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**Oil and Natural Gas Commission  
—Construction of NR-1 and NH  
Well Platforms**

**Ministry of Petroleum and Chemicals  
(Department of Petroleum & Natural Gas)**

**COMMITTEE ON  
PUBLIC UNDERTAKINGS  
1990-91**

**NINTH LOK SABHA**

**LOK SABHA SECRETARIAT  
NEW DELHI**

**SIXTH REPORT**  
**COMMITTEE ON PUBLIC**  
**UNDERTAKINGS**  
**(1990-91)**

**OIL AND NATURAL GAS COMMISSION—**  
**CONSTRUCTION OF NR-1 AND NH WELL PLATFORMS**

**MINISTRY OF PETROLEUM AND CHEMICALS—**  
**(DEPARTMENT OF PETROLEUM & NATURAL GAS)**



*Presented to Lok Sabha and Laid in  
Rajya Sabha on 3 September, 1990*

**LOK SABHA SECRETARIAT**  
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*August, 1990/Bhadra, 1912 (Saka)*

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(1990-91)

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\* Resigned from the Membership of the Committee w.e.f. 9.8.1990.

\*\* Ceased to be a Member of the Committee consequent upon his resignation from Rajya Sabha w.e.f. 14.6.1990.

## INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixth Report on Oil and Natural Gas Commission— Construction of NR-1 and NH Well Platforms.

2. The Committee's examination of the subject was mainly based on an Audit Para XXXVIII contained in the Report of the Comptroller & Auditor General of India, 1986, Union Government (Commercial) Part VIII.

3. The subject was examined by the Committee on Public Undertakings (1989-90). That Committee took evidence of the representatives of the Oil & Natural Gas Commission on 1 August, 1989 and also of the representatives of the then Ministry of Petroleum & Natural Gas on 21 September, 1989. The Committee, however, could not finalise their Report due to the dissolution of Eighth Lok Sabha on 27 November, 1989.

4. The Committee on Public Undertakings (1990-91) considered and adopted the Report at their sitting held on 8 August, 1990.

5. The Committee feel obliged to the Members of the Committee on Public Undertakings (1989-90) for the useful work done by them in taking evidence and sifting information which forms the basis of this Report.

6. The Committee wish to express their thanks to the Ministry of Petroleum & Chemicals (Department of Petroleum and Natural Gas) and Oil & Natural Gas Commission for placing before them the Material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Department of Petroleum & Natural Gas and O.N.G.C. who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

7. The Committee also place on record their appreciation of the assistance rendered by the Comptroller and Auditor General of India.

NEW DELHI;  
*August 27, 1990*  

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*Bhadra 5, 1912 (Saka)*

BASUDEB ACHARIA,  
*Chairman,*  
*Committee on Public Undertakings.*

**PART—I**  
**BACKGROUND ANALYSIS**

**A. Non-utilisation of platforms**

1.1 The Audit Report of the Comptroller & Auditor General of India, Union Government (Commercial)—Part VIII, 1986 has brought out a case of non-utilisation of two platforms viz. NR-1 and NH from March, 1983 to November, 1984 and April, 1983 to May 1984 respectively, installed after an expenditure of US \$ 23.388 million (about Rs. 22.55 crores) in foreign exchange, incurred primarily to get the platforms completed before monsoon, 1983.

1.2 The accelerated production plan of the Oil and Natural Gas Commission for the years 1981-82 to 1984-85 envisaged production on NR-1 and NH platforms from 1st November, 1983 and 1st May, 1984 respectively. The plan was, however, modified with a view to produce additional 1.32 million barrels of oil and the platforms were required to be completed before monsoon 1983 as per modified plan. The work of fabrication and installation of the platforms was awarded on 8th September, 1981 to Mazagon Dock Ltd. (MDL) with a stipulation that the work should be completed before the monsoon of 1983.

1.3 The Committee wanted to know where the NR-1 and NH platforms were to be installed and what was the estimated production from them. The Member (Technical) ONGC informed in evidence :—

“These two platforms were to be installed in the Northern part of the Bombay High. The estimated production from these platforms together was 11,000 BOPD.”

1.4 In reply to a query about the value of the contract, the Committee were informed by the Chairman, ONGC in evidence that the value of the contract awarded to MDL was approximately Rs. 22 crores.

1.5 On 24th April, 1982, Mazagon Dock Ltd. expressed their inability to complete fabrication and installation of these platforms before October/November, 1983. The Commission thereafter decided to get the platforms completed by 30th April 1983 on turn-key basis with temporary decks, as the drilling rigs ‘Sagar Gaurav’ and ‘WT Adamas’ were scheduled to jack up over these platforms by May, 1983 as per modified plan.

