

GOVERNMENT OF INDIA
MINISTRY OF PETROLEUM AND NATURAL GAS

LOK SABHA
UNSTARRED QUESTION NO. 2971
TO BE ANSWERED ON 20th March, 2017

Production in KG Basin

†2971. **SHRI MANSUKHBHAI DHANJIBHAI VASAVA:**
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पेट्रोलियम व प्राकृतिक गैस मंत्री

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

- (a) whether the production of natural gas and petroleum products in Krishna Godavari (KG) Basin in six areas is not being carried out by various companies and if so, the details thereof, company-wise;
- (b) the details of contract and agreement signed with public/private sector companies and operator to extract petroleum and natural gas from KG Basin, company-wise;
- (c) the status of oil and natural gas production from KG Basin along with the production cost in KG basin as compared to other oil and gas fields during the last three years and the current year, companywise;
- (d) the percentage of production carried out during the said period along with the name of the companies responsible for producing less than targeted oil and natural gas from KG basin including eastern offshore KG D6 fields, company-wise;
- (e) the number of cases of violation of the said contract/agreement reported during the said period and the action taken by the Government in this regard; and
- (f) whether the Government has imposed penalty for missing the production target and violation of contract since beginning of KG Basin and if so, the details thereof along with the steps taken by the Government to recover the penalty amount dues to companies, company-wise?

ANSWER

पेट्रोलियम और प्राकृतिक गैस मंत्रालय में राज्य मंत्री (स्वतन्त्र प्रभार) (श्री धर्मेन्द्र प्रधान)

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM & NATURAL GAS
(SHRI DHARAMENDRA PRADHAN)

(a) Oil & Natural Gas Corporation Ltd. (ONGC) has provided details of six fields where production is not carried out at present. The details are as given as **Annexure-I**.

(b) In KG Basin, A total of 39 exploration block/field have been awarded in On-land (4), Deep Water (18) and Shallow Water (17) covering an area of 205634.76 square kilometers to various companies based on current operatorship viz. Oil and Natural Gas Corporation Ltd. (18), Reliance Industries Ltd. (12), Cairn India Ltd. (3), BP Exploration (Alpha), UK (1), British Gas Exploration and Production (India) Ltd., UK (1), Gujarat State Petroleum Corporation Ltd. (2), Hardy Exploration & Production (India) Inc. (1) and Oil India Ltd. (1).

A total of 27 blocks have been relinquished by various companies based on current operatorship viz. Reliance Industries Ltd. (11), Oil and Natural Gas Corporation Ltd. (12), Hardy Exploration & Production (India) Inc. (1), Cairn India Ltd. (1), BP Exploration (Alpha), UK (1) and British Gas Exploration and Production (India) Ltd., UK (1) . Other two blocks have been proposed for relinquishment by the operators.

Operator	District	Operational	Proposed for Relinquishment	Relinquished	Grand Total
GSPC	W.Godavari & Krishna		1		1
ONGC	Krishna and Guntur	1			1
OIL	East.Godavari & Yanam (UT)	1			1
RIL	Guntur,Prakas ham, Krishna			1	1
BP	-			1	1
BG	-			1	1
CAIRN	-	2		1	3
GSPC	-	1			1
Hardy	-			1	1
ONGC	-	4	1	12	17
RIL	-	1		10	11
Grand Total		10	2	27	39

(c). The details of oil and natural gas production from KG Basin along with the production cost in KG basin as compared to other oil and gas fields during the last three years and the current year are given as **Annexure-II**.

(d). Oil and gas production in KG basin is currently being realized from Ravva field, operated by M/s Cairn Energy Ltd., D1, D3 and MA fields in KG-DWN-98/3 (KG-D6) block, operated by M/s Reliance Industries Ltd., KG-OSN-2001/3 Block operated by Gujarat State Petroleum Corporation (GSPC) and Onshore & Offshore Nomination blocks of Oil & Natural Gas Corporation Ltd. (ONGC). The actual production of oil and natural gas from these fields/blocks during last three years and the current year against target is given as **Annexure-III**.

