioning work is in progress.

(iv) Ankleshwar Asset

- (a) Replaced and commissioned gas heaters at CPD Gandhar on 29.12.2009 which are in operation.
- (b) Additional wash tanks planned at CPF:
 - 2 x 5000 m³ at Tank Farm area
 - 1 x 5000 m³ at ETP area
 Proposal for the above facilities are under approval.
- (c) Separate scheme for BS&W correction station given to IOGPT in 2009-10. Final report and FR received on 12.4.2010.

(v) Assam Asset

Assam oil fields are one of the oldest fields of the company. The infrastructure facilities for crude oil processing developed at that time are over 30 years old and nowhere matching with the modern day standards thereby building capability constraints in the operations. Further, the present facilities were designed to handle maximum of 50 per cent of water content in produced crude oil, whereas the water content has risen to as high as 82 per cent in Lakwa field and 74 per cent in Rudrasagar field. This further limits our efforts in reducing the BS&W. However, continuous efforts of the Asset has reduced BS&W year after year showing marked decline of BS&W from 1.83 percent in 2002-03 to 0.73 per cent in 2009-10.

To continue the ongoing efforts to further improve crude quality the following projects have been taken up:

1. Assam Renewal Project (ARP): The project aims to re-engineer and revamp the Surface Facilities, which are more than 30 years old. ONGC Board has already approved the first phase of investment of Rs. 2465.15 Cr. for surface installations and associated pipeline network of Lakwa and Lakhmani fields and Moran CTF with completion date of 16.3.2013. The work is under execution and overall progress of the project is 10.97% as on date.

Second phase of investment for revamping and renewal of surface facilities at Geleky and Rudrasagar, Borholla and Khoraghat fields is also planned for which scope of work has been finalized and cost estimation is under preparation. After obtaining necessary approval, tender will be invited. However implementation of this project will take around 4 years.

2. On new Group Gathering Stations (GGs-2) constructed and inaugurated on 18th March, 2010 in Rudrasagar field replacing the existing old GGS. This has brought down the BS&W of this GGS to less than or equal to 0.20%. Another Group Gathering Stations (GGs-1) is likely to be commissioned by September 2010.
3. To achieve crude oil quality, the Assam Asset has planned to carry out replacement of Heating Coils of storage tanks. Contract was awarded on 14th April 2007 for replacement job of crude oil storage tank steam heating coil in 13 storage tanks at CTF Moran and CTF Geleky. Coil has been replaced in one tank and job is in progress in two tanks. Completion of this work will be by middle of 2012.

[Ministry of Petroleum and Natural Gas [O.M. No. O-27012/1/2008-EO dated 3.6.2010]

Comments of the Committee

The Committee note that the Company have initiated various measures, though late, to bring down the BS&W content to the required 0.2 percent or less in their Crude oil so as to avoid giving discounts to the oil marketing companies in case of higher BS&W content. However, as rightly observed by the Comptroller and Auditor General, the implementation of upgrade/improvement of the various facilities, which are yet to be completed should have long been completed had adequate and timely steps been taken.

The Committee therefore desire that the implementation of the ongoing improvements in facilities to reduce BS&W contents in Crude be expedited further, and a status report on the upgradation as well as the amounts incurred on the discounts extended on BS&W contents be furnished.

Recommendation (Sl. No. 2)

Failure to finalize the Crude Oil Sale Agreement (COSA). The Committee note that the MoU entered into by ONGC with IOCL was effective for the period April, 2002 to March, 2004 and thereafter it was to be replaced by 'crude oil sale agreement' (COSA) which is a guiding document in specifying crude oil price at a allowable limit of BSW. The COSA however could not be signed by the ONGC with the oil marketing Companies due to various persisting differences such as—government decision on sharing of under recoveries of downstream Companies, non-agreement on pricing method including quality aspects etc. As a result, the ONGC continued to supply crude oil

under the terms and conditions of MoU signed in 2003 which otherwise stood expired in March, 2004. In this regard, the Committee note that the Ministry of Petroleum and Natural Gas on its part has advised the ONGC and the Oil Marketing Companies to sign COSA on mutually agreed commercial terms and conditions. The Committee have been informed that presently the draft agreement has been forwarded to the Oil Marketing Companies for negotiations.

