

Government of India
Ministry of Petroleum and Natural Gas

Shastri Bhawan, New Delhi-110001

☎ 011-23073925 (Off.) (Fax : 23383585 & 23383100)

File No. O-22015/80/2012-ONG-IV/EO

August 29th, 2012

To,

Chairman & Managing Director
 Oil & Natural Gas Corporation Limited
 9th Floor, Jeevan Bharti Building
 124, Tower-II, Indira Chowk
 Sansad Marg, New Delhi-110001

Sub.: **Audit exceptions in respect of CY-ONN-2002/2 Block for the financial years 2007-08 and 2008-09**

Sir,

I am directed to refer to Auditor's Report on the subject cited above and to forward the following exceptions for taking necessary action:

Exception No. 1: Parent Company Overhead

PCO of US\$ 61,962 is not cost recoverable, due to specific disallowance of the above expenditure by MC during Accounts adoption of FY 2007-08.

Operator is hereby advised to reverse the amount which is not approved by MC.

Exception No. 2: Insurance Coverage

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.

Contractor has not included the name of GOI as co-insurer in its insurance policies.

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.

Exception No. 3 : Deviation in procurement of materials.

Auditors have reported that stipulated procurement procedure in the PSC is not followed by the Operator.

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.


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2. As per PSC, the operator shall answer any notice of exception within one hundred and twenty (120) days of the receipt of such notice. Where the Contractor has, after the said one hundred and twenty (120) days, failed to answer a notice of exception, the exception shall prevail and deemed to have been agreed to by the contractor. The operator is required to forward their compliance reports / further comments directly to DGH within the time stipulated in the PSC.

Yours faithfully



(K. K. Sharma)

Under Secretary to the Govt. of India

Copy to : DG, Directorate General of Hydrocarbons, Noida with the request to monitor the progress and to ensure compliance of the audit exceptions.