



Specialist Group
Cauvery Basin
10th (East), CMDA Tower-I
Egmore, Chennai-600 008.

FAX MESSAGE

File No. ONGC/CB/SPG/AUDIT/DGH/ 2012-13

Dated 11.12.12

From : A. Mohan Rebellow CE (Prodn), Specialist Group, Cauvery Basin, Chennai

To : Directorate General, Directorate General of Hydrocarbons
OIDB Bhavan, Sector -73, Noida - 201301 (U.P)
FAX NO: 0120 2472049 ✓

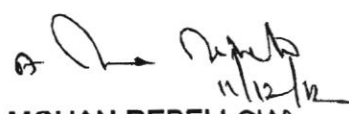
SUB : Audit exceptions in respect of NELP Blocks -Cauvery Basin for FY 2007-08 & 08-09

Audit exceptions as tabulated below were received from MoPNG on the above subject.

S.NO	BLOCK	ISSUED ON	ISSUED
1	CY - PR- DWN - 2004/2	09.08.12	4 Exceptions
2	CY - DWN - 2004/2	21.08.12	4 Exceptions
3	CY - DWN - 2004/3	19.08.12	4 Exceptions
4	CY - PR- DWN - 2004/1	21.08.12	4 Exceptions
5	CY - DWN - 2004/1	21.08.12	3 Exceptions
6	CY- ONN- 2002/2	29.08.12	3 Exceptions
7	KK- DWN- 2001/3	27.08.12	2 Exceptions
8	CY- DWN- 2004/4	14.08.12/13.09.12	4 Exceptions

The reply for DGH Audit exceptions on SI .no. 1 (Block CY- PR- DWN - 2004/2) was submitted vide our letter of even no dated 04.12.12. Reply in respect of SI no 2-8 as approved by ED- Basin Manager, Cauvery is enclosed herewith for kind perusal please.

Regards.


(A. MOHAN REBELLOW)
Audit Coordinator,
Cauvery Basin, Chennai

Copy for kind information to:

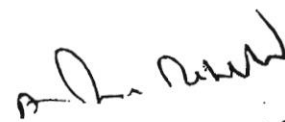
1. ED - Basin Manager, Cauvery, Chennai
2. GGM - Head EXCOM, Core - V, SCOPE Complex, New Delhi - 110003
FAX NO: 011 2436 5197 ✓
3. GM - Chief Internal Audit, 6th Floor, SCOPE Minar, Laxmi Nagar Delhi - 110092
FAX NO: 011 22406388 ✓
4. DGM - Head Finance, Chennai

Reply to Draft Audit Exceptions in respect of CY ONN 2002/2

	OBSERVATION	REPLY
1.	<p><u>Parent Company Overhead.</u></p> <p>PCO of US\$ 61962 is not cost recoverable, due to specific disallowance of the above expenditure by MC during the Accounts adoption of FY 2007-08.</p> <p>Operator is hereby advised to reverse the amount which is not approved by MC.</p>	<p>The issue on disallowance of PCO for the year 2007-08 was taken up in the case of Cauvery NELP VI Deepwater blocks and the reclassified main office expenses was adopted along with accounts for 2010-2011 accounts in r/o blocks CY-DWN-2004/1, 2, 3 & 4 (Copies of the resolutions are also enclosed for ready reference).</p> <p>Similar resolution has been sought for the block CY ONN 2002/2 for allowance of reclassified Main Office Expenses in the year 2007-08 along with adoption of accounts for the year 2011-2012.(copy of latest correspondence enclosed)</p> <p>Hence reversal of the amounts in the books of accounts is not required.</p> <p>Considering the above reply, the para may be dropped.</p>
2.	<p><u>Insurance Coverage</u></p> <p>As per PSC the operator has to include the name of GOI as co-insured in all its insurance policies and waiver of subrogation against GOI.</p> <p>Contractor has not included the name of GOI as co-insured in</p>	<p>In the explanations provided to audit, it has been clarified that the JV does not own any fixed assets and only the asset usage charges are debited to the block account through allocations.</p> <p>ONGC's comprehensive insurance policy covering the wells of the blocks form part of the policy documents, in the years in which well</p>

