

PUBLIC ACCOUNTS COMMITTEE (1991-93)



SIXTY-THIRD REPORT

(NINTH ASSEMBLY)

**REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS ON
THE REPORTS OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR THE YEARS 1984-85,
1988-89 AND 1989-90 (REVENUE RECEIPTS)
ON POWER, MINES & MINERALS
DEPARTMENT, GOVERNMENT
OF ASSAM**

Presented to the House on1992.

**ASSAM LEGISLATIVE ASSEMBLY
DISPUR, GUWAHATI—781006**

TABLE OF CONTENTS

	Pages.
1. Composition of the Committee	ii
2. Prefatory Remarks	iii
3. Chapter - I, General	1-7
4. Chapter - II, Failure to fix surface rent	8-19
5. Chapter - III, Short recovery of royalty	20-21
6. Chapter - IV, Short recovery of dead rent	22-24
7. Chapter - V, Non-imposition of penalty for belated payments	24-27
8. Chapter - VI, Short realisation of royalty	28-29
9. Chapter - VII, Royalty not charged on loss of crude oil	30-38
10. Summary of Observations/ Recommendations	39-41
11. Annexure - I	42
12. Annexure - II	43
13. Annexure - III	44
14. Annexure - IV	45
15. Annexure - V	46
16. Annexure - VI	47
17. Annexure - VII	48-50
18. Annexure - VIII	51-53.

(ii)

COMPOSITION OF THE COMMITTEE

(1991-93)

CHAIRMAN :

1. Shri Sasha Kamal Handique

MEMBERS :

2. Shri Upendra Nath Sanatan,
3. Shri Rameswar Dhanowar,
4. Shri ALauddin Sarkar,
5. Shri Zoi Nath Sarma,
6. Shri Nurjamal Sarkar,
7. Shri Debendra Nath Baruah,
8. Shri Lakshmi Prasad Borgohain,
9. Shri Kosheswar Baruah,
10. Shri Kali Ranjan Deb,
11. Shri Derhagra Mochahary,

SECRETARIAT :

- | | |
|--------------------------|--------------------|
| 1. Shri D. Talukdar, | Secretary, |
| 2. Shri A. R. Chetia, | Under Secretary, |
| 3. Shri Subimal Kr. Das, | Committee Officer. |

(444)

PREFATORY REMARKS

1. I, Shri Sasha Kamal Handique, Chairman of the Committee on Public Accounts having been authorised to submit this Report of the Committee on their behalf do present the Sixty ~~Third~~ Report of the Committee on the Audit paragraphs contained in the Report of the Comptroller and Auditor General of India (Revenue Receipt) for the years 1984-85, 1988-89 and 1989-90.

2. The Report of the Comptroller & Auditor General of India (Revenue Receipt) for the years 1984-85, 88-89 and 89-90 were presented to the House on 10th December, 1986, 8th October, 1990 and 30th July, 1991 respectively.

3. The Report as mentioned above relating to the Power, Mines & Minerals Department were considered by the out-going Committee of Eight Assembly (Annexure-I) headed by Shri A.F.Golam Osmani, MLA as well as the present Committee in their sittings held on 16-9-88 and 5-3-92. The out going Committee could not submit their report to the House owing to expiry of their terms. The present Committee persued all the relevant records and prepared the Report covering the years as mentioned above.

4. The Committee considered the Draft Report and finalised the same in their sitting held on 27-11-92.

5. The Committee on Public Accounts, Assam Legislative Assembly places on records their appriciation to the staineous work done by the outgoing Committee in obtaining various records information, clarification etc. Pertaining to the chapters by them. The Committee also appriciates the valuable assistance rendered to the Committee by the Accountant General (Audit) Assam and his Junior Officers and staff. The Committee also express their thanks to the Mines & Minerals Department for #their Co-operation with the Committee.

Dated,
Dispur the 27-11-92.

S.K. HANDIQUE
Chairman,
Public Accounts Committee
Assam Legislative Assembly.

....

....

CHAPTER - I

GENERAL

Revenue raised from Mines & Minerals.

1.1.1. The receipts from Mines & Minerals of the Government of Assam raised by the Directorate of Geology & Mining during the years 1987-88, 1988-89, 1989-90 and 1990-91 are as under :-

1987-88	Rs.	98,50,26,777/-
1988-89	Rs.	112,31,57,054/-
1989-90	Rs.	164,35,58,778/-
1990-91	Rs.	203,26,47,322/-

1.1.2. The details showing the royalty received during the period from 1987-88 to 1990-91 item-wise are as follows :-

(a) Crude Oil	1987-88	Rs.	96,14,67,089/-
	1988-89	Rs.	105,70,28,375/-
	1989-90	Rs.	160,21,62,186/-
	1990-91	Rs.	198,48,17,687/-

