

Industry

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India Oil & Gas Daily

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■ State-owned oil marketing companies may revise auto fuel prices every fortnight

State-owned OMCs may revise auto fuel prices every fortnight so that domestic retail prices also reflect the frequent drop in international prices. "Policymakers are in favour of frequent price revisions. To start with, a fortnightly revision instead of a monthly price revision is proposed by some experts," said a government official. Key government officials say that global crude prices are volatile. The rise and fall frequently and a monthly average may not capture the downward trend. "Ideally, deregulation should allow oil companies to revise retail prices on a daily basis to reflect global market realities. But a fortnightly review is recommended," the official said. (Economic Times, 5th Jul)

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■ Government rules out rolling back fuel price hike

The government ruled out rolling back increase in fuel prices, even as Opposition NDA called for an all-India bandh on Monday to protest the price hike and rising inflation. "No question of roll-back," finance minister Pranab Mukherjee said. The government last month raised prices of petrol, diesel, LPG, and kerosene. The hike in prices of petroleum goods is likely to have a cascading effect on inflation, which is running high. (Economic Times, 4th Jul)

■ MN-D4: East Coast exploration to begin by April 2011

RIL is likely to undertake a three-well deepwater exploratory drilling programme in its East Coast block MN-DWN-2003/1 (MN-D4) beginning April 2011. Results of more than 3,000 Sq km of 3D seismic data shot in the block has been incorporated in the basin's regional dataset. Drilling shall kick start in the contract area around April 15, 2011. Reliance had earlier encountered problems in gaining the petroleum ministry's approval to carry out its deepwater drilling programme as the acreage lies very close to the Chilika wildlife sanctuary, but the permission has recently been granted. In the first phase of drilling, Reliance will be drilling a total of three wells, which will cost RIL 4bn. During the second phase of the MWP, which will span over a period of three years, the operator will drill three more wells in the acreage. (Indianpetro, 4th Jul)

Daily Indicators

		1-Jul-10	30-Jun-10	Last week's avg
WTI	US\$/bbl	73.0	75.6	77.1
Brent	US\$/bbl	71.5	73.9	76.2
Indian Crude Basket	US\$/bbl	71.7	73.5	75.5
S'pore GRM	US\$/bbl	4.7	4.5	4.4
MS	US\$/bbl	81.6	82.3	85.0
HSD	US\$/bbl	83.2	85.4	88.4
LPG	US\$/Ton	561.5	561.5	605.6
SKO	US\$/bbl	83.9	86.2	89.1

Source: Reuters, Bloomberg

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Industry News

Government may step in to check high volatility in oil prices: Deora

Oil and gas minister Murli Deora on Friday dashed hopes of total freedom to oil and gas companies in fixing prices of petrol, saying that the government will intervene to protect consumers from high volatility. "The government has decided that the petrol prices will be market driven and will be decided at the refinery and consumer level. The government will keep a close watch, and will intervene in case of high volatility to protect consumers," Mr Deora said. On June 25, the government freed the price of petrol from control, indicating that OMCs will henceforth be given the freedom to sell at market-determined prices. (Economic Times, 3rd Jul)

PPAC's consumption data (May, 2010): Petrol records growth of 13.1%

As per the PPAC data for May 2010, the overall consumption of petroleum products in India recorded a growth of 6.3%. The growth rate of petrol consumption stood at 13.1% in May, 2010 as against 9.8% in the previous month. High inventories were built up with dealers in anticipation of fuel price hikes. Diesel too grew by a strong 11.1%. Despite continuing substitution of naphtha with gas, naphtha consumption recorded a positive growth rate of 33.1% in May, 2010. This is a major reversal from recent trends with the growth rate of naphtha consumption in April, 2010 having been a negative (-) 21.6%. The commissioning of IOC's new naphtha cracker plant at Panipat propelled the growth in naphtha consumption. IOC expects to consume about 1.8 MMT of naphtha at this plant in the entire year. (Indianpetro, 4th Jul)

May data: ONGC, OIL crude production down by 5%, 25%, private sector production up by 7%