A. Mohan Rebellow
A. MOHAN REBELLOW
Sr. Asst. Secy. (Admin.)

	<p>its insurance policies.</p> <p>Operator is required to take insurance policies and update insurance as per requirement of Article 24 of PSC and submit the details to DGH/GOI and record the reason for not covering GOI as additional insured and not having subrogation clause in insurance policy.</p>	<p>plan is there.</p> <p>The relevant pages of the insurance policy covering the government as additional insured and subrogation clause in insurance policy is enclosed for the period under audit.</p> <p>Considering the above reply, the para may be dropped.</p>
3.	<p><i>Deviation in procurement of materials.</i></p> <p>Auditors have reported that stipulated procurement procedure in the PSC is not followed by the operator.</p> <p>The operator is hereby advised to follow PSC provisions for procurement of materials and to furnish justification for not complying with PSC provisions during audit period. It may also be noted that the cost of material procured without following PSC provision may be disallowed.</p>	<p>ONGC follows a standardized and approved Material Management procedures for tendering. ONGC as an operator has been following well laid down and approved procedure for procurement of material and services, following CVC guidelines applicable to a PSU and which according to the operator are not materially different and are an improvement over the ones prescribed under the PSC. Material cost is debited to the block on actual consumption.</p> <p>For the said block also, it is stated that the process as stated above has been followed.</p> <p>Considering the above reply, the para may be dropped.</p>


A. MOHAN REBELLOW
CE (P)- Spl. Group

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OIL AND NATURAL GAS CORPORATION LIMITED

(Regd. Office: Jeevan Bharti, Tower II, 124, Indira Chowk, New Delhi- 110001)

OFFICE OF THE BLOCK MANAGER-I, CAUVERY BASIN

11 (West), CMDA Building

No: 1, Gandhi-Irwin Road

Egmore, Chennai-600008

Phone: 044-28573186, Fax: 044-28591279

FILE REF ONGC/CAU/Block-I/CY-ONN-2002/2/2012

Date 25.09.2012

To

The Director General
 Directorate General of Hydrocarbons
 OADB Bhavan, Plot No. 2, Sector-73
 NOIDA - 201301
 Kind attn: A.Z Mallik, Manager (Res)

Fax: 0120-2472049

Sub.: DGH Audit Exceptions for the block CY ONN 2002/2 - FY 2007-08

Please refer to above subject in respect of CY-ONN-2002/2 for the year 2007-08 and 2008-09 vide correspondence dated: 29.8.2012 of MOPNG. In this regard, kind attention is invited to audit exceptions on reversal of PCO to the tune of USD US\$ 61962 on grounds that PCO has been disallowed for cost recovery till 2007-08.

With respect to the referred issue, it is to state that the said issue was taken up in the case of Cauvery NELP VI Deep water blocks wherein the PCO /differential MOE disallowed was adopted along with accounts for 2010-2011 accounts in r/o blocks CY-DWN-2004/1, 2, 3 & 4 (Copies of the resolutions are also enclosed for ready reference - Annexure-A-1,2,3 & 4).

The issue needs to be resolved through similar process for the block CY ONN 2002/2.

In view of the above, the following is submitted for consideration:-

- Accounts for 2011-2012 may be adopted with cumulative expenditure till 31.3.2012 in order that the PCO/MOE differential disallowed earlier for cost recovery is adopted cumulatively or
- a separate resolution may be passed, adopting expenditure till 31.3.2012 (as per audited accounts of 2011-2012) considering figures of PCO for 2007-08 and differential MOE for 2008-09 (which were disallowed earlier), so that a suitable reply can be furnished to the audit exception.

The details of the PCO disallowed for 2007-08 is enclosed for ready reference Annexure-B-1,2 & 3 for the said block along with the relevant extracts of the audited accounts till 31.3.2012 containing details of the cumulative expenditure till 31.3.2012.

Regards,

(M.Ayyadurai)
 GM -Block Manager-I
 Altn. MC Member

o/c

BLOCK CY ONN 2002/2(UNINCORPORATED) JOINT VENTURE

(Operator Oil & Natural Gas corporation Limited)

Schedules forming part of the Sources and Application of Funds as at 31st March 2012

