

Industry

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India Oil & Gas Daily

 Equity
15 Sep 2010

■ RIL seeks revision in gas price by US\$1/mmbtu

RIL has written a letter to the Oil Ministry this week seeking a revision in gas price from its KG block by US\$1/mmbtu from current US\$4.2/mmbtu. The company says that the cost of production is rising, and customers are ready to pay higher price of gas. The difference between the domestic gas price and imported gas price is still over US\$2/mmbtu. Also the price of US\$4.2/mmbtu from RIL's KG basin was set for a period of five years with a crude oil price of US\$60/bbl as benchmark. But the crude oil price has risen to over US\$75/bbl already. In fact, ONGC also told the ministry earlier that "this (\$4.2/mmbtu) is not a viable price for making future investments". (Economic Times, 14th Sep)

■ Rajasthan stake sale won't impact ONGC offer: RS Sharma, CMD, ONGC

Commenting on the Rajasthan royalty issue, ONGC CMD R S Sharma said, "The royalty issue will not be a risk factor this time. I am confident that the govt will take a decision on the matter before we go to the market." On subsidy sharing and bonus issue he said, "The issue is about transparency and a proper mechanism. Perhaps some more moderation, tweaking of the formula will have to be done but I am sure we will have a subsidy policy in place before we go to the market. Looking at the share price now, which is in excess of Rs1,300, the expectations for a share split or bonus are reasonable." (Economic Times, 15th Sep)

■ KG-D6 block: MC approves budget of US\$73.3m for pre-development activities

The Management Committee (MC) for RIL's KG-D6 block has approved a budget of US\$73.3m for integrated pre-development activities on eight gas discoveries in the block. RIL had initially proposed a much smaller budget of US\$23.25m for the Optimised FDP (OFDP) for satellite gas fields for Dhirubhai-2 (C1), Dhirubhai-6 (D6), Dhirubhai-19 (G1) and Dhirubhai-22 (E1) gas discoveries. Soon after it submitted DoCs for four more gas discoveries in the block, namely Dhirubhai-34 (R1), Dhirubhai-29 (AA1), Dhirubhai-30 (Q1) and Dhirubhai-31 (P2). In order to carry out integrated development of all these gas discoveries, the MC approved pushing the budget up to the US\$73.3m mark. (Indianpetro, 14th Sep)

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Daily Indicators

		14-Sep-10	13-Sep-10	Last week's avg
WTI	US\$/bbl	77.2	76.5	74.8
Brent	US\$/bbl	78.4	77.6	76.9
Indian Crude Basket	US\$/bbl	76.8	76.3	75.5
S'pore GRM	US\$/bbl	3.5	3.9	3.8
MS	US\$/bbl	83.1	82.8	82.3
HSD	US\$/bbl	86.9	86.4	85.9
LPG	US\$/Ton	653.5	653.5	652.0
SKO	US\$/bbl	88.4	87.5	87.1

Source: Reuters, Bloomberg

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

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Industry News

PNGRB to consult all on gas volume-linked pipeline tariff

The PNGRB issued a consultative paper on computation of gas pipeline tariff on the basis of variations in gas volumes carried by a gas pipeline company. The issues raised in the consultative paper are of great relevance to the gas companies as well as fertilizer industry and other gas users. PNGRB has sought views of all stakeholders, consumers, experts, etc., on the draft consultation paper titled 'Evolving a Methodology for adjustment of volume variation in Tariff Computation' by Sep 30, 2010. Listing out different situations in which gas volume change can impact tariff, the paper points out that "a practice for volume variation adjustments was in vogue in the case of the HVJ/DVPL tariff fixed by the Tariff Commission." (Indianpetro, 14th Sep)

NELP-IX bans Pakistani, Chinese firms

The govt has barred any joint venture which has investments by companies from China, Pakistan and Bangladesh from participating in NELP-IX. The move, directed by the defence ministry, comes at a time when the govt is concerned about the country's security and just ahead of the auctions expected to begin in October. Giving its go-ahead for some blocks of NELP-IX, the ministry of defence in a communication on 2 August to the petroleum ministry, said, "Joint venture participation by companies from China, Pakistan and Bangladesh, either directly or by proxy, will not be accepted... Such companies are to be discreetly excluded during initial phase." (Livemint, 14th Sep)

Company News

Block KG-DWN-98/1: DGH okays one appraisal location, asks RIL to drill another within this year

RIL, the operator of the KG-DWN-98/1 (KG-D4) block, has received the DGH's approval for drilling an appraisal location, namely KGD4-AV1. The well will be used to appraise the Dhirubhai-36 (D-36) discovery in the block. The DGH has, however, categorically asked the private operator to submit a proposal for a second appraisal location in the area, towards fulfillment of the MWP (minimum work programme) commitment, by Dec 31, 2010. The upstream regulator has also instructed RIL to submit a proposal for a second appraisal well in the area. (Indianpetro, 14th Sep)

Essar to bid for gas blocks in Indonesia

Essar Energy Plc plans to bid for coal-bed methane (CBM) and shale gas blocks in Indonesia next month. The company will also bid for similar assets in China at the end of this year, a company official said. "This would be our first international foray into unconventional resources. Indonesia opens its CBM blocks auction next month and we would be bidding for the same. We would seek approval of the Essar Energy Plc board for the same," said S R Agarwal, director and CEO, Essar Exploration and Production India Ltd. Essar Energy has five CBM blocks in India — Raniganj (West Bengal), Rajmahal (Jharkhand), Sohagpur (parts of Madhya Pradesh and Chhattisgarh), Talcher and Ib Valley (Orissa). (Business Standard, 15th Sep)

Appendix A-1

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