(b) Natural Gas

1987-88	Rs.	161,20,387/-
1988-89	Rs.	573,29,742/-
1989-90	Rs.	3,41,26,093/-
1990-91	Rs.	3,97,13,786/-

(c) Coal

1987-88	Rs.	53,56,137/-
1988-89	Rs.	66,32,202/-
1989-90	Rs.	47,74,815/-
1990-91	Rs.	57,05,652/-

(d) Lime Stone

1987-88	Rs.	20,79,240/-
1988-89	Rs.	21,62,460/-
1989-90	Rs.	24,90,409/-
1990-91	Rs.	24,01,875/-

(e) China Clay

1987-88	Rs.	3,925/-
1988-89	Rs.	4,094/-
1989-90	Rs.	3,006/-
1990-91	Rs.	8,322/-

(f) White Clay

1989-90	Rs.	2,268/-
---------	-----	---------

Contd...../-

1.1.3. The receipts as above, from the natural resources falling within the territory of Assam have relevance to its production. In fact, such revenue is derived from net production after deducting unavoidable loss etc. from gross production. The details with the agencies in respect of (a) Crude Oil and (b) Natural Gas are enclosed as Annexure II and III of this Report. The quantum of loss the state sustained of (a) Crude Oil and (b) Natural Gas during the years from 1986-87 to 1990-91 (5 Years) are as under :-

	<u>Crude Oil</u>	<u>Natural Gas</u>
1. Unavoidable loss	114,655,744 MT	4,119,472,679 MT
2. Return to Natural Reservoir	408,179,291 MT
3. Used for Petroleum Mining Operation.	34,895,149 MT	1,168,554,522 MT

1.2.1. The Audit has, however, found in their test Audit conducted during the year 1984-85, cases of under assessment losses etc. of rent royalty and other duties amounting to Rs. 9,73,43 lakhs in 15 cases which they broadly categorised as follows :-

	Number of cases	Amount (In lakhs of rupees)
1. Short Payment of dead rent/surface rent	3	11.06
2. Non-recovery of Penalty	3	8,62.40
3. Non-payment/short payment of royalty	6	71.79
4. Other losses of revenue	3	28.18
Total	15	9,73.43

1.2.2. The Department in their reply has however denied that there is no such case of under-assessment of Government dues as pointed-out in Audit. Audit observed delayed payment, non-payment and other losses, etc. amounting to Rs. 973.43 lakhs. A substantial part of this amount is however, base on some important assumptions on the part of Audit. Illustrations are given as under :-

(a) Short payment of dead rent and surface rent for
Rs. 11.06 lakhs

3 cases as given below :

Coal India Ltd.

Dead Rent	-	Rs. 2.52 lakhs
Surface Rent	-	Rs. 8.29 "
II/L on Fuller's	-	Rs. 0.237 "
Earth (dead rent)		

Total Rs. 11.047 lakhs

(i) Dead rent C.I.L. Coal India Ltd. has paid Rs.2.03 lakhs against a demand of Rs.2.52 lakhs. The basis for the aforesaid payment is that Coal India Ltd. takes May, 1973 as the Zero year of the Grant and accordingly paid dead rent. As per provision of Act, rate of dead rent during various years are given below :-

1st Year	-	Nil	Lakhs
2nd to 5th year	Rs.	12.50	per hectore
6th to 10 year	- Rs.	25.00	" "
11th year onwards	Rs.	37.50	" "

(ii) Surface rent amount to Rs. 8.29 lakhs. The calculation was made taking into account the entire area of mining lease. Whereas as per Mineral Concession Rule 1960, surface rent is to be paid over the area utilised for mining operation. In any case inspite of repeated correspondences from the Directorate of Geology & Mining the matter of payment of surface rent has not yet been settled. However, in course of a recent discussion between officials of Coal India Ltd. and the State Directorate of Geology & Mining held on 5th September, 1988 . Coal India Ltd. has finally agreed to make payment of surface rent as per demand of the Directorate. An officer of the Directorate is being sent to Colliery to determine the total area being occupied for mining operation by Coal India Ltd.

Contd.....4/-

(iii) Dead Rent on Fuller's Earth. The amount of Rs. 0.237 lakhs is yet to be realised. On this issue there is a legal complicity. The payment of dead rent is applicable in respect of major minerals. Fuller's earth being a minor mineral, question of payment of dead rent does not arise until and unless specially provided in the Minor Mineral Concession Rules. Government of Assam has not yet notified the Minor Mineral Concession Rule. The same has already been prepared and is under consideration of Government.

