



**Oil and Natural Gas Corporation Limited**  
**Office of OC Member, Nagayalanka**  
**Godavari Bhavan, ONGC Base Complex, Rajahmundry-533106, India**

No.: ONG/RJY/KG-ONN-2003-1/AUDIT EXCEPTIONS/2021-22

Date: 27.10.2021

To  
Shri Ravindra Kumar  
HOD (Audit)  
Directorate General of Hydrocarbons,  
OIDB Bhawan, Tower-A, Plot No. 2,  
Sector-73, Noida-201301 (UP)

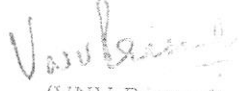
**Sub: Audit Exceptions in respect of KG-ONN-2003/1 for the Year 2018-19**  
**Ref: DGH/Audit/LKC/2021 dated 23.04.2021**

Sir,

Pl find attached the replies to the Audit Exceptions issued vide letter referred above. It is requested to consider the same and drop the exceptions.

Kindly acknowledge the receipt.

Regards,

  
(VNV Prasad)  
CGM (PI)  
OC Member-  
KG ONN 2003/1

**Copy To: Nodal Officer, KG ONN 2003/1 Block, DGH.**

**Encl: a/a**

**Exception No. 1: Procurement of materials & services**

The Operator is not having pre-approved vendor list along with pre-qualification criteria for specified activities (as prescribed in Appendix F of the PSC)

**DGH Comments:**

Operator is advised to obtain the necessary approval on priority.

**Reply:**

Necessary approvals have been obtained for vendor list and pre-qualification criteria as per Appendix-F of PSC. Same are attached herewith for reference.

*In view of the above, it is requested to drop the exception.*

**Exception No. 2: Site restoration fund**

As per article 14.10, the contractor shall prepare a proposal for the restoration of site including abandonment plan and requirement of funds and the annual contribution. The annual contribution shall be deposited by the contractor in the site restoration fund which will be established, in accordance with the scheme notified by the Government.

However, even the Operator has started its commercial production, the Operator has not created and funded site restoration fund as per provisions of PSC and site restoration fund scheme 1999.

**DGH Comments:**

Operator is required to submit estimation and computation of site restoration fund done by the third party and ensure the adequacy of funds deposited in SRF account.

**Reply:**

It may kindly be noted that, Point-6 of the Site Restoration Guidelines - April 2018 provides that, "In the case of new fields, Contractor can alternatively submit Bank Guarantee (BG) for the initial period up to 3 years after first commercial oil/gas production. The Contractor shall create SRF account for the subsequent years of PSC period. The funding in SRF account or BG amount will be calculated using Unit of Production method i.e. Reserve of the field to Production ratio".

The commercial production in the Block has got commenced in FY 2018-19. As such, the Bank Guarantee has been furnished by the Contractor parties for the Three Financial Years 2018-19, 2019-20 and 2020-21. Subsequently, Site Restoration Fund Account has been opened and deposited the funds during March/April 2021 for the Financial Year 2021-22. Copies of the BGs and SRF Deposits have already been submitted to the DGH periodically.

*In view of the above, it is requested to drop the exception.*

*Vandana*

**Exception No. 3: Approval of audited accounts**

As per article 25 of PSC, the contractor shall submit the audited financials to Management Committee within 60 days from the end of financial.

However, approval for appointment of auditor was not granted by Management Committee within 60 days.

Further, the audit report was signed on 18<sup>th</sup> September 2019 instead of within 60 days as per PSC.

**DGH Comments:**

Operator is advised to explain the reason of such delay in the approval of appointment of auditor and submission of audited accounts for MC approval. Operator is further advised to get the audited accounts approved from MC on priority.

**Reply:**

For the purpose of Appointment of Auditors for FY 2018-19, OCR # 171 dated 12<sup>th</sup> Feb 2019 has been submitted to the DGH. The MC has approved the appointment of Auditors for FY 2018-19 vide MCM#51 dated 13<sup>th</sup> June 2019.

Subsequent to Appointment of Auditors, the audit got commenced and the Audit of accounts for FY 2018-19 has got finalised on 18<sup>th</sup> Sept 2019. The Audited Accounts have been submitted to the DGH for approval.

*In view of the above, it is requested to drop the exception.*

*Vant*

**From:** VIDYASAGAR K/ONGCL  
**To:** "pandian.ss@cairnindia.com" <pandian.ss@cairnindia.com>  
**Cc:** RN SATISHBABU/ONGCL@ONGCL, PV SATEESHKUMAR/ONGCL@ONGCL, NK BANALA/ONGCL@ONGCL, Yashwant Jagan P/ONGCL@ONGCL

**Date:** Friday, February 23, 2018 04:56PM

**Subject:** Partner approval of revised PQC Hiring of Cementing Services at Nagayalanka

Dear Sir,

Pl refer to the trailing mail where partner has approved the PQC for the cement services. Copy of the approved PQC is attached. The vendor list was subsequently approved by the JV/partner on 23.02.2018 and sale of tender documents is proposed to commence from 26.02.2018.

Prior to uploading the tender, a mail has been sent to the approved bidders to confirm their ONGC vendor codes and participation status (like bidders are participating as a single venture / joint venture / Consortium). M/s Schlumberger has informed/confirmed that their bid will be submitted as consortium model. Since the consortium model was not part of the approved PQC, Operator now seeks the approval of the partner to include this in the proposed tender document. Inclusion of this clause will facilitate the participation of M/s Schlumberger and ensure wider competition.

Partner is requested to approve at the earliest but not later than 26.02.2018 to facilitate proceeding with tendering.

Rgds

K.Vidyasagar,  
Dy.GM(P),Rajahmundry Asset,  
Godavari Bhavan, Rajahmundry  
Mob no: 9490168645

-----Forwarded by VIDYASAGAR K/ONGCL on 02/23/2018 04:42PM -----

To: "kvidyasagar@ongc.co.in" <kvidyasagar@ongc.co.in>  
From: Pranay Shankar <Pranay.Shankar@cairnindia.com>  
Date: 11/13/2017 05:39PM  
Cc: "banala\_nk@ongc.co.in" <banala\_nk@ongc.co.in>, "P\_Yashwant@ongc.co.in" <P\_Yashwant@ongc.co.in>, "sateeshkumar\_pv@ongc.co.in" <sateeshkumar\_pv@ongc.co.in>  
Subject: RE: Partner approval of PQC, Cost estimates and period of quoting for EOI for Hiring of Cementing Services at Nagayalanka

Dear Sir,

Based on review of the proposed PQC and BQ's from the vendors, Operator is informed that PQC is approved by JV and Operator may go ahead with the EOI for the same.

Further it is to be noted that the cost estimate based on actual cost incurred during drilling of KG deep wells could be between 0.3 to 0.5 MM USD as against the budgetary proposal of ~2 MM USD. Hence, Operator may please keep this info in consideration while contracting and rate negotiation.