1.6 When the Committee desired to know the reasons for the ONGC insisting on completion of these platforms before monsoon of 1983, the Member (Drilling), of ONGC stated in evidence:—

“What happens in Bombay off-shore is that the sea swell height and period starts gradually increasing from the end of April every year



preceding the arrival of South-West Monsoons. It starts getting critical from about 7th of May onwards and it becomes extremely risky to move jack-up drilling rigs at the drilling locations..... It was, therefore, considered desirable to advance construction and installation of NR-1 and NH Platforms to 7th May, 1983 so that jack-up rigs could be jacked up for drilling on these platforms before the sea swell becomes critical."

1.7 In this connection, the Member (Technical) informed the Committee in his evidence as follows:—

"The installation of both these platforms pre-monsoon 1983 as compared to the installation of post-monsoon 1983 would have given us the four months earlier production and that would be equivalent to 1.32 million barrels. 1.32 million barrels is really the figure which comes, if you multiply 11,000 BOPD which was an expected combined rate of the platforms NR-1 and NH over a period of 120 days, which is a monsoon period..... In terms of money, it would be equivalent to—if you take 15 dollars per barrels over 25 million dollars."

1.8 On being asked when the decision to produce additional 1.32 million barrels of oil during 1981-82 to 1984-85 was taken, the Secretary, Ministry of Petroleum & Natural Gas stated in his evidence before the Committee as follows:—

"There was already a production programme for five years of ONGC to produce roughly about more than 51 million tonnes of oil during the (Sixth) Plan period. Then, in February, 1981 ONGC submitted a programme for increasing this production by more than 11 million tonnes and this was approved by the Government on 30th July, 1982..... the target fixed was 63.14 million tonnes."

1.9 In this connection, Member (Technical), ONGC informed the Committee in evidence:—

"Both these platforms were a part of the Accelerated Production Plan which we submitted to Government in February, 1981. As part of it, the Mazagon Docks had set up facilities for fabrication of platforms. So, we were ordering as many platforms as they could supply, because it was part of indigenisation plan. Along with these, we ordered these two also. In April, 1982, Mazagon Docks said that they would not be able to deliver these platforms pre-monsoon. We then went in for tenders asking that the platforms be supplied pre-monsoon."

1.10 It has been brought out by Audit that ONGC called for tenders for the work of installation of well platforms NR-1 and NH with jackets, piles and temporary decks on 15th May, 1982 with the stipulation that all work

should be completed by 30th April, 1983. Five bids were received. No bid met the scheduled date of completion viz. 30th April, 1983. Three bidders offered to complete one platform before 30th April, 1983 and the other in the 2nd half/end of May, 1983. The lowest bid was for US \$ 20.052 million. The five bidders who had quoted for the tenders were asked to submit revised offers to complete the platforms by 30th April, 1983 as the Commission considered it essential to complete the platforms before monsoon 1983 to prevent reduction in production by 0.21 million tonnes during 1983-84.

1.11 ONGC awarded the work to the lowest bidder on 18th September, 1982 at the revised price of US \$ 23.388 million to complete the platforms ready for drilling by 7th May, 1983. The contractor completed the work on both the platforms as per scheduled (NR-1 on 18th March, 1983 and NH on 5th April, 1983). According to Audit, however the drilling work of wells was not taken up by the Commission till April, 1984. The drilling on NH platforms was done during May 1984 and drilling on platform NR-1 which was taken up in November, 1984 was completed in 1985-86.

1.12 Asked to state the reasons for delay in commencement of production on NH and NR-1 platforms, the Secretary, Ministry of Petroleum and Natural Gas informed the Committee in evidence:—

“It was because of non-availability of rigs.”

1.13 In regard to the shortage of rigs, the Ministry had informed Audit in January, 1987 that on account of blow out of Sagar Vikas on 30th July, 1982 the ONGC was short of one rig for their 1983-84 programme.

1.14 The Committee desired to know the justification for the Commission persisting with the approach of having the NH and NR-1 platforms completed before monsoon of 1983 when at the time of awarding the contract in September, 1982 it was fully aware of the blow out and shortage of one rig and the eventual consequences. The Member (Technical), ONGC replied in evidence:—

“Our plan was that we shall take on hire an additional rig to be able to do the drilling in the place of Sagar Vikas..... When we processed it through the Ministry we got the decision of the Government in March, 1983 that we were not allowed to bring that additional rig. By March, 1983, it was very difficult for us to modify the contract, because the platforms themselves were installed in April, 1983.”