(b) Non recovery of penalty for Rs. 862.40 lakhs. As per audit, ONGC and OIL were not paying royalty within due date and as such according to provisions of Acts & Rules they are to pay interest on belated payment at the rate of 10% chargeable for each month of the default. Accordingly in respect of ONGC an amount of Rs.31.58 lakhs have been calculated as penalty for the period covering from **January**, 1983 to December, 1983. In respect of OIL during the period covering from September, 1982 to November, 1984 the penalty is calculated at Rs. 830.69 lakhs. Except lakwa and Rudrasagar, no mining lease for other oil fields, namely Galeky, Amguri, Borhola and Charali were formally granted by Government. Formal grant of mining lease in respect of the aforesaid areas were issued only in 1985 to ONGC and mining lease deeds thereon, were executed accordingly in the same year. However, ONGC was allowed to work in those areas for production of oil and gas without any formal grant of mining lease till 1985. Since mining leases were not granted formally to ONGC upto 1985, lease agreements were not executed with the ONGC. No action could be taken for realisation of penal interest on belated payment of royalty, etc. from ONGC prior to 1985 legally. However, presently, on grant of mining leases in 1985 the matter has been taken up with ONGC For realisation of penalty for belated payment of royalty, rent etc. as per provision laid down in the

Rules 23 of the Petroleum and Natural Gas Rules, 1959. Besides, Government is considering to fix a specific date/order for payment of royalty, fees etc.

In respect of Oil India Ltd., except Doom Dooma mining lease, other Mining leases namely Naharkatya Extension, Moran and Hugrijan were initially granted to OIL under petroleum concession Rules, 1949. There is no provision to realise penalty on delayed payment of royalty, rent etc. under the said Rules. Similarly the mining lease deeds executed under the above rules does not have any such clause to realise the penalty and Rule 23 of PNG Rules, 1959 could not be forced upon these mining leases. Under the above circumstances the penalty for delayed payment of royalty could not be realised from OIL. However, after expiry of lease period for the mining leases granted under Petroleum Concession Rules, Government's sanction for renewal of the leases are being issued under the PNG Rules, 1959. Hence from onwards, action would be taken to realise penalty for delayed payments of royalty, rent etc.

1.2.3. The Committee could not be convinced on the reasoning of the Department as adduced in their written reply in view of the huge loss to the state coffer amounting to Rs. 9,73.43 lakhs. The Committee, therefore, wanted to know some details about the loss in course of oral deposition particularly about Fuller's Earth. For proper appraisal, the proceedings are quoted below :-
Shri Gunin Hazarika :- I want to know the area under Fuller's earth mining.

Director, G & M :- It extends at least 20 k.m. north of Rangia .

Shri G. Hazarika :- How many hectares of Fuller's Earth mining lease was given by the Government ?

Director G.M. :- I shall give you the figure after checking the record. Technically this is no Fuller's Earth. Two qualities of Fuller's Earth are there : one is activated and the other is non-activated. Fuller's Earth has become a natural property by virtue of its use in the Oil Refineries, It becomes activated by a chemical process, Although mining lease was granted to the parties, none of the oil refineries had accepted the Fuller's Earth because of quality.

Gunin Hazarika :- I have heard that there is large scale smuggling of fuller's earth going on resulting in loss of revenue to our State.

D.G.M. :- Actually there was no mining from the lease already granted to the lessee. In Assam there is no clandestine mining of this. Now, Guwahati Refinery does not use fuller's earth. Digboi refinery is of course using it in a small quantity which they are bringing from outside. Digboi refinery submitted report to us that if our fuller's earth is chemically activated then it could be used. But this activation would be so costly that they won't be able to use it economically.

Shri G. Hazarika :- I want to know the total area ?

D.G.M. :- The Total area is 70 hector .

Shri Gunin Hazarika :- So, this area remains idle.

D.G.M. :- Yes, Fuller's earth is a very cheap material and it come under minor mining mineral. It has a high chemical property.

Secy.Mines & Minerals :- This body is seized of the problem that an amount of Rs. 0.237 lakhs is yet to be realised. But on this issue there is a legal complicity. Fuller's earth is a minor mineral. The payment of dead rent is applicable in respect of major minerals. Fuller's earth being a minor mineral, we could not collect the dead rent. So, a lacuna is there. We are now trying to plug this loophole and trying to put it in Minor Minerals Concession Rules.

D.G.M. :- Draft Rules of Minor Minerals has been framed by the Directorate and forwarded it to the Government. There is no rules now under which we can realise this rent on Fuller's earth.

OBSERVATION/RECOMMENDATION

1.3.1. The P.A.C. would like to know the total royalty that would have accrued from Crude Oil and Natural Gas shown as "Unavoidable Loss" and "Used for Petroleum mining operation" as in para 1.1.3. of this part. Regarding other cases of under-assessment, loss, non-payment, short-paymant etc., the Committee has given their observations and recommendations in the subsequent chapters of this Report.

CHAPTER - II

Failure to fix surface rent

(Audit para 7.2/CAG/84-85)

2.1.1. According to Section 4 (I) of the Mines and Minerals (Regulation and Development) Acts, 1957, no person shall undertake any mining operations in any area, except under and in accordance with the terms and conditions of the mining leases granted under the Act and the rules made thereunder. As per Rule 27 (I) (d) of the Mineral Concession Rules 1960 one of the conditions of the mining lease is that the lessee shall pay, for the surface area used by him for the purpose of mining operations, surface rent and water rate at such rate not exceeding the land revenue assessable on the land.

