

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

MINISTRY OF PETROLEUM & NATURAL GAS

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1992-93**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

TENTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1992-93)

(TENTH LOK SABHA)

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

(MINISTRY OF PETROLEUM & NATURAL GAS)

[Action taken by Government on the recommendations
contained in the 6th Report of the Committee on Public
Undertakings (Ninth Lok Sabha)]



Presented to Lok Sabha on
Laid in Rajya Sabha on

31 MAR 1993

LOK SABHA SECRETARIAT
NEW DELHI

February, 1993/Phalguna, 1914 (Saka)

Price : Rs. 9.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Seventh Edition) and Printed by the Manager, P.L. Unit, Govt. of India Press, Minto Road, New Delhi.

CORRIGENDA TO TENTH ACTION TAKEN
REPORT OF COMMITTEE ON PUBLIC
UNDERTAKINGS (1992-93).

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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE.....	(iii)
INTRODUCTION.....	(v)
CHAPTER I Report.....	1
CHAPTER II Recommendations that have been accepted by the Government	4
CHAPTER III Recommendations which the Committee do not desire to pursue in view of the Government's replies.....	6
CHAPTER IV Recommendations in respect of which replies of Government have not been accepted by the Committee	7
CHAPTER V Recommendations in respect of which final replies of Government are still awaited	10
 APPENDICES	
I Minutes of 45th sitting of the Committee on Public Undertakings (1992-93) held on 17 February, 1993	11
II Analysis of action taken by Government on the recommendations contained in the Sixth Report of Committee on Public Undertakings (Ninth Lok Sabha)	13

COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)

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Shri A.R. Antulay

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Smt. P.K. Sandhu	— <i>Deputy Secretary</i>
Shri P.K. Grover	— <i>Assistant Director</i>

* Ceased to be a Member of the Committee consequent on appointment as Minister in the Council of Ministers w.e.f. 18th January, 1993.

INTRODUCTION

1, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 10th Report on Action Taken by Government on the recommendations contained in the 6th Report of Committee on Public Undertakings (Ninth Lok Sabha) on Oil and Natural Gas Commission—Construction of NR-1 and NH Well Platforms.

2. The 6th Report of the Committee on Public Undertakings was presented to Lok Sabha on 3rd September, 1990. Replies of Government to all the recommendations contained in the Report duly vetted by Audit were received by 21st September, 1992. The Committee on Public Undertakings considered and adopted this report at their sitting held on 17th February, 1993.

3. An analysis of the action taken by Government on the recommendations contained in the 6th Report (1990-91) of the Committee is given in Appendix II.

NEW DELHI;

February 23, 1993

Phalgun 4, 1914 (Saka)

A.R. ANTULAY,

Chairman,

Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Sixth Report (Ninth Lok Sabha) of the Committee on Public Undertakings on ONGC—Construction of NR-1 and NH Well Platforms which was presented to Lok Sabha on 3rd September, 1990.

2. Action Taken notes have been received from Government in respect of all the 4 recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/observations that have been accepted by Government
Sl. Nos. 1 and 4
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies

—NIL—

- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee
Sl. Nos. 2 and 3
- (iv) Recommendations/observations in respect of which final replies of Government are still awaited

—NIL—

3. The Committee are constrained to point out with regret that after presentation of the Sixth Report (Ninth Lok Sabha) in September, 1990, it took the Ministry of Petroleum and Natural Gas about 2 years in furnishing action taken replies duly vetted by Audit. The action taken replies were required to be submitted by 4th March, 1991. The last reply was furnished to the Committee only on 21st September, 1992 after repeated reminders. The Committee deprecate this inordinate delay in furnishing the action taken replies and the casual manner in which the Ministry have treated the recommendations of the Committee. Surely, the Committee expect greater attention of the Ministry in accepting and implementing their recommendations. The Committee, therefore, hope that the Ministry will take due care in future and furnish action taken replies within the stipulated time.

4. The Committee will now deal with the action taken by Government on some of their recommendations.

Construction of platforms and development of rigs

Recommendations Sl. Nos. 2 & 3 (Paragraphs 2.2 & 2.3)

5. The Committee had pointed out that at the time of awarding the contract for installation of NR-1 and NH platform in September, 1982, ONGC was fully aware of the shortage of one rig due to the blow out of Sagar Vikas in July, 1982. Still the Commission 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. The Committee had deplored the inaction on the part of ONGC in not taking any steps for acquiring the additional rig while all along it had been insisting on the commencement of production on NR-1 and NH platforms before monsoon, 1983. The Committee also expressed 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 outgo of Rs. 22.55 crores.

