

Chapter 1: Background

Oil and Natural Gas Corporation Limited (ONGC), an integrated exploration and production company (hereinafter referred to as ‘Company’), contributes 64 per cent of India’s hydrocarbon output (2016-17). Around 75 per cent of its total production of crude oil and natural gas is from Western Offshore area. The Company is presently carrying out exploration activities in Eastern Offshore area of



A process platform

the country where it has discovered 23 gas fields from 2001-02 to 2017-18; monetization of 14 of these discoveries is underway. The Company operates 17 platforms¹ and has deployed 36 drilling rigs² in the Western Offshore area and three unmanned platforms and five drilling rigs in the Eastern Offshore area as on 31 March 2018.

The Marine Logistics Services of the Company provide vital support to the platforms and rigs (referred to as ‘duty stations/duty points’) by storing and supplying various types of materials/equipment required for smooth exploration and production activities. It also provides safety services to these duty stations (standby duty) and towing services for shifting rigs from one location to another (rig move).



A Drilling rig

The Comptroller and Auditor General of India in Audit Report No. 4 of 2002 reviewed the performance of Western Offshore vessels. This covered the assessment of requirement of offshore vessels, deployment, upkeep and maintenance of owned Offshore Supply Vessels (OSVs), operation and maintenance contracts of owned vessels for the period of five years ended 31 March 2000. Ministry’s response to the

findings in the report was included in Audit Report No. 6 of 2005 (Commercial) of CAG of India on Hydrocarbon sector. Further development on the audit findings mentioned in the above Report is given at **Annexure I**. Audit observed that most of the issues pointed out in the earlier review have not been addressed/fully addressed by the Company.

1.1 Types of vessels

The Company operates a fleet consisting of both owned and chartered vessels of various types and capabilities. OSVs are used primarily for standby duties and occasionally for supply duties.

¹ An offshore structure that is permanently fixed to the seabed

² A drilling unit that is not permanently fixed to the seabed, e.g. a drillship, a semi-submersible or a jack-up

Anchor Handling Tug cum Supply (AHTS) vessels equipped with winches are used primarily for rig movements. Whenever there is no rig move, AHTS are used for standby duty and to carry moderate amount of supplies. **Platform Supply Vessels (PSVs)** are specially designed to supply cargo to drilling rigs and offshore platforms.

1.2. Supply Base

The supply of materials to the rigs and platforms in Western Offshore and Eastern Offshore is managed from Nhava Supply Base (NSB) near Mumbai and Kakinada Supply Base (KSB) at Kakinada respectively.

1.3 Organizational Structure

The Marine Logistics Division of the Company functions under the overall control of Director (Offshore). In the western offshore it is headed by Executive Director (Chief Logistics services) who is assisted by General Managers – Marine construction, Marine supply base, Marine Planning, Material Management, Finance and by Deputy General Manager (Repairs and Maintenance). In the Eastern Offshore, the DGM In-charge Logistics heads the team comprising DGM/Chief Managers – Logistics, Port Operations, OSV Operations and Surface Logistics.

1.4 Financial Performance

Expenditure incurred by the Company on marine logistics operations during the period 2012-13 to 2016-17 is given in the following table:

Table-1.1: Expenditure on marine logistic operations (Figures in ₹ crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Capital	95.14	39.67	28.77	48.99	21.76
Contractual	904.22	898.01	1175.55	1712.83	1345.66
Manpower	47.60	63.60	49.20	57.82	72.60
Spare	0.03	0.13	0.08	0.09	0
Store	525.76	1320.08	1472.12	1288.71	1369.22
Other	10.15	9.81	10.52	10.26	12.11
Total	1582.90	2331.30	2736.24	3118.70	2821.35

Source: Data provided by ONGC/Finance

The major expenditure of Marine Logistics operations was on chartering of vessels, procurement of High Flash High Speed Diesel³ (HFHSD) and Operation and Management (O&M) costs of vessels owned by ONGC. Increase in expenditure on marine logistics operations from ₹.1582.90 crore (2012-13) to ₹.2821.35 crore (2016-17) was mainly due to increase in deployment of vessels, increased consumption of HFHSD in rigs and platforms, increased consumption of HFHSD by vessels, increase in cost of fuel, upward revision of foreign exchange rate of US dollar from ₹.54.45 (2012-13) to ₹.67.08 (2016-17). Vessel charter hire is payable in US dollar.

³ HFHSD is high flash diesel generally meant for Naval applications and fishing vessels.