

Industry

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India Oil & Gas Daily

 Equity
14 May 2010

- **OVL, IOC and OIL sign agreement for Venezuelan oilfield** — ONGC Videsh Ltd and its partners have signed an agreement to develop a US\$20bn oil project in Venezuela that will give energy-deficient India 3.6 MMTPA of crude. On 12 May, OVL and its partners inked an agreement with Venezuelan national oil firm PdVSA for the development and production of hydrocarbons from the Carabobo project in the Orinoco region of Venezuela. Spain's Repsol, Petronas of Malaysia, and OVL, the overseas arm of ONGC, each hold an 11% stake in the consortium that will produce 400,000 bpd of oil. IOC and OIL will each have a 3.5% interest in the project. The project costs are estimated at US\$15-20bn and it is one of India's major investments in Latin America. (Economic Times, 13th May)
- **Cairn completes work on Barmer pipeline; to pump crude after 16 May** — Cairn India has completed the construction of the evacuation pipeline in its Rajasthan block RJ-ON-90/1. The heated pipeline is 590km long and involves a total of 32 heating stations. The pipeline will be extended to Bhogat in the next stage. Cairn is expected to pump crude after 16 May. The company is ramping up production from the Rajasthan fields to 125,000bpd of oil from June 2010. The Barmer-Salaya pipeline is expected to reduce the transportation cost of the Rajasthan crude to US\$1/bbl from US\$7/bbl. The overall operational cost is likely to be around US\$5/bbl. (Indianpetro, 13th May)
- **KG D-9: Reliance proposes drilling in August 2010** — RIL is mulling re-commencing of its exploration drilling programme in the KG block KG-DWN-2001/1 by August 2010. The operator has fully refined the geochemical model of the block for a better understanding of the source rock potential of the deepwater acreage. Drilling is likely to begin after August this year. Transocean's Deepwater Expedition, is expected to drill three deepwater wells for early and middle Miocene slope fan sands, subject to a petroleum ministry approval. Reliance drilled the first well, dubbed D9-A1, in the D-9 block, to a target depth of 4,800metres. (Indianpetro, 13th May)

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Daily Indicators

		13-May-10	12-May-10	Last week's avg
WTI	US\$/bbl	74.4	75.7	80.2
Brent	US\$/bbl	79.5	80.9	82.5
Indian Crude Basket	US\$/bbl	80.5	81.0	83.2
S'pore GRM	US\$/bbl	3.5	2.5	3.4
MS	US\$/bbl	88.3	87.5	92.2
HSD	US\$/bbl	92.1	92.1	95.0
LPG	US\$/Ton	726.5	726.5	717.3
SKO	US\$/bbl	92.0	92.0	94.9

Source: Reuters, Bloomberg

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

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Industry News

Venezuela keen to set up refineries with Indian companies

The Indian government said in a statement that Venezuela has expressed interest to build crude oil refineries with Indian firms in the two countries. Indian Oil Minister Murli Deora is currently in Venezuela to sign a multi-billion-dollar oil exploration deal involving state-run ONGC, Oil India and Indian Oil Corp. At a meeting with Venezuelan President Hugo Chavez, Deora sought additional supplies of Venezuelan crude and award of Junin Norte exploration block to Indian firms, the statement said. (Reuters, 13th May)

Diesel price spiral will hurt refiners this fiscal

The diesel price spiral is worrying oil refiners as it is already close to 45% of the total fuel losses of Rs1,100bn projected for this fiscal. Diesel's share alone stands at Rs471bn, followed by kerosene at Rs253bn, LPG at Rs250bn, and finally petrol at Rs126bn. This was not the case through FY10 and even in the early weeks of this fiscal when LPG and kerosene were the bigger "concern zones" as they accounted for nearly two-thirds of fuel losses. However, it is a different ball game for this fiscal with losses on petrol and diesel already projected at Rs600bn. "There is no way the upstream oil companies can make good these losses because they will then sink into the red," an oil sector official said. With a power crisis looming large across states, it is feared that more diesel will be required to fuel generator sets which will then burn a deeper hole in the oil companies' pockets. (Business Line, 13th May)

Iran opens large CNG cylinder production plant

A large compressed natural gas (CNG) cylinder production plant with the capacity to produce 100,000 units annually was inaugurated in Tehran on Monday. The factory will supply the domestic market with CNG cylinders of 28 up to 130 liters capacity ranging from 168 to 425 millimeters in diameter, IRNA news agency quoted Defense Minister Ahmad Vahidi as stating in the inaugural ceremony. "The plant has been designed and built by the defense ministry," Vahidi added. (Tehran Times, 13th May)

GM India launches Aveo CNG in Gujarat

Backed by the sales growth of 264% YoY of Chevrolet Spark and Chevrolet Beat cars in Gujarat in January-April 2010, General Motors India has launched the alternate fuel version of its mid-sized sedan, Chevrolet Aveo, in the state. The new CNG version is a bi-fuel vehicle with a full size petrol tank that will offer a fuel efficiency of 18 km/kg. Chevrolet Aveo is touted to carry running cost 54% lower than a similar petrol-powered vehicle and 25% lower than a similar diesel-powered vehicle, said Karl Slym, President and Managing Director, General Motors India. (Business Standard, 14th May)

Shale gas: India has a long way to go

India has just woken up to the prospect of shale oil. The only agency doing work in this front is ONGC. It has tied up with Schlumberger (through Tera Tek, which has over a 100 years of experience in geo-mechanical studies) for a pilot project. A three pronged approach has been adopted by ONGC: to enrich the inventory of the G&G database by in-house efforts, undertaking related research through national and international specialized agencies and testing shale gas production through a pilot project in one of the two CBM blocks, Raniganj and North Karanpura. The DGH too is stepping up work on this front. The Petroleum Ministry has prodded the regulator to come up with an approach paper as soon as possible. (Indianpetro, 13th May)

Company News

RIL may join team ONGC for block deal with Venezuela

An ONGC-led consortium could bag another hydrocarbon block in the oil-rich Orinoco belt of Venezuela. RIL could join this consortium that may get rights to oil fields located in the belt that are stated to have about 50bn bbl of recoverable reserves. A consortium led by Indian state-owned oil companies has already won the US\$20bn Carabobo-1 oil block in Venezuela that has a potential to produce 400,000 bpd of oil (20 MMTPA). RIL wanted to join the ONGC-led consortium but missed the bus as it was pre-occupied with other acquisitions. "RIL may join ONGC-led consortium for Junin Norte block, if the field is awarded to us," a government official said. (Economic Times, 13th May)

GAIL's petrochemical complex at Pata: Mechanical completion of GCU expansion and de-bottlenecking in July 2010

The capacity expansion of the Gas Cracker Unit (GCU) of GAIL's petrochemical plant at Pata, where a sixth furnace is being added, along with concurrent de-bottlenecking exercise, is likely to be completed by July 2010. At present, the GCU has a capacity of 400 KTA. With the simultaneous capacity expansion and de-bottlenecking, the ethylene capacity will go up to 470-500 KT. While the mechanical completion of the joint exercise is expected in July, the actual commissioning will follow soon thereafter. Plans are now in the anvil to take the cracker capacity up to 1000 KTA depending upon availability of rich gas. (Indianpetro, 13th May)

Appendix A-1

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