

Industry

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India Oil & Gas Daily

 Equity
1 Jul 2010

- **Decision soon on modality of petrol price revision** — The Petroleum Secretary, Mr S. Sundareshan, said the gov't will decide in the next two-three weeks on the frequency at which public sector oil marketing companies can revise petrol prices. The gov't had last week decontrolled petrol price. However, no clarity was given on the modality of petrol price revision – whether it would be done on a fortnightly or monthly basis. Issues such as whether companies will sell the product at different prices or will there be a uniform price for all the companies; what will oil companies pay to their own refineries while purchasing the product; what will be the price when there are cross company purchases need to be addressed. (Business Line, 30th Jun)
- **Deora defends fuel price hike, seeks Opposition support** — Union Minister of Petroleum and Natural Gas Murli Deora urged the Opposition and the people to understand the government's compulsion for increasing fuel prices. “The increase translates to less than Re1 a day on domestic LPG and 26-27 paise a day on kerosene,” he said, terming the claims being made by the Opposition parties as “exaggeration.” “We have kept the burden on the poor minimal. The talk of the increase breaking the back of the poor and the common man is nothing but an exaggeration,” he said. (The Hindu, 1st Jul)
- **Gov't gives Ghaziabad city-gas licence to IGL** — In a major blow to oil regulator PNGRB, the gov't has given Indraprastha Gas the licence to retail CNG to vehicles and piped gas to households in Ghaziabad. PNGRB had previously ignored the gov't and the Supreme Court mandated committee's authorisation to IGL, which sells CNG and piped gas in Delhi, for city gas operations in neighbouring Ghaziabad. "IGL is an 'authorised entity' to lay, build, operate or expand city-gas distribution (CGD) network in Ghaziabad," the Oil Ministry said in an order. The order said that the Delhi High Court has ruled that PNGRB has no powers to issue CGD licences and the power to do so vests in the ministry. (PTI, 30th Jun)

Saurabh Handa

 +91-22-6631-9858
 saurabh.handa@citi.com

Garima Mishra

 garima.mishra@citi.com

Daily Indicators

		30-Jun-10	29-Jun-10	Last week's avg
WTI	US\$/bbl	75.6	75.9	77.1
Brent	US\$/bbl	73.9	74.2	76.2
Indian Crude Basket	US\$/bbl	73.5	73.9	75.5
S'pore GRM	US\$/bbl	4.5	4.0	4.4
MS	US\$/bbl	82.3	82.9	85.0
HSD	US\$/bbl	85.4	86.2	88.4
LPG	US\$/Ton	581.0	581.0	605.6
SKO	US\$/bbl	86.2	87.1	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

India targeting first-ever offer of shale gas blocks in 2012

India is planning its first-ever offer of shale gas areas for exploration in 2012, even as it targets the launch of the ninth and possibly last auction of oil and gas blocks later this year. "Shale gas (gas locked in sedimentary rocks) is an emerging area. It has become an important source of energy in a few countries which have been able to commercially exploit this resource," Oil Minister Murli Deora said. "Several basins in India are known to hold shale gas resources. Primarily, our focus is on three basins — Cambay (in Gujarat), Assam-Arakan (in the North-East) and Gondwana (in central India). He said the first offer of shale gas areas was likely in one-and-half years' time. (Economic Times, 30th Jun)

Oil firms may soon get rights to choose exploration blocks

After eight rounds of auction, India is moving towards Open Acreage Licensing Policy (OALP), where oil firms can choose the blocks they want to explore without waiting for the government to put them on offer. "Our intention is to move to the OALP regime as soon as possible," Oil Minister Murli Deora said. "Under this policy, companies can suggest any block for offer at any time, without waiting for the announcement of the bids under NELP," he said. Companies can choose any area or block they wish to explore for oil and gas and approach the Government for award. The government will then put up an offer for that particular area. "The block will be awarded to the party giving the best bid," Deora said. The OALP is likely to be preceded by a last round of auction under NELP (NELP-IX) by the end of the year. (Economic Times, 30th Jun)

Company News

Essar Oil to invest Rs12bn at Raniganj

Essar Oil plans to invest Rs12bn for the second and third phase development of its coal bed methane (CBM) block in Raniganj, West Bengal, according to a company official. "At present, we have completed the first phase of exploration at Raniganj for which we tied up Rs6bn debt. We would begin production from the block next month," said the official. He said they had firmed up plans for development of other blocks, including one at Rajmahal. At the Raniganj block, the company has a Competent Person Report (CPR)-certified recoverable resources of 1 tcf. Customers for the initial gas have been tied up, and a long-term contract for sale of 2.8 mmscmd of gas has been signed with Matix Fertilisers and Chemicals. Peak production from the field is estimated at 3.5 mmscmd. (Business Standard, 1st Jul)

KG-DWN-2003/1: Management Committee approves six-month extension of first phase of exploration

Management Committee (MC) for the block KG-DWN-2003/1 has approved RIL's request for extension of Phase-I of explorations on the block so that the operator can complete the minimum work programme (MWP) for this phase. This takes the scheduled date of completion of this phase to December 25, 2010, from June 25, 2010. The outstanding work in this phase includes drilling of an additional well as well as completion of two partially drilled wells: KGV-D3-G1 and KGV-D3-W1. Three exploratory wells have thus far been completed as against the requisite six wells specified in the PSC. (Indianpetro, 30th Jun)

Mexico seeks RIL help to develop greenfield refinery

The Mexican government is likely to ink a deal with Reliance Industries to develop a greenfield refinery in that country. "We will look at RIL's refinery when we visit India. We want to develop a new refinery with a capacity of 300,000 bpd," Mexican energy secretary Georgina Kessel said. Reliance could provide services for the proposed refinery, to be developed by Mexican state-owned petroleum company Pemex, she said. "However, there would be no joint venture with RIL as the law does not permit that," Kessel added. Without specifying a date, the energy secretary said that she would be touring India soon to meet energy sector ministers, besides visiting RIL facilities. (Financial Express, 29th Jun)

ONGC plans gas processing facility at Daman

ONGC is planning to set up a major onshore facility in Daman for processing gas to be produced from offshore fields. It will be named 'Daman offshore', on the west coast. In addition to catering to the local market, the gas from the proposed project is likely to boost future industrial investment in the area. While the company is set to finalise the project outline within a week or two, an early estimate suggests that the facility may have an initial capacity to process 5-6 mmscmd. A large tract of land comparable to the size of Maharashtra's Uran onshore facility, which is processing gas from Bassein and Mumbai offshore fields, is expected to be acquired at Daman. (Business Line, 30th Jun)

Appendix A-1

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