

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

UNSTARRED QUESTION NO:3525
ANSWERED ON:10.12.2009
INCREASE IN CAPITAL COST OF RIL
Panda Shri Prabodh

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

:

- (a) whether Government has increased the capital cost of Reliance Industries Limited (RIL) for exploration of Gas at the D6 Block of Krishna Godavari Basin (KG);
- (b) if so, the details thereof and the reasons therefor; and
- (c) the likely impact of this measure on the revenue sharing agreement of the Government?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI JITIN PRASADA)

(a) & (b) The capital cost in KG-D6 Project has been revised from USD 2.47 billion in November, 2004 to USD 8.83 billion in 2007. This revised capital cost has been approved by Managing Committee. The Managing Committee was constituted in accordance with the provisions in the Production Sharing Contract (PSC). The revision was broadly on account of the following:-

- i) Recoverable reserves increased from 3.81 Trillion Cubic Feet (TCF) gas to 10.02 TCF gas.
- ii) Production facilities were increased from 40 Million Metric Standard Cubic Meters Per Day (MMSCMD) to 120 MMSCMD.
- iii) Peak gas production was increased from 40 MMSCMD to 80 MMSCMD.
- iv) Number of development wells increased from 34 to 50.
- v) Field life increased from 9 years to 13 years.
- vi) Installation of shallow water compressor platform for pressure maintenance and control.
- vii) Inflationary trends in the E & P equipment and services industry.

(c) The increase in capital expenditure has resulted in enhanced recoverable reserves and a higher level of peak production. The net impact is expected to be higher profit petroleum and royalty.