2.1.2. The Audit has brought out that on the expiry of the periods of leases, between April, 1973 and November, 1982, in-respect of 8 coal fields, taken over by the Coal India Ltd. from private owners under the Coal Mines (Nationalisation) Act, 1973, fresh lease deeds between the Coal India Ltd. and the Government, providing inter alia for payment of surface rent and water rate, had not been executed. The Coal India Ltd., which operated the Coal Mines without such agreements, did not pay surface rent and water rate to Government on the ground that the earlier agreements with the private owners did not provide for payment of such charges. Government also did not take any action requiring the Coal India Ltd. to execute proper agreements and pay surface rent and water rate. Revenue lost to Government on this account in respect of 6 collieries (on the basis of the entire leased out area of 4,728 hectares) for the period January, 1979 to December, 1984 alone amounted to Rs. 4,33,234. On this being pointed out (March, 1985) in audit, the department stated (September, 1985) that steps were being taken by the State Government to finalise the matter at the earliest.

2.2.1. The Department in their written memorandum have stated that instead of repeated correspondences between, the Mines Department, and Coal India Ltd. and the Ministry of Energy, the matter has not yet been finally settled. While Government of Assam has been insisting that Coal India Ltd. should execute mining lease deed both Coal India Ltd. and the Ministry of Energy insisted that no such fresh agreement be executed. According to them Coal Mines (Nationalisation) Act, 1973 and subsequent amendments are sufficient for allowing Coal India Ltd. to work in the coalfields. Finally at instance of DGM Coal India Ltd. has agreed to execute lease deed as per Mineral Concession Rule, 1960 in form K incorporating all terms and conditions including conditions for payment of surface rent, water rent, etc. subject to final approval of Ministry of Energy. This Development took place on 5th September, '88 in course of final discussion between Director of Geology & Mining and General Manager, N.E. Coalfields and Chief Legal Adviser CIL. In course of the aforesaid meeting, CIL has also agreed to pay all dues including surface rent, water, etc., as per calculation made by the Directorate of Geology & Mining. The same is being done within the next one month. As for the loss of revenue for the period from January, 1979 to December, 1984, amounting to Rs. 4.33 lakhs it is to be noted that the aforesaid figure of the audit report is based on the assumption that CIL would have to pay surface rent over the entire area for which mining leases have been granted. Whereas as per Mineral Concession Rules, surface rent is to be paid over the area used for the purpose of mining operation only.

2.2.2. In course of oral deposition the Departmental witness clarified that the Coal India Ltd. took-over the Coal Mines in 1973. Since then, they have not paid the surface rent due to the reasons already explained. The Committee took interest to know in details on a numbers of points arising out of the issue which are quoted below : for proper appraisal :-

Shri Gunin Hazarika : What is the area at present ?

Shri Prasad, DGM : We have to find out the actual area under them ; we are sending our officers to the spot to check up the area under them.

Shri Gunin Hazarkia :

Shri Prasad, : The Coal India Ltd. took-over in 1973. Since 1974 we had been insisting on them and asking them they would have to enter into agreement for mining lease for the areas they covered. And that proper mining lease deeds with terms and conditions must be executed between the Coal India Ltd. and Government of Assam. Till recently the Coal India Ltd. insisted that by virtue of the Coal Mines (Nationalising) Act, 1973, they were not supposed to enter into any Agreement. As such, they argued that since in the process of the lease there was no condition for payment of surface rent they were not liable to pay surface rent. This sort of thing was going on. Ultimately, on 5th September, 1988 after final round of discussion they have agreed to pay surface rent and they will also enter into agreement with us formally.

শ্রী গুনীন হাজৰিকা :- এই কথাটো ইমান দিনে কিয় হোৱা নাছিল ? বিভাগৰ দায়িত্ব নাই নেকি ? স্টেট ৰেভিনিউ কিহত লফট হব তাৰ এচেচমেন্ট নাই নেকি ?

সংকলক :- It was not considered by them to enter into agreement.

শ্রী গুনীন হাজৰিকা :- নিজ এগ্রিমেন্ট আছিল নে নাই ?

সংকলক :- নিজ এগ্রিমেন্ট হবই লাগিব । ই বাধ্যতামূলক ।

শ্রী গুনীন হাজৰিকা :- তেতিয়াহলে কিয় এনফৰ্চ কৰিব পৰা নাই ?

সংকলক :- ভাৰত চৰকাৰক ইনচিফ্ট কৰি থকা হৈছে । সকলো বিলাক কৰেচপমেন্টেচৰ নকল আশাৰ লগত আছে ।

শ্রী গুনীন হাজৰিকা :- নেচনেলাইজ একটৰ ৪,এ(২)ক চুপাৰচিড কৰিছে নেকি ?