Schedule 1 : Exploration Expenditure

Nature of Expenditure	As on 31st March 2011		During the Year 2011-12				As on 31st March 2012	
	In Equivalent US\$	In Equivalent Rupees	In US\$	In Rupees	In Equivalent US\$	In Equivalent Rupees	In Equivalent US\$	In Equivalent Rupees
Seismic Acquisition- 3D	1642292	72651983	0	0	0	0	1642292	72651983
Seismic processing- 3D	60743	3046813	0	0	0	0	60743	3046813
Seismic repl processing- 3D	85019	3891834	0	0	0	0	85019	3891834
Reprocessing	193723	8340579	0	0	0	0	193723	8340579
Seismic Interpretation	286547	13077181	503788	0	1066364	6097681	335142	18170842
Environmental studies	39070	1880050	0	0	0	0	39070	1880050
Special Studies/post drill exp	47371	2204880	0	0	0	0	47371	2204880
GAG Cost	97280	4577364	2383144	0	487343	21803194	1018022	49708738
PEL fees	32156	1472111	580836	12337	12337	580836	44492	2032747
G.A. Cost	704155	32244200	23735339	483886	23735339	23735339	1198640	55978331
Exploratory Drilling	328436	163263650	2784786	13786833	2784786	13786833	8049144	301032885
Main Office Expenditure	284293	12533440	3288080	187972	187972	8286080	432727	20821526
TOTAL	7212318	340413837			4062919	199418436	14728208	655833335

Schedule 2 : Interest Income

Particulars	As on 31st March 2011		During the Year 2011-12				As on 31st March 2012	
	In Equivalent US\$	In Equivalent Rupees	In US\$	In Rupees	In Equivalent US\$	In Equivalent Rupees	In Equivalent US\$	In Equivalent Rupees
Interest Income	936	44811	7767	7767	152	7767	1149	52518
TOTAL	936	44811	7767	7767	152	7767	1149	52518

For GHG ASSOCIATES
Chartered Accountants
FRN - 008703-S



CA S. HARESH
Membership No. 205204

DGM (F&A) FINANCE
ONGC LIMITED

CM (F&A)
ONGC LIMITED

V. SUBBA RAO
Credit Manager (F&A)

A.L. SRINIVASAN
J/C - Finance

BLOCK CY CNN 2002/2(UNINCORPORATED)JOINT VENTURE
(Operator Oil & Natural Gas corporation Limited)

Schedules forming part of the Sources and Application of Funds

Schedule 1 : Exploration Expenditure

Nature of Expenditure	As on 31st March 2007		During the Year 2007-08				As on 31st March 2008	
	In Equivalent US\$	In Equivalent Rupees	In US\$	In Rupees	In Equivalent US\$	In Equivalent Rupees	In Equivalent US\$	In Equivalent Rupees
Selamie Acquisition- 3D	1642292	72611983					1642292	72611983
Selamie processing- 3D	66743	3048813					66743	3048813
Selamie spl processing- 3D	66019	3891834					66019	3891834
Reprocrocessing	48627	2032642					48627	2032642
Selamie Interpretation	164287	7294082					164287	7294082
Environmental studies	12632	651000					14377	621000
GAG Cost							14377	621000
PEL fees	2010	88986					85477	3403840
G&A Cost	104386	4714441					128647	218633
PCO/Head office Overheads	58852	2611300					117873	5242812
TOTAL	2161826	96882381			106776	4284360	2288606	101137231

Schedule 2 : Interest Income

Particulars	As on 31st March 2007		During the Year 2007-08				As on 31st March 2008	
	In Equivalent US\$	In Equivalent Rupees	In US\$	In Rupees	In Equivalent US\$	In Equivalent Rupees	In Equivalent US\$	In Equivalent Rupees
Interest Income	394	17932		6315	188	6315	582	23847
TOTAL	394	17932			156	6315	582	23847

S. Rajagopalan
Partner
For and on behalf of
S. Rajagopalan Associates
Chartered Accountants



Chief Manager (F&A)

S. SAMPATH
Chief Manager (F&A)
ONGC Ltd. (F&A)
Chennai - 600 008

20/27

20/27

21/27

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DETAILS OF PCOD DISALLOWED												(M.V.S.D)
SNO	BLOCK NAME	CUM PCOD DISALLOWED FROM INCEPTION TO 2005-06	As per Audited Accounts	As per MC Resolution 2006-07	PCOD Disallowed	As per Audited Accounts	As per MC Resolution 2007-08	PCOD Disallowed	As per Audited Accounts	As per MC Resolution 2008-09	Cum PCOD Disallowed (Total)	
1	CY-ONN-2002/2	55194	125599	121941	3658	106778	103668	3110	395155	995155	0	
											61962	

(14VSD)



Annexure-B-