1.15 On being enquired as to when the tender for hiring of additional rig was floated, the Committee were informed by ONGC in a note that tender No. BOP/SP/SCON/G-32/82 dated 14-7-1982 was floated for charter hire of one jack up rig to meet the requirement of rig months as per drilling/workover plan of ONGC. However, to meet the situation created by blow out of ‘Sagar Vikas’, it was considered to charter as

additional jack up rig against this tender itself which was not agreed to by the Government.

1.16 Asked to specify when the two proposals were submitted to Government, the Member (Drilling), ONGC informed the Committee in evidence:—

“..... the proposal was sent to the Government on 15-12-1982 for one rig and 25-1-1983 for the additional rig. The latter was turned down on 10th March, 1983.”

1.17 When the Committee enquired about the outcome of the proposal for first rig, ONGC informed in a note submitted after evidence that the proposal for Charter hire of the first rig was cleared by the Government on 27-1-1983. The first jack up rig was acquired on charter hire basis with effect from 31st May, 1983 at a day rate of US \$ 28,000.

1.18 The Committee enquired the reasons for turning down ONGC's proposal for the additional rig when the Government was aware that the ONGC had awarded the contract for completion of NR-1 and NH platforms ready for drilling by 7th May, 1983 and they were also short of one rig for their 1983-84 programme. The Secretary, Ministry of Petroleum and Natural Gas replied in evidence:—

“We said that ONGC had not invited global tenders and therefore we again took into consideration the tender for additional rigs. They had awarded one rig to the lowest bidder and for the second rig, ONGC had proposed award to the third lowest bidder. Government said that instead of awarding to the third lowest bidder, a global tender should be invited.”

1.19 To a question, whether this implied that Government was not satisfied with the procedure adopted for calling for tenders, the witness replied in the affirmative.

1.20 On a query regarding the procedure for hiring of rigs, ONGC informed in a reply submitted after evidence that “the procedure for hiring of rigs is through global tender.”

1.21 The Committee enquired about the various stages in platform construction and drilling operations planning and how it was ensure that the production did not suffer due to delays in construction of platform or non-availability of rigs. The Secretary, Ministry of Petroleum and Natural Gas informed in his evidence as follows:—

“The various stages are that first development plan in prepared indentifying the locations for drilling. Second, the design parameters are finalised and third, the actual fabrication or the installation of platform is done. Alongwith this, deployment of rigs is also done. This is periodically reviewed. We have a quarterly review system. In that quarterly review, we ask the ONGC to give figures for actual targets and achievements and then we review whether they are on

schedule or behind the schedule. If they are behind schedule, we give them suitable instructions to bring them upto the schedules.”

1.22 The Committee then asked how was it that the proposal for an additional rig in place of Sagar Vikas was received only in January, 1983 when this rig had blown out in July, 1982 itself. The witness replied:—

“The blow out happened in July, 1982. But the award was given only in September (1982). At that time, in September, it was not known that it would be a total write off. ONGC was still negotiating with the companies to recommission the rigs and they were hopeful at that time in September that they would be able to recommission the rig..... We came to know that it could not be repaired some time in December, 1982.”

1.23 The Committee wanted to know the reasons for not utilising NR-1 and NH platforms even after acquisition of a rig with effect from 31st May, 1983 on the basis of a tender floated earlier in July, 1982. The Chairman, ONGC stated in evidence as follows:—

“..... We had to take a very deliberate decision due to non-availability of the rigs, viz. whether we should drill these two, or two others in preference to these. We took up those platforms which gave a higher rate of production.”

1.24 On being asked to state the extent of loss of production due to delay in drilling by ONGC on NR-1 and NH platforms after their completion, the Commission stated in a note submitted to the Committee as under:—

“There was no loss since the quantum of recoverable oil in the reserve remained unchanged. The quantum and value of production which was deferred is 1.32 million barrels valued at US \$ 42.24 million. There was no shortfall in production as priority was given to other platforms yielding higher rate of production. Further, the targets for the year 1983-84 and over all targets for the sixth five year plan were achieved.”

1.25 The Committee desired to know the views of Government on whether the production during 1983-84 would not have been higher by 1.32 million barrels had an additional rig been deployed on NR-1 and NH Platforms (on the basis of 11000 BOPD for four months). The Secretary, Ministry of Petroleum and Natural Gas deposed before the Committee in evidence:—

“If they had the rig available by April, 1983, they would have achieved additional production.”