সংকলক :- চুপাৰচিড কৰা নাই । ৰাজ্যিক চৰকাৰৰ পৰা কেন্দ্ৰীয় চৰকাৰক এই আৰ্গুমেন্ট দি আহিছো । কোম্পানী বিলাকে কয় যে তেওলোকে উত্তৰাধিকাৰী সূত্রে আগৰ চৰ্ত সাপেক্ষে এই ব্যৱস্থা চলি আছে । এতিয়া ৫ চেপ্টেম্বৰৰ সভাত তেওলোক এগ্ৰি হৈছে ।

Shri Prasad, DGM : They have agreed now unequivocally to pay the surface rent as per the detailed bills to be sent to them by us. About the area under them, our officers will visit the spot and verify the area and the report will come to us by one month's time.

Mr. Chairman :- When you submitted this memorandum we expected that you would go by this memorandum. We find what you are telling now goes contrary to your memorandum forwarded to us about 10 days back. We expect that as soon you get the CAG's report, you should prepare your memorandum and forward the same to the PA C as soon as possible atleast before you get the notice of the PAC meeting. I find that you sent this memorandum after getting notice of the PAC meeting. Now referring to the memorandum I find the whole contention is in respect of interpretation that is given to surface rent. What do you mean by surface rent ? The lessees, in this case the Coal India Limited, says that surface Rent means rent to be paid over the area used for the purpose of mining operation only. It does not cover the whole leased area. In your memorandum it says, "Finally at the instance of D.G.M., Coal India Limited has agreed to execute lease deed as per Mineral Concession Rule, 1960....."

"About the surface rent, in your memorandum it says, " As for the loss of revenue for the period from January 1979 to December, 1984 amounting to Rs. 4,33 lakhs it is to be noted that the aforesaid figure of the audit report is based on the assumption that CIL would have to pay surface rent over the entire area for which mining leases have been granted. Whereas as per Mineral Concession Rules, surface rent is to be paid over the area used for the purpose of mining operation only". Where is your case ? You are telling rather, making a comment on the CAG's report. CAG's report refers to a proposition of assumption that rent is payable so far as the whole surface area is concerned. You are now giving us a view contrary to the proposition taken by the Government

of Assam which Mineral Concession Rules say that surface rent means the area falling under mining operation. Tell us what is the meaning of this. Are we to understand that this memorandum was prepared at some level where you were not consulted ?

D.G.M : Surface Rent as per rule has to be paid there is no dispute.

Our point is that this particular figure that was arrived at by the Audit Party, Rs. 2 lakhs and odd amount of surface rent has to be paid by the Coal India Limited. The Audit Party at the time of calculation took into account the entire area of mining lease occupied by Coal India Limited. I refer to the existing K form Rules which specifies that a party has to pay surface rent in respect of the area in the mining lease he occupies for the purpose of the mining operation. Surface rent is to be paid for the area which is occupied for the actual mining operation.

Mr. Chairman, What has been decided finally in September, '88 meeting?

D.G.M. : It was decided that Coal India Limited would make payment of Surface rent on the basis of the total area being occupied for mining operation by Coal India Limited and the area of occupation by CIL would be determined by an Officer of the Directorate. In fact, an officer of the Directorate is being sent to Colliery to determine the total area being occupied for mining operation by Coal India Limited.

Mr. Chairman : Are we to understand that surface rent means rent in relation to that part of the leased area which is actually under mining operation ?

D.G.M : Yes.

Shri Gunin Hazarika : What is the designation of the assessing or the Inspecting Officer of your department ?

D.G.M. ; His designation is Mining Engineer.

Mr. Chairman : May we know what was the agreement concluded with Coal India Limited and what were the terms and conditions of the lease ?

DIRECTOR, G.M. : We have got the Record of Discussions held with the Coal India officials on 5th September, 1988, in which certain specific decisions were adopted on the following issues. I am reading out from " The Record Note of discussion held in the office chamber of D.G.M., Assam between officials of Coal India Ltd., and the Directorate of Geology & Mining, Assam on 5th September, 1988. Discussion was held on the following issues :

- A) Payment of Mining dues in respect of the various lease holds as dead rent, surface rent, water rate, royalty etc.
- B) Execution of Mining lease in respect of the nationalised Coal mines of Assam ;
- C) Grant of leasee on Tipong- East extension area.

MR. CHAIRMAN - I would request you to make a copy of the documents available to the Public Accounts Committee.

DIRECTOR G.M. Yes, it will be supplied. The terms are.