6. The Government have stated in their reply that when the blow out occurred in July, 1982 at Sagar Vikas rig, it was not known to the Commission that it would be a total loss. ONGC had held negotiations with the companies to recommission Sagar Vikas and the companies were hopeful that they would be able to recommission the rig. However, the Commission came to know only in December, 1982 that the Sagar Vikas could not be repaired. In January, 1983, ONGC submitted a proposal to the Government for charter hire of a second rig against the tender floated on 14th July, 1982. However, the Government had taken a view that it would be more appropriate to charter hire the additional rig against a fresh global tender since the tender of July, 1982 was for one rig only, the charter hire of which had already been sanctioned.

7. It has also been stated that despite the non-availability of rigs for deployment on NR-1 and NH platforms ONGC were able to produce 17.39 MMT against the target of 16.57 MMT for 1983-84. In addition, they achieved a production of 63.365 MMT against their target for the 6th Plan period of 63.14 MMT. Due to the shortage of one rig the plan of drilling on the platforms underwent a major change to meet the geological requirement and priority of production to meet the target. First priority was given to the platforms with permanent decks so that the production could start immediately. For deployment of the remaining 3 available rigs,

available option was 5 well platforms with temporary decks (the SH, HC, NQ NR-1 and NH). Priority was given to deploy the rigs on platforms SH, HC & NQ since the estimated production from these wells was higher than the estimated production of NR-1 and NH. SH, HC and NQ platforms were put on production during April, 1984 and January, 1985 and February, 1985.

8. The Committee are of the view that though the ONGC might have been able to produce more than the targets for 1983-84 and for the 6th Plan period, the fact remains had the rig been available by April, 1983, they would have achieved additional production. This has also been admitted by the Secretary, Ministry of Petroleum and Natural Gas during his evidence before the Committee. The question of giving priority to particular platforms with temporary decks out of the 5 available arose only because the number of rigs available was only 3 after deployment of rigs at the permanent decks. Even the claim of giving priority to SH, HC and NQ platforms does not appear to be tenable since these platforms are stated to have been put on production during April, 1984, January, 1985 and February, 1985 while the drilling work on NH and NR-1 platforms had been taken up during May and November, 1984 respectively. Moreover, if the Commission could achieve the target without utilising NR-1 and NH platforms, the eagerness on its part to have the fabrication and installation of these platforms completed before monsoon, 1983 and the huge amount spent in foreign exchange in pursuance of this objective is not understandable. All this only goes to substantiate the observations made by the Committee in their earlier Report that there had been lack of proper planning and coordination on the part of ONGC which needs to be toned up urgently.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Paragraph 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 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.

Reply of Government

Factual, no comments.

[Ministry of Petroleum & Natural Gas O.M. No. 0-27012/5/90—ONG/US
(EO) dated 27 April, 1992]

Recommendation Sl. No. 4 (Paragraph 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 and Natural Gas, final payments are now being released to the contractors only after satisfying that all contractual obligations stand fulfilled.

Reply of Government

To identify the person(s) responsible for the release of final instalment to the contractor before receipt of the final drawings, ONGC had constituted a Committee. This Committee had submitted its report and on that basis disciplinary proceedings were instituted against S/Shri M.M. Madhava, GM (Tech), Tarlok Singh, DGM (Mech) and I.S. Shukla, JD (F&A). After conducting enquiry as per ONGC (CDA) Regulations and keeping in view all the facts and circumstances of the case, penalty of censure has been imposed on the first two officers and no penalty could be imposed on the third officer viz. Shri I.S. Shukla, as he had already retired.

ONGC has confirmed that payments to the contractors are now being released by the Commission only after satisfying that all the contractual obligations have been fulfilled.

[Ministry of Petroleum & Natural Gas O.M. No. 0—27012/5/90—ONG/
US (EO) dated 21 September, 1992]

CHAPTER III
RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S
REPLIES

—NIL—

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Sl. No. 2 (Paragraph 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 14th 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.

Reply of Government

When blow out occurred in July, 1982 at Sagar Vikas rig, it was not known to the Commission that it would be a total loss. ONGC had held negotiations with the companies to recommission Sagar Vikas and the companies were hopeful that they would be able to recommission the rig. However, the Commission came to know only in December, 1982 that the Sagar Vikas could not be repaired. In the Steering Committee meeting of ONGC held on 2nd December, 1982 to consider the charter hire of one jack up rig for workover operations against the tender floated on 14th July, 1982, ONGC had also indicated that a second rig would also be required to be hired against this tender. This proposal was made keeping in view the fact that there would be a shortfall in rig months for development drilling due to the blow out of 'Sagar Vikas'. As desired by the Steering

Committee, ONGC had then explored the possibility of hiring of a second rig from the L-2 bidder namely Transocean Drilling Company. Since the rig offered by Transocean was subject to availability, ONGC had also explored the possibility of hiring one more rig from the L-1 bidder. Therefore, ONGC had initiated action for hiring a second rig from L-1 and L-2 bidders on best discounted rates. On this basis, ONGC had submitted a proposal to the Govt. in January, 1983 for charter hire of a second rig from Zapata Offshore (L-1 bidder). However, the Government had taken a view that it would be more appropriate to charter hire the additional rig against a fresh global tender since the tender of July, 1982 was for one rig only, the charter-hire of which had already been sanctioned.

