

## Annexure-I

(Refer Para 4.3.1)

### Statement showing the avoidable payment of Liquidated damages in NELP Blocks

Sl No	Name of the block	Extension period	Liquidated damages (US\$)	Audit remarks
1	AA-ONN-2001/1	01.11.06-30.04.07	236572	ONGC released the location in January 2006 and as against scheduled completion of April 2006, spudded in February 2007. Hence, due to non completion of MWP of Phase-I, ONGC had to pay penalty, besides extension fee for petroleum exploration licence. Ref: Para 6.7.2.1 (i) C&AG Report no. PA 27 of 2009-10 Chapter VI titled 'Performance Audit of Onshore Exploration Activities in ONGC'
2	MB-OSN-97/4	08.05.06-07.11.06	3496201	ONGC did not drill the two committed wells in phase II i.e. up to 7 May 2006 and availed of extension by paying LD. Ref: Para. 8.7.1.3 of C&AG Report No. 10 of 2010-11, Chapter 8 titled 'Exploration in Shallow Water Blocks'
3	GS-OSN-2001/1 (Provision made in accounts)	i) 12.09.06-11.03.07 ii) 12.03.07 to 11.09.07	i)3336582 ii)1703197	After completion of drilling of the third well (11th October 2007) the fourth well was spudded (22nd March 2008) after a lapse of five months. Drilling of the well was not considered as part of MWP by DGH as it was drilled after expiry of extension period without the permission of DGH. Hence, DGH claimed payment of LD and unfinished MWP. ONGC made provision of ₹ 68.19 crore towards unfinished work programme and LD of ₹11.62 crore. The matter was still pending with DGH.
4	KK-OSN-2001/2	12.09.06-11.03.07	1249689	ONGC sought 591 days of excusable delays for the period involved in fresh EIA studies but DGH approved (03.02.2009) extension of 108/111 days and asked ONGC to surrender the block. However, ONGC drilled the well (CSPE)/(KLA-1) on 17.12.2008/9.5.2009 without the permission of DGH. DGH did not consider this well as part of MWP and demanded ₹ 114.65 crore/₹ 186.96 crore towards unfinished cost of MWP. ONGC made a provision for the same. The matter was still pending with DGH. Ref: Para 8.7.2.2 (iii) of C&AG Report No. 10 of 2010-11, Chapter 8 titled "Exploration in Shallow Water Blocks"
5	KK-OSN-2001/3	12.09.06-11.03.07	1293275	
6	MN-OSN-97/3	19.11.05-18.11.06	5090455	The location MN-OS-G (released on 16 August 2005), was planned for drilling by rig Sagar Vijay which, however, was sent for mandatory dry docking in October 2005. Hence, the rig Transocean Nordic was lined up (26 November 2005) to drill the location. But, the rig could actually spud the location only on 26 November 2006 due to delay in retrieval of its leg at its previous location. Further, against one well of 4500 m (MWP of Phase-III), two wells (MN-OS-J) upto 1390 m and (MN-OS-I) 2234 m were drilled (25 May 2007) with a shortfall of 876 m after the expiry of exploration cycle. REF: Para No. 8.7.3.2 of C&AG Report No. 10 of 2010-11, Chapter 8 titled "Exploration in Shallow Water Blocks"

Sl No	Name of the block	Extension period	Liquidated damages (US\$)	Audit remarks
7	MN-DWN-98/3	19.11.06-18.05.07	2230000	ONGC awarded contract for acquisition of data in two blocks (KG-DWN-98/2 and MN-DWN-98/3) of NELP-I and one block (MN-DWN-2002/1) of NELP-IV. However, the acquisition work was taken up by the contractor only in the following field season. Consequently, there were delays in interpretation of data, identifying and release of locations and drilling. This delay led to non completion of drilling of six wells before expiry of the block (September 2007).
8	MN-DWN-2002/1	17.09.11-16.03.12	1296990	Ref: Para 7.7.2.1(c) , C&AG Report No. PA9 of 2008 Chapter VII titled 'Deep Water Exploration'  Further, in respect of MN-DWN-2002/1 block (i) MC had not yet approved drilling of third location, (ii) Approval for the second extension of Phase I was not received so far and (iii) the Basin could not complete committed MWP of wells despite having availed three years on account of rig holiday policy.
9	NEC-DWN-2002/2	17.09.11-16.03.12	2693096	Similar to the points brought out at Sl No.7 above, in this case too the contractor failed to complete the acquisition of data in the contracted field season due to onset of monsoon. Ref: Para 7.7.2.2 of C&AG Report No. PA9 of 2008 Chapter VII titled 'Deep Water Exploration'  Further, though ONGC availed the Rig Holiday Policy (1.1.08 to 31.12.10) it could not drill all the wells and had to pay LD and take extension of phase-I up to 16.03.12 to drill the fourth well.
10	CY-DWN-2001/1	12.09.07-11.03.08	3056403	The exploration phase-I of the block was up to March 2007. The first extension of six month was availed up to September 2007 and another six months extension was availed up to March 2008 by payment of LD. The location was released only in January 2008 after end of 1st extension. The delay was on account of delay in interpretation of seismic data and delay in approval of location by more than 18 months after acquisition and processing of data.
11	KK-DWN-2001/3	12.09.07-11.03.08	620027	The exploration phase-I of the block was up to March 2007. The first extension of six month under PSC was availed up to September 2007 and another six month extension was availed from September 2007 to March 2008 by payment of LD. The location was proposed in September 2007 and released in May 2008. There was delay in interpretation of seismic data and approval of location which led to 1st extension with resultant payment of LD.
12	MN-DWN-2002/2	17.09.11-16.03.12	5480660	Award of the contract to a party in disregard of its financial position led to a delay of more than two years in acquisition of 2D data. Consequently, till September 2007, the Company could not drill any well in the first phase (March 2004 to March 2008) of block MN-DWN-2002/2 against the commitment of two wells. Similarly,