"(A) Payment of mining dues etc. It was agreed by the representatives of C.I.L. that dead rent, surface rent, royalty etc., are to be paid in accordance with the provision of of M.M.R.D. Act and M.C. Rules, It was agreed that the Mining Engineer of the Directorate of G.M. , Assam would shortly visit Margheriata and after discussion with the officials of C.I.L. finalise the various dues, rates etc.. After finalisation of the dues, Coal India Ltd. would take immediate action for payment of the dues. In the meantime, it has been observed that some amount of dead rent arrears royalty against Tirap Namdung coalfield, due to the Government of Assam, have already been paid by Coal India Ltd.

(B) Necessity for execution of lease deed in Form 'K' of M.C. Rule, 1960.

It was agreed that by virtue of Coal Mines (Nationalisation) Act, 1973, and subsequent amendments, there is no necessity on the part of Coal India Ltd. to apply for fresh grant in respect of

leases/collieries notified in the Scheduled of the aforesaid Act. By virtue of this Act, the leases were deemed to have been granted for a period of 30 years with effect from the date of nationalisation of coal mines (1.5.1973).

It was however agreed that as per Mines & Minerals (Regulation & Development Act, and M.C. Rules 1960, it is obligatory on the part of the lessee to enter into a formal agreement with the lesser and to execute the lease deed in form 'K' incorporating all terms and conditions etc., strictly in accordance with the various provisions of the M.C. Rules, 1960. "

MR. CHAIRMAN - Yes need not read out the whole thing since you are supplying us with a copy of the Record of Discussion. Now please tell us whether the Government of Assam in the Mines & Minerals Department has taken a stand that surface rent is payable in respect of the area actually under mining operation or it is payable in respect of the total area covered by the lease.

DIRECTOR G.M. We are to realise the surface rent for the actual area of land occupied by the party under mining operation, for example, Coal fields under sepeparation by the CIL Digboi oil field, then Bokajan Cement Corporation of India, in their cases, mining leases have been given and whatever areas have actually been under their occupation are to yield the surface rent payable to the Government.

Mr. Chairman - The whole of Mergharita area was taken over by the CIL N.E. Coalfields- Is it so ?

Director G.M. - Yes.

Mr. Chairman - It means, deprivation of certain revenue that would otherwise have yielded to the Government if it were utilised for any other purposes, While surface rent is given only in respect of one part of the whole area that is under mining operation, the other part though covered by the mining lease does not give any benefit to the State. Is it so ?

DIRECTOR : - There is some provision in the M.C. Rules under which we cannot claim surface rent in respect of the lease area over which, say for instance, a P.W.D. road passes or some High School or any such public institutions located therein occupying certain areas. To explain it further, I may quote the clause No. 27 of the Mining Concession Rules, 1960 which says - " The Lessee shall also pay for the surface area used by him for the purpose of mining operation, the surface rent and Water rate at such rate not exceeding the land revenue, water cess assessable on land as may be specified by the State Government. " This is the rule. So for the portion of the area not actually under mining operation, no rent is claimed.

MR. CHAIRMAN :- The State of Assam is obliged to give over certain area of the State irrespective of the limitations, for the purpose of exploitation of natural resources. That area is given for exploitation of mineral resources. That area is given for exploitation of mineral resources available, and from that area certain parts come only for exploitation while other parts are also under their occupation. Now for these other parts, are the Government not entitled to get from the C.I.L. or O.I.L. or O.N.G.C., at least some amount of revenue ?

SHRI G. HAZARIKA :- Yes for instance, the whole area notified by the Government for exploitation of minerals like coal or petroleum should yield surface rent or water rate etc., and I am of the view that the whole rent should be claimed from the CIL or OIL or ONGC. What have you got to say about it ?

D.G.M. - Provision of the Mineral Concession Rules must be amended relating to the granting of mining lease to a party . Suppose we have granted mining lease to OIL measuring an area of 3,000 sq. Km consisting of some private land or a P.W.D. road might also pass through the piece of land, the OIL will not pay rent for the entire area leased out to them.

They will pay rent only over the area used for the purpose of drilling/mining operation as the case may be .

Mr. Chairman - You are realising royalty for the quantity taken out and the surface rent when mining lease is granted.

Shri S. Condpan - If a piece of land held by an individual by way of Miyadi patta need exploration, will that piece of land be converted into Government land ?

D.G.M. - No, for private land party will have to negotiate with the individual . When mining lease is granted it may so happen that part of land may be Government land and part may belong to a private individual.

Mr. Chairman - It appears the charges on the land in relation to particular operation do not supersede other existing interests. So far Government part of khas land is concerned it is un-encumbered. What is the position of other States in regard to this. Do they follow the same pattern while granting leases ?

D.G.M. - The same procedure is followed .

Mr. Chairman - In the next meeting you can say the factual position .

Secretary Mines & Minerals Within a month will be able to collect the necessary information from other States.

Shri S. Condpan - What kind of improvement has been made by your department so far as the observation made in the CAG's report is concerned ?