(e). The number of cases of violation of the said contract/agreement reported during the said period alongwith the action taken by the Government in this regard is given as **Annexure-IV**.

(f). M/s Reliance Industries Ltd. is the operator of deepwater KG-DWN-98/3 (KG-D6) block. The gas production from D1 & D3 fields in this block is much less than the production rates approved in addendum to Initial Development Plan (AIDP). The Contractor had set up production facilities to produce gas to a maximum level of 80 MMSCMD, but has failed to adhere to approved Field Development Plan in terms of drilling and putting on stream the required number of wells and consequent achievements of projected gas production profile in AIDP. This has led to under-utilization of facilities and surplus inventories. Government of India issued notice for proportionate disallowance of cost of production facilities based on cumulative shortfall in gas production vis-à-vis AIDP targets.

Ministry of Petroleum & Natural Gas on 03.06.2016, has disallowed an amount of US\$ 2.756 Billion from the cumulative development cost incurred by the Contractor as on 31st March 2015. This disallowance was computed based on the cumulative shortfall in production of gas vis-a-vis production estimates under the approved AIDP till 31.03.2015. The additional profit petroleum (which is provisional) payable to the Government by the contractor for the period up to FY 2014-15 is approximately US\$ 246.9 Million. In the context of Ministry of Petroleum & Natural Gas order on disallowance, the contractor has invoked arbitration clause of Production Sharing Contract (PSC).

Annexure-I

Sl. no	Name of Field	Service Contractor	Present Production	Details/Reason
1	Mulkipalli	M/s KEI RSOS Petroleum & Energy Pvt. Ltd. led Consortium	Nil	After GAIL pipe line burst at Nagaram on 27.06.2014 and subsequent replacement of pipe line, there is Change in custody transfer from Ponnamanda to Tatipaka along with requirement of fulfilling PNGRB guide lines. Gas evacuation stopped due to above. Now modalities are under way for laying pipe line to custody transfer & sharing the GDU for gas evacuation.
2	Magathapalli	M/s KEI RSOS Petroleum & Energy Pvt. Ltd. led Consortium	Nil	
3	Sirikattapalli	M/s KEI RSOS Petroleum & Energy Pvt. Ltd. led Consortium	Nil	
4	Medapadu	M/s KEI RSOS Petroleum & Energy Pvt. Ltd. led Consortium	Nil	Under Assessment Phase. Yet to put on production
5	Chintalapalli	M/s KEI RSOS Petroleum & Energy Pvt. Ltd. led Consortium	Nil	Under Assessment Phase. Yet to put on production
6	Manepalli	M/s BG Shirke Oil and Gas India Pvt. Ltd. led Consortium	Nil	Yet to put on production. Modalities are under way for pipe line hook up & sharing the GDU at Tatipaka for gas evacuation as per PNGRB.

Annexure-II

The production of oil and natural gas from KG Basin during last three years and the current year (upto Feb, 2017) is as under:

Field/Block	Operator	Oil Production (TMT)			
		2013-14	2014-15	2015-16	2016-17 (Till Feb, 17)
KG-DWN-98/3	Reliance Industries Ltd.	274.34	266.66	207.78	132.95
KG-OSN-2001/3	Gujarat State Petroleum Corporation Ltd.	0	3.55	3.61	6.27
RAVVA	Cairn Energy India Pty Ltd.	1035.54	1102.02	1019.33	743.55
Andhra Pradesh/Offshore	ONGC (Nomination)	323	272	322	263
Total Oil Production		1632.88	1644.23	1552.72	1145.77
Field/Block	Operator	Gas Production (MMSCM)			
		2013-14	2014-15	2015-16	2016-17 (Till Feb, 2017)
KG-DWN-98/3	Reliance Industries Ltd.	5050.04	4461.91	3939.97	2641.67
KG-OSN-2001/3	Gujarat State Petroleum Corporation Ltd.	0	110.16	134.17	116.36
RAVVA	Cairn Energy India Pty Ltd.	449.53	324.13	260.08	177.94
Andhra Pradesh/Offshore	ONGC	1276	659	831	1201
Total Gas Production		6775.57	5555.2	5165.22	4136.97

