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- **PM says hike in petrol, diesel prices 'much needed' reforms**
  Prime Minister Manmohan Singh today rejected the Opposition's criticism of the govt's decision to hike fuel prices, saying the move to free petrol and diesel rates was "much-needed" and that there should be no "excessive populism". "The fact that petrol prices have been set free, the same is going to be done to the diesel prices, was much-needed reforms," he said. "And the adjustment that has been made in the prices of kero and LPG was also necessary, considering the very high amount of subsidy that is implicit in their pricing structure," he said. Freeing diesel prices from government control would result in rates going up by another Rs 1.5/ltr but no timeframe has been set for doing so. (Economic Times, 29th Jun)

- **Reliance Industries finds more oil in Cambay basin**
  Reliance Industries has discovered more oil on India's western coast, raising the potential of exploratory blocks it has been drilling, the company said. The current flow was at 410 bopd at the Cambay basin block in Gujarat. This is the seventh oil discovery by the company in the region. The potential commercial interest of the discovery is being determined through more data and analysis, Reliance said in a statement. The company also said it is continuing further exploratory drilling efforts in the block, and it had informed the Indian government about the latest discovery. (Economic Times, 28th Jun)

- **Gas policy to have quota for greenfield projects**
  The power ministry, in consultation with the oil ministry and the Central Electricity Authority, is planning to set a separate quota for greenfield projects in its upcoming gas linkage (allocation) policy. "Greenfield (new projects) will get priority over brownfield (expansion, redevelopment) projects. We have also decided to reserve 30% of the allocation for independent power plants," said an official in the Central Electricity Authority. Players like Reliance Power, GVK Power and Lanco Infratech would be the beneficiaries of such a policy as they are coming up with greenfield gas-based projects. (DNA, 29th Jun)

Daily Indicators

		29-Jun-10	28-Jun-10	Last week's avg
WTI	US$/bbl	75.9	78.3	77.1
Brent	US$/bbl	74.2	76.9	76.2
Indian Crude Basket	US$/bbl	73.9	75.9	75.5
S'pore GRM	US$/bbl	4.0	4.7	4.4
MS	US$/bbl	82.9	85.6	85.0
HSD	US$/bbl	86.2	88.0	88.4
LPG	US$/Ton	581.0	581.0	605.6
SKO	US$/bbl	87.1	88.6	89.1

Source: Reuters, Bloomberg

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

Industry News

India fuel reforms turn private refiners homeward
Indian fuel reforms freeing retailers to set petrol prices and lifting prices of other products could push refiners to their home market instead of shipping fuel abroad, buoying Middle East fuel margins. There is stiff competition in the international export market for refiners, and Indian refiners will probably be glad to sell into the domestic market, provided the fuel hikes allow them to make a decent margin. Freeing up petrol prices will boost profits and strengthen the retail presence of Reliance and Essar, which had almost 15% of the retail fuel market five years ago, before subsidised state firms nearly squeezed them out. The reform move could also soften product prices in Singapore in the near term, if it prompts Indian state refiners to source fewer products from East Asia. (Economic Times, 24th Jun)

New licence norms for gas pipelines
The PNGRB has issued licence rules for companies laying gas pipelines. The rules come even as the petroleum ministry takes a final call on who will be the regulator for the sector, which is becoming a critical part of India's energy map. The detailed norms say that entities like Indraprastha Gas, which started operations with the Centre’s permission before the Board was set up, need not require PNGRB's approval now, although the regulator would monitor these entities' performance in laying pipelines. But new companies planning to enter city gas distribution and transportation of natural gas will come under the purview. The new guidelines—PNGRB (authorising entities to lay, build, operate or expand petroleum and petroleum products pipelines) Regulations, 2010—will come into force after it is published in the government's official gazette, the Board said. (Financial Express, 30th Jun)

Company News

Price hike to fuel follow-on public offer for ONGC, IOC
The government plans to sell shares in ONGC and IOC to capitalise on the “feel good” mood among investors after raising petroleum product prices last week. The petroleum ministry wants the department of disinvestment (DoD) to consider stake sales in the two companies as their financial position has been weakened by years of government price control, which is set to continue for most products. The government can raise funds by selling its stake and a company may sell new shares to improve finances. “With fuel prices now being raised, the issue of under recoveries of these firms has been addressed to some extent. So it is feasible for them to launch follow-on public offers,” said a senior government official. (Economic Times, 29th Jun)

Reliance drills fresh well in NEC-25; expects good hydrocarbon potential
RIL has drilled a fresh exploratory well in its Bay of Bengal block NEC-OSN-97/2. The company is confident about the prospectivity of the latest well ahead of the testing programme. AJ-9 is the the latest addition in a successful drilling series which saw five previous wells -- AJ2, AJ3, AJ5, AJ6 and AJ7 -- indicating the presence of hydrocarbon bearing sands. The AJ area is located towards the southern side of the Orissa contract area. A total of 15 appraisal wells have been drilled in NEC-25, out of which 12 wells returned gas and condensate results. The ongoing appraisal project occupies an area of about 9,000 sq km. Reliance, operator of the 10,775 sq km acreage, recently submitted the declaration of commerciality (DoC) for the block. Initial estimates have revealed an in-place volume of 2.5 tcf, more than double the earlier estimates. (Indianpetro, 29th Jun)

ONGC plans to buy rigs for $986m

ONGC is planning an investment of Rs45.8bn (US$986m) to buy 14 oil and gas rigs. The company wants to acquire 10 onshore rigs for Rs9bn from state-owned Bharat Heavy Electricals Ltd (BHEL) and float tenders for four offshore rigs that may require an investment of Rs36.8bn. "For onshore rigs we will go with BHEL. We have got quotations from them," an ONGC official said. "For offshore jackup rigs, once we crystalize the design, we will go for tendering." (Reuters, 29th Jun)

ONGC to sign 17 new oil and gas block contracts

ONGC and its partners will sign contracts for half of 34 oil and gas blocks awarded in the latest round of auction under NELP. Production Sharing Contracts (PSCs) for 34 out of the 36 exploration areas that were bid for in the eighth edition of NELP will be signed. Of the 70 blocks offered in NELP-VIII, only 36 attracted bids from interested companies. ONGC and its partners won 17 areas out of their bidding for a maximum of 25 blocks. In all, ONGC won 17 blocks -- in 14 as operator and three as non-operator. In the previous seven rounds too, ONGC had won almost half of the 203 blocks awarded. (Economic Times, 29th Jun)

Aban close to deploying drill ship Abraham

Aban Offshore is likely to deploy its drill ship Aban Abraham with Brunei Shell Petroleum for a three-year contract at a day rate in the range of US$300,000. Aban Abraham’s contract with the Ghana-based company Cosmos Energy, which was fetching a day rate of US$325,000, ended in April this year. The asset was deployed in September 2009. The new contract for Aban Abraham will also expand cash-flow visibility. The 1976-built Aban Abraham can work in water depth of 6,600 metres and drill up to 25,000 metres. The development leaves Aban with 2 idle rigs — DD 6 and 8. (DNA, 30th Jun)

Appendix A-1

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