1.26 The Committee asked how far the decision to award the contract to a foreign contractor, involving huge foreign exchange outgo, proved justified since the ONGC could not start production from these platforms before April, 1984 and MDL had offered to complete the fabrication and

installation of platforms by October/November, 1983. The Secretary, Ministry of Petroleum and Natural Gas stated in evidence as follows:—

“At the time when this decision was taken to reward the contract, ONGC was hopeful they will be able to start production before monsoon 1983.”

### B. Excess Payment

1.27 According to Audit, in the agreement entered into by the Commission with the contractor, the estimated weights for various items like Jackets, Appurtenances, Piling, Temporary deck were indicated alongwith the unit prices to regulate adjustment to the contract price. The contract provided for adjustment to the amount payable to the contractor in the event of increase or decrease in the actual weight of items used for completion of the platforms.

1.28 On the basis of actual weight, as measured, an amount of US \$ 1,93,433.37 (Rs. 18.67 lakhs) was required to be recovered from the contractor in terms of the agreement but no recovery was made while releasing the final payment to the contractor in June 1983. The amount was partly adjusted against the outstanding invoices and was partly received through bank draft in December 1986. The Commission was thus put to loss of interest of Rs. 6.36 lakhs on the excess amount paid to the contractor @ 9.975% on Rs. 18.67 lakhs for the period from July 1983 to November 1986 out of foreign loan.

1.29 The Committee desired to know the procedure for making payments to the contractor. The Member (Finance), ONGC informed in evidence:—

“The procedure is, once we sign a contract, running payment, on the achievement of certain milestone, payments are released as per the terms and conditions of the contract..... When the contract is completed, then final drawings come. In this case, final drawings had not come at that time and by the time the drawings came, the payments had been made.”

1.30 On being enquired as to why the final payments were made to the firm before the final drawings were received, the witness stated:—

“There are two ways of it. One is, we take a rigid approach. But when we know that there are three or four contracts and if the party wants some payment to be made, then if we delay that payment till the finalisation of everything, in that case, they can also insist for the interest payment. But we had taken a practical view and we did not lose anything. I think, by this commercial approach, objectives are achieved.”

1.31 However, in reply to another question regarding running payments, the witness stated:—

“There are separate running payments for separate Contracts.”

1.32 On being enquired about the loss of interest which could have accrued on the excess amount paid by ONGC, the witness stated:—

“Coming to the loss of interest, when we work with a contractor on various projects at a time, a commercial view is taken. The firm has raised the interest bill on another contract to the extent of 1,95,000 dollars. If we had taken the rigid approach, then we were to pay that much amount. But when a commercial approach was adopted we did not pay that amount of interest..... In, totality, neither there was an excess payment nor there was a loss of interest.”

1.33 Asked to state the reasons for the delay in adjustment/recovery of the excess amount of US \$ 1.93 lakhs, the Chairman, ONGC stated in evidence as follows:—

“We have to tighten up our system. As the Member (Finance) said, when we had taken the contract, certain amount of flexible approach was taken at the management level. But certainly at the working level, we should not allow such sort of a thing.”

1.34. On being asked whether any responsibility was fixed in regard to the excess payment and the delay in its recovery the Member (Finance), ONGC stated in evidence before the Committee:—

“In that sense, no responsibility was fixed because no over-payment was made.”

1.35 The Committee enquired whether the Government have issued any directions to ONGC to ensure that such lapses do not recur in future and the outstanding dues are recovered from the contractor while releasing the final payment. The Secretary Ministry of Petroleum & Natural Gas stated in evidence as follows:—

“The Government was aware of this and therefore, the Government wrote to ONGC that in future, before releasing the final payment, all adjustments should be done. The ONGC wrote back to the Government saying that this procedure has now been introduced and that in future final payment will be only released after satisfying that all contractual obligations are fulfilled.”

