

## ONGC's deepwater mess-up: CAG claims DGH was right in rejecting two ONGC gas finds as discoveries in KG-DWN-98/2

**Feb 21:** *In one of the most damning indictments ever, the Comptroller and Auditor General of India has accused the ONGC of gross negligence in its deepwater operations. It has claimed that the company has lost hundreds of crores of rupees because of faulty decision-making. The indictment came out of a review of the company's transactions relating to deep water blocks from 2002-03 to 2006-07. The review covered the exploratory activities of nine nomination blocks and 35 NELP blocks in different basins held by the company in its individual capacity or with consortium partners. In this second part of our series, the website carries here the remaining observations made by the CAG on the company deepsea operations:*

» The CAG has blamed ONGC and not the Directorate General Hydrocarbons for the controversy surrounding the disqualification of two gas finds by the public sector E&P major in deepwater block KG-DWN-98/2. The DGH had refused to acknowledge the finds because ONGC had tested them using a Modular Dynamic Tester (MDT) tool whereas it was required to use the conventional Drill Stem Test (DST) method as mandated under the Production Sharing Contract.

» Pertinently, the company did use the DST route to test four other discoveries - A-1, U-1 W-1 and KT-1 – in the block (which were subsequently recognised by the DGH) but used the MDT tool for the other two wells, dubbed D-1 and E-1. In one of the wells, ONGC said that it wanted to employ the DST method but the well collapsed before that could be done. In the case of the E-1 find, ONGC had apparently issued an "interim discovery report" to the DGH based on the MDT results. However, the regulator had insisted that a DST be used for notifying the discovery.

*The CAG insists that the DGH was right in asserting that statutory tests be carried out to determine a discovery. It goes on to add that non-recognition of the discoveries has delayed further development plans in the field.*

(Click on our Reports section to download a complete copy of the CAG audit on "deepwater exploration" relating to ONGC)