Shri Prasad, DGM - We have definitely made improvement. In respect of OIL, they made payment within 30 days and they have been making payment regularly and in fact they made payment upto June, 89. In respect of leases with other parties, they are to make payment within 70 days and they have been making payments within this stipulated period of time. The O.N.G.C. pay us monthly the royalty due from them.

Shri S. Condpan - We want to know whether some improvement has been made on the basis of the CAG's audit paras ?

Shri Prasad, DGM - Lease deeds . . have not yet been executed. After the Audit Report was sent, after that we entered into execution of 5 Mining leases, but with the OIL we have not yet executed any deed.

Director G M - Unfortunately, the state Government has no Machinery of their own to asse-ss the figure supplied hence, a Machinery should be provided forthwith as deem fit so that, the figure supplied by the Lessees may be cheeked-up and verified. Accountant General, Assam :- The coals being extracted from different mines, are these loaded in the trucks of railway rakes by the lesses ?

Sri Prasad, DGM :- Some quantities are loaded in the truck but most of the coals are stacked for being despatched by the railway rakes ?

Accountant General :- Trucks and also the railway rakes have definite capacity of loading. So does your people remain present there at the time loading of coals to oversee the actual quantity of coal being loaded ?

Director, DGM - If that is done, we will be losing as trucks can carry coals between 14 to 15 tons.

Shri P.C. Sarma - Secretary, Power :- We thank the Accountant General for his suggestion. To enforce such kind of check we will require the **infra-structure**. But if that can be done it will be beneficial and helpful to Government.

Mr. Chairman :- After some machinery has been installed perhaps we can say ; presently they can only say on assumption.

DGM : Royalty is paid on the basis of production. And that we can find out from the area of excavation.

Mr. Chairman :- In view of the meeting of the 5th September, 1988 we have to wait a bit before they can finalise. Whether it is possible to have a machinery which you can connect with actual extraction and thereby you can find out the total quantity extracted from so and so pits ?

D.G.M : There are two possibilities: (1) to be such in order to make physical measurement, and (2) from the pit it has to come by some road.

There is a provision under the rules that it must pass through weight bridge and weightbridge is subject to scrutiny of the directorate - Which is a part of the lease.

Mr. Chairman :- Let the D.G.M. submit a proposal in which way he can effectively monitor the extraction of the coal so far the state Government's interest is concerned. Please come up with a draft in the next meeting.

Presently whether there is a system of weightbridge with every colliery ?

DGM :- As far as Coal India is concerned yes ; and the Cement Corporation also , yes.

Secretary : They use it for their own commercial purpose.

D.G.M. :- Absolutely no check from the side of the State Government .

Mr. Chairman :- Mr. Sarma , I think let him give a proposal as to how affectively this thing can be settled ; otherwise we cannot go on assumption.

Secretary :- By about a month's time, I think, both the two things can be combined and come to the Government.

OBSERVATION/ RECOMMENDATION

2.3.1 On the strength of Coal Mines (Nationalization) Act, 1973 the Coal India Ltd. took over eight coal fields. They did not execute any agreement with the Government nor did they pay surface rent as per Mineral concession Rules, 1960. In course of discussion the Committee hinted the Government as to how to over-come those problems with a view to raise revenue from this non-tax revenue earning source.

2.3.2 In course of discussion the Committee also wanted to know to have certain information and records. The Committee would be interested to have a comprehensive note on all the points raised in foregoing paras, showing their action taken or proposed to be taken by the Government.

2.3.3 The Committee feels that the revenue that is to be accrued by way of royalty, rent etc., is generally assessed on the basis of figures submitted by the lessee concerned. The Directorate of Geology and Mining, Government of Assam have to have a Machinery of their own to assess the figures supplied by the lessees so that there could be unanimity between the lessee and lessor. The Committee therefore recommends that the Directorate of Geology and Mining, Government of Assam will have a cell with field staff to over-see the revenue realised and to physically verify daily production etc., at Oil fields and Mines under direct control of the Director.

CHAPTER - III

Short Recovery of Royalty

(Audit Para 7.3/C.G/84-85)

3.1.1 The Audit has brought out the following cases :-

(i) According to instruction of January, 1983, issued by Government of Assam in the Hill Areas Department, the leasee holders are required to deposit 60 percent of the royalty due from them to the District Council's account and the remaining 40 percent to Government account. Out of 40 percent (Rs.1.76 lakhs) of the royalty (Rs. 4.40 lakhs) due for payment in Government account for the period from February 1984 to December, 1984, the Cement Corporation of India deposited Rs. 90,241 leaving the balance of Rs. 85.929 unpaid. On this being pointed out (March 1985) in audit, the department stated (Septemebr 1985) that the Cement Corporation of India had since deposited Rs. 72,456 in April 1985. Royalty still to be deposited to Government account amounted to Rs. 13,473.

