Oil & Gas News

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Upstream

■ The **bidding process** for **oil and gas blocks** offered under the **sixth round of New Exploration Licensing Policy ended on September 15**. The round has received 165 bids. Oil and Natural Gas Corporation (ONGC) bid for 45 of the 55 blocks on offer while Reliance Industries bid for 21 blocks of which 17 are in deep water. While 52 bids were received for deepwater blocks, shallow offshore blocks got 24 bids and onland blocks got 89 bids. For deep-sea blocks ONGC partnered with BP, BG, ENI while for other offshore and onland blocks it tied-up with Cairn Energy of UK, GAIL (India) Limited, Hindustan Petroleum Corporation Limited (HPCL) and Oil India Limited (OIL). Other companies putting in bids include Gujarat State Petroleum Corporation (GSPC), Videocon and Tata Petrodyne. The Anil Ambani Group tied-up with Ukraine's Naftogaz for placing the bids.

■ Meanwhile, **the government** has **amended** the **norms relating** to **allotment** of **deepwater blocks**. As per the new rules, **only companies** with **experience** in **deepwater acreages can get technical marks** for **deepwater blocks**. Thus, companies such as GAIL, HPCL and the Anil Dhirubhai Ambani Group, that have submitted bids for deepwater blocks would need to either partner with experienced companies or limit their bids to other blocks.

■ **ONGC** has **asked the petroleum and gas ministry** to **reimburse Rs 3.62 billion paid as cess** and **royalty** on behest of other partners under production-sharing contract during the pre-NELP regime. ONGC has been paying cess and royalty with respect to the share of its partners presently in two producing fields PY-3 and Lakshmi, which had been awarded under the pre-NELP regime. The company has stated that its under-recoveries would rise once the production from a Rajasthan block (RJ-ON-90/1) commences, where it will pay 70 per cent royalty for the share of its other partner.

■ Meanwhile, **ONGC** has also **suggested** a **transparent price equalisation discount method**, wherein **upstream oil companies** will **share around 75 per cent** of their **additional revenue**, with **the government**, **whenever crude price moves above** a **specified level**. ONGC has also suggested that there should be no demand from retail oil companies to share under-realisation.

■ **GSPC** has **asked** the **four shortlisted firms** viz. **Chevron**, **British Petroleum**, **ENI** and **British Gas,** to **submit** their **final bids for** a **30-per cent stake** in the gas-rich KG-OSN-2001/3 block off the Andhra coast, by the **third week** of **October**. GSPC is the operator of the block that holds estimated gas reserves of 20 trillion cubic feet.

■ **Hardy Oil** and its **consortium partners** in **PY-3 oil field located** in **Pondicherry**, have **decided** to **invest $89 million** for **drilling two more wells** to **ramp up production** from **6,000 barrels of oil per day** (bpd) to **8,000 bpd**. Hardy Oil holds 18 per cent interest in the oil field, while Hindustan Oil Exploration Company, Tata Petrodyne and ONGC hold 21, 21, and 40 per cent stakes respectively. Meanwhile, HOEC plans to set up a pipeline to connect the PY-3 oil field with PY-1 field following which the gas that is being flared can be commercially sold to the Pillaiperumalnallur power project.

Downstream

■ **ONGC** has **revived** the **production** of its **Hazira gas processing unit** in a **phased manner after** the **plant was shutdown** in **August due to floods** in the region. The company has managed to raise production gradually from six million standard cubic metre per day (mmscmd) on August 18, 2006 to 40 mmscmd on September 8, 2006. ■ **Indian Oil Corporation** (IOC) has **drawn up** a **plan** to **invest Rs 0.50 billion** to **enhance** the **number** of **auto-LPG dispensing units**. It plans to have more than 200 dispensing units by March 2007, as compared to 71 in March 2006. The company has registered an 87-per cent growth in auto-LPG sales to 19,374 tonne during April to August 2006 compared to the corresponding period last year. IOC is eyeing a modest profit of around Rs 0.10 billion through sale of auto-LPG this year.