[Ministry of Petroleum & Natural Gas, O.M.No. O-27012/5/2/90-
ONG/US (EO) dated 27 April, 1992]

Recommendation Sl. No. 3 (Paragraph 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.

Reply of Government

It is a fact that despite the non-availability of rigs for deployment on NR-1 and NH platforms, ONGC were able to produce 17.39 MMT against the target of 16.57 MMT for 1983-84. In addition, they achieved a production of 63.365 MMT against their target for the 6th Plan period of 63.14 MMT.

Due to the shortage of one rig the plan of drilling on the platforms underwent a major change to meet the geological requirement and priority of production to meet the target. First priority was given to the platforms with permanent decks so that the production could start immediately. For deployment of the remaining 3 available rigs, available option was 5 well platforms with temporary decks (the SH, HC, NQ, NR-1 and NH). Priority was given to deploy the rigs on platforms SH,

HC & NQ since the estimated production from these wells was higher than the estimated production of NR-1 and NH.

Audit have made the following observations in their vetting remarks:—

“The additional production was not available from SH, HC and NQ as these platforms started production only during the year 1984-85. These is thus excess production in Bombay High South due to which:

1. The average pressure of the reservoir declined from 152.7 Kg/cm² as on 1.4.83 to 148.9 Kg/cm² as on 1.4.1984.
2. The average field gas oil ratio increased from 130 V/4 on 1.4.83 to 140 V/4 as on 1.4.84 both of which were not signs of better reservoir management.”

ONGC has now clarified that SH, HC and NQ platforms were put on production during April, 1984 and January, 1985 and February, 1985.

ONGC has also clarified that the withdrawal rate for Bombay High South was kept higher than the prescribed due to following considerations:—

1. First, because there were more reserves than anticipated earlier.
2. Secondly, despite higher withdrawal rate during 1982-86, the field performance remained satisfactory with respect to pressure drop and water cut, and GORs were infact less than predicted.

In view of the above clarifications given by ONGC, it does not appear that excess production in Bombay High South has resulted in decline of average pressure of reservoir and also increase in gas oil ratio during the year 1983-84.

[Ministry of Petroleum & Natural Gas, O.M.No. 0-27012/5/90-ONG/
US (EO) dated 14 September, 1992]

Comments of the Committee

(Please see paragraph 8 of Chapter I of the Report)

CHAPTER V
RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES
OF GOVERNMENT ARE STILL AWAITED

—NIL—

NEW DELHI;
February 23, 1993
Phalguna 4, 1914 (Saka)

A.R. ANTULAY,
Chairman,
Committee on Public Undertakings.

APPENDIX-I

Minutes of the 45th Sitting of the Committee on Public Undertakings held on 17th February, 1993.

The Committee sat from 15.00 hrs. to 16.00 hrs.

PRESENT

Shri V. Narayanasamy—*In the chair*

MEMBERS

2. Shri Rudrasen Choudhary
3. Shrimati Bibhu Kumari Devi
4. Shri Madan Lal Khurana
5. Shri Suraj Mandal
6. Shri Peter G. Marbaniang
7. Shri V.S. Vijayaraghavan
8. Shri Devendra Prasad Yadav

SECRETARIAT

1. Smt. P.K. Sandhu—*Deputy Secretary*
2. Shri T.R. Sharma—*Under Secretary*
3. Shri P.K. Grover—*Assistant Director*
4. Shri A.L. Martin—*Assistant Director*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri N. Sivasubramanian, *Dy. C&AG (Commercial-cum-Chairman, Audit Board)*
2. Shri K.S. Menon, *Member Secretary, Audit Board*

In the absence of Chairman, the Committee chose Shri V. Narayanasamy to act as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. The Committee first considered the following audit based Action Taken Reports and adopted the same:

- (i) Draft Report on Action Taken by Government on the recommendations contained in the 6th Report of Committee on Public Undertakings (1990-91) on ONGC—Construction of NR-1 and NH Well Platforms.

- (ii) ** ** ** ** **
3. ** ** ** ** **

4. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministry/Undertaking concerned and audit (in respect of reports mentioned in Para 2) and to present the same to Parliament.

The Committee then adjourned.

APPENDIX-II

(*Vide* para 3 of the Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Sixth Report of the Committee on Public Undertakings (Ninth Lok Sabha) on ONGC—Construction of NR-1 and NH Well Platforms

I.	Total number of recommendations	4
II.	Recommendations that have been accepted by Government (<i>Vide</i> recommendations at Sl. Nos. 1 and 4)	2
	Percentage to total	50%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies	NIL
	Percentage to total	N.A.
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Sl. Nos. 2 and 3)	2
	Percentage to total	50%
V.	Recommendations in respect of which final replies of Government are still awaited	NIL
	Percentage to total	N.A.