SI No	Name of the block	Extension period	Liquidated damages (US\$)	Audit remarks
				under block NEC-DWN-2002/2, the Company could drill one well against commitment of four wells. (Ref: Para 7.7.2.2 of C&AG Report No. PA9 of 2008, Chapter VII titled 'Deep Water Exploration') The Company failed to achieve its MWP despite grant of Rig Moratorium. Further though the Company hired a rig on assignment basis and mobilised the same in July 2009 it could not drill the required number of wells.
13	CB-OSN-2003/1	14.2.11-13.8.2011	Rs 5.90 crore	The location North Degam-1 (released on 13.02.2007) was not drilled due to very difficult logistics. Gulf-B1 (released on 23.09.2009) was also not drilled even though the soil coring survey was completed and the ultra-shallow water rig Hercules-260 was hired (mobilised in April 2008) considering two locations in this block. This resulted in delay in completion of MWP of wells. Further, delay in completion of API resulted in delay in release of locations (released during 2010-11) and finally drilling of last two wells Aliabet-2 (13.12.2010) and Aliabet-3 (03.04.2011) was delayed which resulted in second and third extension and payment of LD.
	Total		31783147 x ₹40 + ₹5.90 crore = ₹133.03 crore	

## Annexure-II

### Refer Para (4.4)

#### A. Surrender of blocks without fully exploring the potential

Sl. No.	Nomination Block	Period	MWP	Actual	Audit comment
1	Rampur-Pachmarhi-Anhoni	Initial period 1.4.1998 to 31.3.2004	No commitment	API 448.55 LKM 2D seismic data; Drilled well (Anhoni-1) which indicated little gas.	1. During the regrant period of six years from 2004-05 including extensions, the prospectivity of the block could not be explored fully. Another released location R-BM-A, could not be drilled due to non-grant of 6 <sup>th</sup> year extension. 2. Though the block was with ONGC for twelve years, yet the exploration remained to be completed. The acreage under petroleum exploration licence (PEL) was relinquished on 26.02.2010 without fully exploring. The expenditure incurred in the block was ₹116.37 crore.
		Re-grant and extension period 1.1.2004 to 26.2.2010	API of 50 LKM of 2D seismic data 1 well	API completed Well Jhirna was drilled after re- grant period was over and terminated prematurely.	
2	Patan-Tharad Ext-I 9.973KM	Initial grant period 25-09-1995 to 25-09- 2001.	No commitment	Wells:01 (testing not completed)	DGH denied extension for 6 <sup>th</sup> and 7 <sup>th</sup> year as the 5 <sup>th</sup> year extension was given to acquire 3D seismic data over the entire area which was not carried out. Hence, ONGC had to surrender the block (1.04.2007) without fully exploring the block.
		Re-grant period 24-09-2001 to 23-09- 2005	2D-10 LKM Wells:01	2D-30 LKM Well: 0 (Completed testing of the well drilled in initial cycle).	
		Extension period 24.09.2005 to 23.09.2006	Nil	Nil	
3	Patan 327SkM	0.10.1998 to 06.10.2004 (Initial grant period)		329 LKM Wells: 01 (dry) one well under drilling.	1. Only three wells drilled during the entire period of 12 years and 69.63 Sq.km of 3D data was acquired against commitment of 200 Sq.Km during the regrant period of four years. 2. The processing and interpretation of the 3D data acquired during the regrant period was completed in the fifth year extension and one location released. The location was drilled during the extended period due to delay in land acquisition. Further, 200 Sq.km of 3D data acquired during the fifth year extension did not serve any purpose as the block was relinquished after fifth year extension as per the directions of DGH.
		07-10-2004 to 06-10- 2008 (Re-grant period)	3D-200 SKM Wells:02 (firm) 01-indicative.	3D-69.63 SKM Wells:01(Compl eted the well under drilling in the initial cycle)	
		07-10-2008 to 31-03- 2011 (Extension period )	Wells:01	3D-200 SKM Well:01 (Dry)	