## PART II

### CONCLUSIONS / RECOMMENDATIONS OF THE COMMITTEE

2.1 The Committee note that the accelerated production programme of Oil & Natural Gas Commission for the years 1981-82 to 1984-85 envisaged production of 63.14 million tonnes of oil. As part of this programme, production on two platforms viz. NR-1 and NH to be installed in northern part of the Bombay High was to start from 1st November, 1983 and 1st May, 1984 respectively. This was, however, modified with a view to produce additional 1.32 million barrels of oil and the platforms were required to be completed before monsoon 1983 as per modified plan. The work of fabrication and installation of the platforms was awarded on 8th September, 1981 to Mazagon Dock Ltd. (MDL) at a cost of about Rs. 22 crores with a stipulation that the work should be completed before the onset of monsoon of 1983. After the MDL expressed its inability in April, 1982 to complete the work before October / November, 1983 the ONGC called for tenders in May, 1982 for the work of installation of the well platforms with jackets, piles and temporary decks, with the stipulation that all work should be completed by 30th April, 1983. Since all the bids, including the lowest one (US \$ 20.052 million i.e. about Rs. 19.33/- crores) fell short of the scheduled date of completion by a few days and the ONGC was keen on having the platforms completed before monsoon, 1983, revised bids were called for. The contract was finally awarded in September, 1982 at the revised price of US \$ 23.388 million (about Rs. 22.55 crores) for completion of the platforms by 7th May, 1983 in order to have four months earlier production equivalent to 1.32 million barrels. The Committee are dismayed to observe that notwithstanding the keenness on the part of ONGC to get the platforms completed before monsoon of 1983 and the fact that work on both the platforms was actually completed as per schedule, ONGC could take up drilling work on NH platform only during May, 1984 and on NR-1 in November, 1984. Thus the whole purpose of spending huge amount in foreign exchange was lost since the Mazagon Dock Ltd. had also offered to fabricate and install the permanent decks by October / November, 1983.

2.2 The Committee were informed that the delay in commencement of production on NH and NR-1 platforms was due to non-availability of rigs because of blow out of one of the rigs viz. Sagar Vikas. In this connection, the Committee note that the contract for the installation of these platforms was awarded in September, 1982 while the blow out had occurred in July, 1982. Thus at the time of awarding the contract, the Commission was fully

aware of the shortage of one rig and the eventual consequences. Still it persisted with the approach of having these platforms completed before monsoon of 1983 without making any serious efforts for acquiring an additional rig in place of Sagar Vikas and remained sitting on the false hope of recommissioning of this rig. It was only in January, 1983 that ONGC approached the Government for charter hire of an additional rig in place of Sagar Vikas and that too without going through the procedure laid down for hiring of rigs which is through global tender. It is surprising to note that ONGC proposed to acquire the additional rig from the third lowest bidder against an earlier tender floated on 14 July, 1982 under which clearance for acquiring one rig had already been obtained. The later proposal was rightly turned down by Government. The Committee cannot but deplore the inaction on the part of ONGC in not taking any steps for acquiring the additional rig from July, 1982, when the blow out had occurred upto January, 1983 while all along it had been insisting on the commencement of production on NR-1 and NH platforms before monsoon, 1983.

2.3 The Committee are astonished at the reply of ONGC that the non-availability of rigs for deployment on NR-1 and NH platforms did not result in any shortfall in production as priority was given to other platforms yielding higher rate of production. The Secretary, Ministry of Petroleum & Natural Gas admitted before the Committee during evidence that "if they had the rig available by April, 1983, they would have achieved additional production". The Committee cannot but express their unhappiness over the lack of proper planning and coordination on the part of ONGC in regard to the construction and utilisation of NR-1 and NH platforms which resulted in an avoidable foreign exchange outgo of Rs. 22.55 crores and loss of additional production of 1.32 million barrels valued at US \$ 42.24 million.

2.4 The Committee note that on the basis of actual weight of various items used for completion of NR-1 and NH platforms, an amount of US \$ 1.93 lakhs (Rs. 18.67 lakhs) was to be recovered from the contractor in terms of the agreement. However, ONGC made no recovery while releasing the final payment to the contractor in June, 1983. The amount was partly adjusted against the outstanding invoices and was partly received through bank draft in December, 1986. The Commission was thus put to a loss of interest of Rs. 6.36 lakhs which could have accrued for the period from July, 1983 to November, 1986 (on the basis of 9.975% on Rs. 18.67 lakhs) on the excess amount paid to the contractor out of foreign loan. The final instalment was released even before receipt of the final drawings. As admitted by Chairman, ONGC in his evidence before the Committee, the system of making payments to the contractors needed to be tightened. The Committee recommend that persons responsible for release of final instalment of payment to the contractor before receipt of the final drawings should be identified and the Committee should be apprised of the



**action taken against them. The Committee trust that since the introduction of the new procedure in ONGC, as informed by the Secretary, Petroleum & Natural Gas, final payments are now being released to the contractors only after satisfying that all contractual obligations stand fulfilled.**

NEW DELHI;  
*August 27, 1990*

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*Bhadra 5. 1912(S)*

BASUDEB ACHARIA,  
*Chairman,*  
*Committee on Public Undertakings.*