Crude production during May, 2010, was 5% below target. A total of 2.945 MMT of crude was produced from the combined assets of ONGC, OIL and other private and joint venture companies, during May, 2010, as against a target of 3.099 MMT. The biggest decline was observed with regard to OIL's assets, with production declining by 25.8%. This was primarily on account of lower production from the company's Assam asset, which produced 0.228 MMT of crude during the month, as against a target of 0.308 MMT. Production of crude from ONGC's assets also declined by 5.6% during the month. In contrast, crude production from fields owned and operated by private and joint venture companies went up by 7.3% during the month. (Indianpetro, 4th Jul)

May data: Refineries surpass crude throughput target by 6.5%

Indian refineries overshot the crude throughput target for May, 2010, by 6.5%, processing 13.753 MMT of crude, as against a target of 12.917 MMT. The refiners have also registered an overachievement for the April-May, 2010, period, with processing of 26.889 MMT as compared to the target of 25.841 MMT. The public sector refineries processed a total of 9.370 MMT of crude during the month against a target of 9.027 MMT. The private sector (excluding RIL's SEZ refinery) also surpassed its crude throughput targets for the month, producing 4.383 MMT of crude as compared to a target of 3.890 MMT. RIL's Jamnagar Refinery processed 3.125 MMT of crude against a target of 2.740 MMT. Essar Oil's Vadinar Refinery also surpassed its crude throughput target by 9.4%, with the refinery processing 1.258 MMT of crude in May, 2010, as against a target of 1.150 MMT. (Indianpetro, 4th Jul)

Company News

ONGC to intensify work on western offshore fields

ONGC has given the green signal for development of a cluster of oil and gas fields in the Western Offshore holding large deposits. The ONGC board gave its approval to the proposal to develop a cluster of oil and gas fields WO-5, WO-15, WO-16, and B-119/121 fields. The fields in the Western offshore are situated about 140 km from the West coast of Mumbai and 40 km south of the Mumbai High fields. The conservative estimates of in-place oil and gas in these fields are 8.57 MMT and 11.024 bcm respectively. The fields will produce 2.83 MMT of oil and 8.58 bcm of gas over their life. (The Hindu, 3rd Jul)

IOC eyes Rs1bn solar power plant in green thrust

IOC is setting up a grid-linked solar power plant worth about Rs1bn at Barmer in Rajasthan, even as the firm sharpens focus on non-conventional energy sources in an attempt to supplement fossil fuels earnings with carbon credits and move towards a green future. IOC will set up the plant as an equal venture with power equipment manufacturer BHEL. The plant will be set up on a parcel of land belonging to the oil company's marketing division, while BHEL will supply the panels and other paraphernalia. Most of the electricity generated from the plant will be sold to the general grid, while some quantity may be used for captive use. This is IndianOil's second attempt to find a foothold in green energy and clean up its carbon footprint. (The Times of India, 4th Jul)

RIL plans to drill more than 100 wells per year in CBM and onland blocks

RIL has invited an Expression of Interest (EOI) for supply of equipment, material and related services for drilling and completion of CBM blocks acquired under the first and second bidding rounds. The blocks are located in the state of Madhya Pradesh, Chhatisgarh and Rajasthan. Notably, the private major envisages drilling of approximately 100 production and test wells per year in the next five years, with a target depth ranging from 700 to 1,700 meters. In addition, the company has sought similar services for drilling wells in onland blocks acquired under the NELP-II and NELP-V biddings rounds. (Indianpetro, 4th Jul)

RIL may market financial products of ADAG, others

Mukesh Ambani is all set to enter the financial sector, hitherto considered a domain of ADAG, and chances are that his group would showcase the products of the younger brother as also other players. The Mukesh Ambani group is contemplating a foray into financial services distribution business, using its vast network of retail chain to sell products like insurance, mutual fund and forex of different players from India and abroad. Reliance Industries has already set up a few subsidiaries for financial services business, namely Reliance Retail Finance Ltd, Reliance Retail Insurance Broking Ltd, Reliance Financial Distribution and Advisory Services Ltd and Reliance Retail Travel and Forex Services Ltd. Together, these entities had assets worth close to Rs 1.25bn as on March 31, 2010. (Economic Times, 4th Jul)

Appendix A-1

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