Sl. No.	Nomination Block	Period	MWP	Actual	Audit comment
4	Khambel 206.135 SKM	29-12-1994 to 28-12- 2000 (Initial grant period)	No commitment	Wells:06 (5 dry 1 Oil)	1. During the initial cycle of six years, ONGC drilled six wells of which well Khamboi-1 produced oil. 2. During the 6 <sup>th</sup> & 7 <sup>th</sup> year extension DGH observed that the proposed program was not sufficient from exploration point of view and suggested to carry out 3D API (about 100 Sq.Km) focusing on Khamboi-1 well, and submit modified program. However, 3D survey was not conducted and the well Kamboi-6 drilled during the sixth year of re- grant period well was dry. 3. PEL was relinquished on 27.12.2007 even though the well Kamboi-1 drilled during the year 1995-96 was oil well.
		29-12-2000 to 28-12- 2004 (Re-grant period )	Wells: 2	Wells: 2 Dry	
		Extension 29.12.2004 to 28.12.2007	Wells 3 (1 firm and 2 indicative)	Well 1 Dry	
5	C-OS-IX	01.01.04 - 30.04.2011	Wells 5	Wells 6	Block was relinquished without delineating extension of Nannilam pay-sand in the Block as it failed to mobilize the required resources to complete a well. Expenditure incurred in the block ₹ 276.06 crore.
6	KKDW-12 & 17	(Effective Date: 1997)	Well 1	3D (Acquisition) 487 Sq.Km 2D (long offset) 1200 LKM Well 0 (work done till 12.8.2009)	Block surrendered at the instance of DGH without completing MWP.
7.	ED-A	Effective date: 11 -11- 1996 Regrant 2004-05 to 2010-11	Wells 6 2D 3550 LKM 3D (Ocean Bottom Cabling(OBC) 340 SKM	Wells 6, 2D 3550 LKM, 3D (OBC) 340 Sq.Km	The block was held for 14 years (from 1996) with staggered activities over the grant period. Only after assessing the results of well completed in March 2011 & May 2011 ONGC ascertained the likely existence of hydrocarbon accumulation in open acreage area and applied for ML on 09.05.2011. However, the case was not recommended by DGH as the quantifiable in-place hydrocarbon volumes, was not established and the part of the requested PML area was falling in open acreage (95.0 Sq. Km) beyond the PEL boundary of the block. ONGC had to ultimately surrender the block.

**B. Slow exploration progress in blocks**

Sl. No.	Nomination Block	Period	MWP	Actual	Audit comment
1.	Cachar District	1 April 1997 to 31 March 2003 Initial grant period	No commitment	2D: 560 LKM, Wells: 4	During the 6 <sup>th</sup> & 7 <sup>th</sup> year PEL cycle, well NT-1(NTAA) and BK-13 (BKAB) with gas indication, was drilled. Further, ONGC sought extension of 2 years beyond 7 <sup>th</sup> year with effect from 01.04.2010 to 31.3.2012 with MWP of 2 wells and the same was granted by GOI. No well was drilled by the Company and the chances of non-fulfillment of MWP could not be ruled out as PEL was expiring on 31.3.2012.
		Re-grant period 1.4.2003 to 31.3.2007	Wells: 2 2D: 3D:10 SKM	Wells:2* (* 1 well was completed in extension period in 2009-10)	
		Extension period 1 April 2007 to 31 March 2012 (5 <sup>th</sup> to 7 <sup>th</sup> year and two years further extension)	Wells: 2	Nil (upto 31.12.2011)	
2.	L-1	01.04.04 to 01.04.11 Extension granted up to 31.03.2013	2D 200LKM 3D 509 Sq.Km Wells 12	2D 499LKM, 3D 1481 Sq.Km Wells 7.	Shortfall in drilling to the extent of five wells over a period of seven years indicated slow progress of work in the block.
3.	BB-OS-DW-I	Effective date: 1998 Regrant 2004-05 to 2010-11	Well 1 2D 200 LKM 3D 1868 SKM Re-evaluation of G&G data 3D 500 SKM (RP) 1500 LKM	Well 0 3D -2447 Sq.Km (Acquisition) 3D - 1288 SKM (Processing) 2D -765 LKM (Reprocessing) Re-evaluation of G&G data based on old 2D data	These blocks were with ONGC for more than ten years and could not drill the committed wells Further due to Non-Extension of Rig Holiday Policy to these Nomination Blocks by MOPNG there was no plan to drill the same. PEL fees of ₹13.21 crore had been paid for these blocks.
4.	BB-OS-DW-II	Effective date: 1998 Regrant 2004-05 to 2010-11	Well 2 3D 2368 SKM	Well 1 3D- 986 SKM 2D -765 LKM (Reprocessing)	
5.	GK-DW-1	Effective date: 1998 Regrant 2004-05 to 2010-11	Well 2 2D 200LK 3D 1420 SKM	Well 1	
6.	WO-9	Effective date: 1998 Regrant 2004-05 to 2010-11	Wells 2 Re-evaluation of G&G data based on drilling	Wells 2 3D 8700 SKM (Processing) 3D – 241 SKM (Interpretation)	The block was with ONGC for more than 14 years. However, the Company was still in the process of reviewing the prospectivity.