■ **BG** has **received** a **nod** from the **Foreign Investment Promotion Board** (FIPB) for **setting up city gas distribution networks** in **Andhra Pradesh**, **Tamil Nadu** and

Karnataka. **The company plans** to **set up three subsidiaries** with an **investment** of **$10 million each**. The FIPB clearance was accorded only after BG obtained a no-objection certificate from its existing joint venture partners Mahanagar Gas and Gujarat Gas. However, BG is yet to get a clearance from the petroleum and gas ministry. The ministry has indicated that company would not get guaranteed supply of natural gas for the purpose. Additionally, an approval from the Petroleum and Natural Gas Regulatory Board for setting up transmission and distribution lines in the three states would also be required.

■ **Total SA** and **Kuwait Petroleum** are in the **race** for a **26 per cent stake** in **HPCL's refinery-cum-petrochemical complex** at **Visakhapatanam**. The project envisages an investment of Rs 90 billion, which includes expansion of the Vizag refinery and development of the capability to process 100 per cent high sulphur crude. The upgradation is expected to improve the refining margins by nearly $2 per barrel. HPCL and the proposed foreign partner would have a 26 per cent stake each, while the balance would be held by a financial institution.

■ **Reliance Industries Limited (RIL) dealers have filed** a **case** for **compensation** from **the company** in **wake** of a **sharp dip** in the **diesel sales** at their **retail outlets.** RIL in turn has offered two options to dealer-owned fuel outlets. The first option being a 12.5-per cent per annum return on investments on the actual security deposit paid by the dealers and second option being, the dealers can sell petrol and diesel at the retail outlet, irrespective of economies of the business, with an additional margin equivalent to the difference in price between an RIL pump and a PSU outlet.

LNG

■ **ONGC** has **not yet finalised supplies** of **liquefied natural gas (LNG)** from **Qatar Petroleum.** The gas was to be used for the proposed petrochemicals complex at Mangalore but the project would be viable only if ONGC sources the gas at $5 per mmbtu. In case ONGC is unable to tie-up long-term LNG supplies, the ONGC-Mangalore Refinery and Petrochemicals Limited combine will have to use naphtha as feedstock and shelve plans for C2-C3 extraction and a captive power plant.

Finance

■ **The government** has **decided** to **issue oil bonds worth Rs 141.50 billion** to the **oil marketing companies** this month. These bonds will not get statutory liquidity ratio status.

Overseas

■ **ONGC Videsh Limited** (OVL) has **decided** to **acquire a 15-per cent stake** in **Brazilian oil field BC-10 Block** for **about $170 million** and **invest another $234 million** as its **share** of the **cost** for the **development** and **bringing** the **field** to **production** by the **end** of **2009**. In case the transfer is approved by Brazil's National Petroleum Agency, the holding structure in BC-10 by Shell, Petrobras and OVL will stand at 50 per cent, 35 per cent and 15 per cent respectively and Shell will be the operator of the block.

■ Meanwhile, **GAIL** is **planning** to **invest around Rs 10 to 12 billion overseas**. The company has taken equity participation in three retail gas companies in Egypt.

■ The **government** is in **talks** with **Libya** for **long-term crude deals**. The **National Oil Corporation** of **Libya** has **offered sweet crude** to **India on** the **basis** of the **Dubai benchmark**, **which** is **cheaper than** the **Brent** by **around $2 to $3 per barrel**. Libya is also looking at cooperation from Indian companies in its exploration and production sectors. It plans to enhance its crude production to three million barrels per day by 2010, from the current level of 1.6 million.

Miscellaneous

■ It has been reported that **India's net crude oil import burden** has **increased from $22.6 billion** (Rs 1,019.63 billion) in **2004-05** to **$34.1 billion** (Rs 1,505.57 billion) in **2005-06** and is **likely** to **cross $43.3 billion** (Rs 1,900 billion) **during** the **current financial year**.