The Committee are constrained to note that no sincere efforts have been made either by the company or the Ministry to have the agreement signed. In the opinion of the Committee, instead of blaming the Oil PSUs for not reaching a final agreement mutually, the Ministry of Petroleum and Natural Gas should have played an active and decisive role to take the matter to a logical conclusion. The Committee therefore recommend that the negotiations should be taken up in good earnest and the prevailing adhocism be brought to an end at the earliest.

Reply of the Government

ONGC has been pursuing COSA discussions in good earnest. Several rounds of discussions have been held with BPCL, HPCL, IOC and NE refiners. Conclusions of COSA is pending as refiners are seeking to revise commercial terms like (i) Revising benchmark crude and introducing discounts towards suggested political premium to existing benchmark crude, (ii) specific revision of benchmark crude for North Gujarat Crude, (iii) upward revision of BS&W discounts, (iv) introducing discounts to additional quality parameters, (v) absorption of Sales Tax on crude by ONGC etc. which would have appreciable impact on ONGC revenue.

Director level meeting with IOC on COSA are held regularly in an attempt to conclude COSA, which was many commercial terms.

[Ministry of Petroleum and Natural Gas O.M. No. O-27012/1/2008-EO
dated 3.6.2010]

Remarks of Office of C&AG on the Reply of the Government

As regards the signing of COSA, though the Company held meetings with IOC, the issue remains to be resolved. Further progress may be intimated to audit.

Comments of the Ministry on the remarks of Office of C&AG

Status of COSA with the Oil Marketing Companies is given below:

- (i) With the objective to finalize the COSA, a Committee comprising of officers from Marketing, Commercial and Legal Section was constituted to initiate the process of discussion with the Refining Companies. Draft COSA after endorsement of Director (Offshore)-I/c Marketing and Director (Finance) was forwarded to PSU Refining companies on 30th April, 2008.
- (ii) The Committee convened several meetings (including Director level meetings) with Refining companies v/z. IOC, HPCL and BPCL to discuss COSA. The company-wise status is as below:
 - (a) IOC: During the last Director level meeting with IOC on 26th March, 2010 agreement could be reached on major issues. The draft COSA after

incorporating the agreed points has been forwarded to IOC on 31st March, 2010. It is expected that COSA shall be signed soon.

- (b) **BPCL:** During the last meeting with BPCL on 8th March, 2010 agreement could be reached on most of the points. Remaining points were discussed in a further meeting held on 20th April, 2010. However issues were still not resolved. Efforts are being made to resolve remaining points and a next meeting is being planned very shortly.
- (c) **HPCL:** During the last meeting with HPCL on 21st December, 2009 agreement could be reached on most of the points. Next meeting with HPCL shall be convened on finality of the remaining issues with IOC and BPCL.

[Ministry of Petroleum and Natural Gas O.M.No.O-27012/1/2008-EO
dated 3.6.2010]

Comments of the Committee

The Committee are pleased to note that despite much delay, efforts are on to finalize the Crude Oil Sale Agreement (COSA) with the oil marketing companies and agreement have been reached on major issues. The Committee desire that the remaining issues be expeditiously resolved and the agreement formalized at the earliest. Further, the Committee desire that they should be apprised of the progress made in this regard within three months from the date of presentation of this report to Parliament.

NEW DELHI;
11 June, 2010
21 Jaystha, 1932 (S)

V. KISHORE CHANDRA S. DEO,
Chairman,
Committee on Public Undertakings.

APPENDIX

MINUTES OF THE 2ND SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2010-2011) HELD ON 11TH JUNE, 2010

The Committee sat from 1200 hrs. to 1300 hrs.