The production costs of companies vary from field to field depending upon size of the reservoir, location, logistics, availability of surface facilities etc. However, the cost of production of oil and gas including levies in Krishna Godavari (KG) basin as compared to other oil and gas fields including levies is given below:

	KG Basin	Other Basins
Crude Oil Production Cost (US\$/bbl)	19.99 - 44.82	17.29 - 39.89
Natural Gas Production Cost (US\$/mmbtu)	4.99 – 7.30	3.80 – 6.59

Annexure-III

The actual production of oil and natural gas in KG Basin during last three years and the current year against target is as under:-

Field/Block	Year	Target Oil (TMT)	Actual Oil (TMT)	% Achievement	Target Gas (MMSCM)	Actual Gas (MMSCM)	% Achievement
KG-DWN-98/3 (Reliance)	2013-14	405.18	274.34	67.71%	31793.28	5050.04	15.88%
	2014-15	384.72	266.66	69.31%	32458.72	4461.91	13.75%
	2015-16	271.49	207.78	76.54%	32194.81	3939.97	12.24%
	2016-17	159.62	132.95	83.29%	29316.69	2641.67	9.01%
KG-OSN-2001/3 (GSPC)	2014-15	40.65	3.55	8.73%	470	110.16	23.44%
	2015-16	104.5	3.61	3.45%	1210	134.17	11.09%
	2016-17	160.3	6.27	3.91%	1850	116.36	6.29%
RAVVA (Cairn India)	2013-14	1102.35	1035.54	93.94%	401.5	449.53	111.96%
	2014-15	832.89	1102.02	132.31%	255.5	324.13	126.86%
	2015-16	844.88	1019.33	120.65%	112.86	260.08	230.44%
	2016-17	763.9	743.55	97.34%	140.86	177.94	126.32%
Onshore + Offshore Nomination Blocks (ONGC)	2013-14	370	323	87.30%	1369	1276	93.21%
	2014-15	253	272	107.51%	1429	659	46.12%
	2015-16	292	322	110.27%	1607	831	51.71%
	2016-17	276	263	95.29%	1257	1201	95.54%

Annexure-IV

Details of cases related to contract/agreement in KG Basin are given below-

i. Reliance Industries Limited, BP Exploration Alpha Limited and Niko Limited vs. Government of India (GOI) Block KG-DWN-98/3 :

Arbitration has been invoked against GOI on the issue of disallowance of cost recovery. Claimant did not drill well for achieving production as per Development Plan and under-utilized facilities created for production. The Claimant has filed its Statement of Claim against which GOI has filed its Statement of Defence and Counter Claim. Subsequently, Claimant has filed its reply and defence to counter Claim. GOI has filed its Rejoinder to the reply and defence of counter claim filed by Claimants. Parties have to file list for production of documents and time schedule for further procedure to be agreed between parties. Next date of hearing is yet to be fixed.

ii. Reliance Industries Limited, BP Exploration Alpha Limited (BP) and Niko Limited (Niko) vs. Government of India (GOI) Block KG-DWN-98/3: Arbitration has been invoked against the demand of GOI. GOI has demanded from Contractor (RIL, BP and Niko) for unjust benefit received and unfairly retained by them on account of production of gas migrated from another blocks. Claimant has appointed Sir Bernard Eder as their nominee Arbitrator. GOI has nominated Justice G S. Singhvi, a former judge of Supreme Court. Mr. Lawrence Boo has been appointed as Presiding Arbitrator. First hearing of arbitration fixing procedure timetable has been completed.

iii. Reliance Industries Limited, BP Exploration Alpha Limited (BP) and Niko Limited (Niko) vs. Government of India (GOI) Block KG-DWN-98/3: Arbitration has been invoked on the issue of deferment of implementation of Domestic Natural Gas Pricing Guidelines 2014. GOI and Contractor have nominated their nominee Arbitrator, Justice G.S. Singhvi (Retd) and Sir David Steel respectively. Subsequently Contractor has filed Arbitrator Petition 1/2015 before Supreme Court of India for appointment of Presiding Arbitrator, which is pending and likely to be listed in third week of March 2017.