

CHAPTER – VI : MINES AND MINERALS

6.1 Results of audit

Test check of the records of the Geology and Mining Department conducted during the year 2007-08 revealed non/short-realisation of royalty, non-levy of interest on delayed payment of royalty etc., amounting to Rs. 18.03 crore in nine cases, which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short realisation of royalty	7	18.00
2.	Non-levy of interest on delayed payment of royalty	2	0.03
Total		9	18.03

A few illustrative cases involving Rs. 7.23 crore highlighting important observations are mentioned in the following paragraphs.

6.2 Short realisation of royalty on crude oil/natural gas

Under the provisions of the Petroleum and Natural Gas (PNG) Rules, 1959, a lessee shall pay to the State Government, royalty on crude oil and casing head condensate obtained from the mining operation at the rate fixed by the Central Government from time to time within 30 days of the month to which the production relates. In case of default, such payment would be increased by the prime lending rate of the State Bank of India i.e. 10.75 *per cent*¹ plus a penal rate of 200 basis points over the prime lending rate.

6.2.1 Test check of the records of the Director, Geology and Mining, Assam, Guwahati in July 2007 revealed that M/s Oil India Limited (OIL) extracted/produced 42.83 kilo litres (KL) of crude oil during the period from January 2006 to March 2007 on which royalty of Rs. 1,157.96 crore was due. M/s OIL, however, paid Rs. 1,153.68 crore only leaving a balance of Rs. 4.28 crore unpaid till the date of audit. The department also did not initiate any action to recover the unpaid dues which resulted in short realisation of Rs. 4.28 crore. Besides, additional royalty of Rs. 1.82 crore for non-payment of dues within the prescribed time was also leviable but not levied.

After the case was pointed out, the department stated in May 2008 that a claim for penal interest for short payment of royalty was raised in January 2008. A report on realisation of penal interest and action taken to recover the outstanding royalty has not been received (October 2008).

6.2.2 Test check of the records of the Director, Geology and Mining, Assam in July 2007 revealed that M/s OIL carrying out mining operation for extraction of natural gas in six areas², submitted monthly returns for the month of January 2006 to June 2006 showing production of natural gas aggregating 7.96 lakh cubic metre (cum) from Naharkatia extension area. As per the returns, royalty at the rate of Rs. 143.28 per cum payable for these months was Rs. 11.40 crore against which M/s OIL paid Rs. 8.82 crore only to the Government leaving a balance of Rs. 2.58 crore unpaid as of 31 July 2006. For default in payment of the balance royalty of Rs. 2.58 crore within the stipulated date, an additional royalty of Rs.1.10 crore (upto July 2006) was also leviable on the lessee but was not levied.

After the case was pointed out, the department stated (May 2008) that claims for payment of penal interest of Rs. 8.27 lakh for delay in payment of royalty for the period from February 2006 to June 2006 had been raised in January 2008. The basis on which the penal interest was calculated at Rs. 8.27 lakh instead of Rs. 1.10 crore payable as per the provisions of the PNG Rules has not been intimated (October 2008) though called for. Further reply has not been received (October 2008).

The cases were reported to the Government in October 2007; their replies have not been received (October 2008).

¹ Prime lending rate of the State Bank of India as applicable during the period from January 2006 to March 2007.

² Digboi, Doom-Dooma, Hoogrijan, Moran, Naharkatia and Naharkatia extension.

6.3 Non-levy of interest on delayed payment of royalty

The Mines and Minerals (Development and Regulation) Act 1957, regulates the payment of royalty from the lessee on the quantity of minerals removed or consumed from the leased area. The provisions of Mines and Minerals Concession Rules, 1960 (amended in January 2001) also empowers the State Government to charge simple interest at the rate of 24 *per cent* (with effect from 1 April 1991) per annum on the unpaid royalty from the 60th day of the expiry of the last date i.e. 10th day of the following month of production of monthly payment.

Test check of the records of the Director, Geology and Mining, Assam, Guwahati, in July 2007 revealed that a lessee extracted 5,08,989.91 MT of coal during the period from April 2006 to September 2006 and paid royalty of Rs. 78.89 lakh belatedly between July 2006 and January 2007. The delays ranged between 24 and 150 days. For delayed payment of dues, interest of Rs. 2.67 lakh though leviable was not levied by the department. This resulted in non-levy and consequent non-realisation of interest of Rs. 2.67 lakh.

After the case was pointed out, the department stated in May 2008 that a demand of penal interest for the period from April 2006 to September 2006 had been raised. A report on realisation has not been received (October 2008).

The case was reported to the department and the Government in October 2007; their replies have not been received (October 2008).