PRESENT

Shri V. Kishore Chandra S. Deo— *Chairman*

MEMBERS

Lok Sabha

- 2 Shri Ambica Banerjee
- 3 Shri Shailendra Kumar
- 4 Shri Baijayant Panda
- 5 Shri Nama Nageswara Rao
- 6 Chaudhary Lal Singh
- 7 Shri Rajiv Ranjan Singh alias Lalan Singh

Rajya Sabha

- 8 Shri Birendra Prasad Baishya
- 9 Shri Bharatkumar Raut
- 10 Ms. Mabel Rebello

SECRETARIAT

1. Shri J.P. Sharma — *Joint Secretary*
2. Shri Rajeev Sharma — *Director*
3. Shri Ravindra Garimella— *Additional Director*
4. Shri Ajay Kumar Garg — *Additional Director*
5. Shri Paoliental Haokip — *Under Secretary*

2. The Committee considered the draft Action Taken Report on 'Oil and Natural Gas Corporation Limited—Loss Due to Sale of Crude containing Basic Sediments and Water Content above the Norms' and adopted it without modification. The Committee authorized the Chairman to finalize the Report for presentation.

3. ***

4. The Committee then adjourned.

PARLIAMENTARY PUBLICATIONS CAN ALSO BE OBTAINED FROM THE FOLLOWING AUTHORISED AGENTS:—

Sl.No.	Name of Agent	Sl.No.	Name of Agent
	ANDHRA PRADESH	13.	M/s. Jayna Book Depot, Chowk Chhapparwala, Bank Street, Karol Bagh, New Delhi-110005.
1.	M/s. Ashok Book Centre, Benz Circle, Vasavya Nagar, Vijaywada-520006. (A.P)	14.	M/s. Standard Book Co., 125, Municipal Market, Connaught Place, P.B. No. 708, New Delhi-110001. (T. No. 23411919)
	BIHAR	15.	M/s. D.K. Agencies (P) Ltd., A/15-17, Mohan Garden, Najafgarh Road, New Delhi-110059.
2.	M/s. Progressive Book Centre, Zila School, Pani Tanki Chowk, Ramna, Muzaffarpur-842002. (Bihar)	16.	M/s. Vijay Book Service, C-D/123/C, Pitam Pura, New Delhi-110034.
	DELHI		MADHYA PRADESH
3.	M/s. Jain Book Agency, C-9, Prem House, Connaught Place, P.B. No. 1113, New Delhi-110001.	17.	M/s. Suvidha Law House, 28, Malviya Nagar, Roshanpura, Bhopal-462003.
4.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110009.		MAHARASHTRA
5.	M/s. Rajendra Book Agency, IV-D-50, Lajpat Nagar, Old Double Storey, New Delhi-110024. (T. Nos. 26412362 & 26412131)	18.	M/s. Usha Book Depot, 585/A, Chitra Bazar, Khan House, P.B. No. 2621, Mumbai-400002.
6.	M/s. Central News Agency Pvt. Ltd., P-23, Connaught Circus, New Delhi-110001.	19.	M/s. Jaina Book Agency (India), 649-A, Girgaum Road, Opp. 2nd Dhobi Talao Lane, Mumbai-400002.
7.	The Manager, M/s. Books India Corporation, Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052.		PUDUCHERRY
8.	M/s. Sangam Book Depot, LG-3, Akarshan Bhawan, 23, Ansari Road, Darya Ganj, New Delhi-110002.	20.	Editor of Debates, Legislative Assembly Department, Puducherry-605001.
9.	M/s. Biblia Impex Pvt. Ltd., 2/18, Ansari Road, New Delhi-110002. (T.No. 23262515)		TAMILNADU
10.	M/s. Universal Book Traders, 80, Gokhale Market, Opp. New Courts, Delhi-110054. (T. No. 23911966)	21.	M/s. M.M. Subscription Agencies, 123, Third Street, Tatabad, Coimbatore-641012.
11.	M/s. Seth & Co., Room No. 31 D, Block-B, Delhi High Court, Sher Shah Road, New Delhi-110003.	22.	M/s. C. Sitaraman & Co., 73/37, Royappettah High Road, Chennai-600014.
12.	M/s. Dhanwantra Medical & Law House, 592, Lajpat Rai Market, Delhi-110006. (T. No. 23866768)		UTTAR PRADESH
		23.	M/s. Law Publishers, Sardar Patel Marg, P.B. No. 1077, Allahabad (U.P).
		24.	M/s. Ram Advani Bookseller, Mayfair Building, Hazra Ganj, GPO Box No. 154, Lucknow-226001.