(ii) As per monthly returns furnished by the Coal India Ltd., it had removed from the collieries 2,35,649 metric Tonnes of coal (Run of mines) and 13,509 metric tonnes of hand picked coal during the period from May 1984 to September 1984. Royalty payable in respect of these removals at the prescribed rates of Rs. 6.50 and Rs. 7 per metric tonne respectively accounted to Rs. 16,26,281. Royalty actually realised from the Coal India Ltd. However, amounted to Rs. 16,11,000. Royalty amounting to Rs. 15,281 was thus realised short by the department.

3.2.1 The Department in their written reply submitted to the Committee have stated that (1) the CCI had cleared all dues including the amount of Rs. 13,473.00 within April '85 after being audited by A.G's parts and (II) Coal India Ltd. has cleared all dues including an amount of Rs. 15,281.00 on account of royalty. In fact, in so far as royalty is concerned CIL has been regular in payment of royalty since January, 1987.

OBSERVATION / RECOMMENDATION

3.3. The Committee expressed their satisfaction that the sums outstanding against Cement Corporation of India and Coal India Ltd. could be realised in full.

Contd.....

CHAPTER - IV

Short recovery of dead rent (Audit para 7.4./CAG/84-85)

4.1.1 Under the Mines and Minerals (Regulation and Development) Act, 1957, as amended in 1972 and the Mineral Concession Rules, 1960, as a d~~i~~fferrent against heaping the leased areas idle, a lessee is required to pay dead rent at the proscribed annual rate per hect~~or~~ of the leased area in case the royalty an mineral raised from that area during any year is lower than such dead rent. The rates of dead rent vary from period to period, depending upon the number of years for which the lease is in operation. The maximum rate of Rs. 37.50 per hect~~or~~ per annum is applicable from the eleventh year onwards.

4.1.2 The Audit has pointed out two cases of departure of the above provision, which are as under :-

(i) In respect of a leased area covering 97, 125 hectors in Uttar Baska mauza, dead rent/ royalty amounting to Rs. 29,137 was recoverable from the lessee for the period from 19th May 1972 to 18th May, 1983. However dead rent/royalty amounting to Rs. 5,348, only was actually recovered from him. Dead rent/royalty amounting to Rs. 23,789 was thus recovered short from the lessee. The short recovery was pointed out to the department in March, 1985, their final reply is awaited.

(ii) In respect of 4 leases (Bimalpur Colliery ; lease Nos. I & II, Sheelvata and Koilajan) covering 1684.74 hectors , the Coal India Ltd. had not deposited dead rent (at the rate of Rs. 37.50 per hectors) for four years 1981, 1982, 1983 and 1984, nor had any demand been raised by the department against the lessee till March, 1985. The dead rent recoverable from the Coal India Ltd. amounted to Rs. 2.53 lakhs. On this being pointed out (March 1985) in audit the Department stated (September,

1985) that action had been taken to realise dead rent from the Coal India Ltd.

4.2.1 The Department in their reply have stated that in respect of the objection (i) above the dead rent is paid less on the basis that the Coal India Ltd. takes May, 1973 as the Zero year of the Grant and accordingly paid dead rent on the basis as under :-

1st Year	-	Nil
2nd to 5th Year	-	Rs. 12.50 per hector .
6th to 10th year	Rs.	25.00 per hector ,
11th year onwards	-	Rs. 37.50 per hector .

As regards the objection (ii) the Department have stated that demand for payment of arrear dead rent covering period from January, 1981 till December, 1984 was sent to CIL on 14th March/86. However, prior to that, other demands had been issued to them from time to time commencing from 1978, covering the period from May, 1973 to December, 1980. While submitting these demands the Directorate calculated rate of dead rent taking the date of grant of mining lease as the one on which the various mining lease were granted to the parties prior to introduction of Coal Mines (Nationalisation) Act. However, CIL insisted that rate of dead rent should be calculated considering May, 1973 as the date of grant of the lease to CIL. According to the provisions of the Coal Mines (Nationalisation) Act, 1973 and subsequent amendments it was observed that date of taking over of the coal mines by the Coal India should be taken as the date of fresh grant. Coal India Ltd. has since cleared all arrear dead rent in accordance with the calculations taking May, 1973 as the Zero year for such calculation. They have paid the following amounts of dead rent at different times on the basis of the aforesaid calculation :-

Contd..

Rs. 2,37,572 covering the period from 1-5-73 to 31-12-80 on 16-12-83.

Rs. 20,3,542.75 covering the period from 1-1-81 to 31-12-84 payment made on 5-2-87.

Rs. 1,05,296,35 covering the period from 1-1-85 to 31-12-86 payment made on 19-5-88.

OBSERVATION/RECOMMENDATION

4.3. The Public Accounts Committee feels that the Monitoring system should be strengthened to the extent that the lessee might not take advantage of this clause to say that the extraction was a loss and get away only with paying the dead rent.

CHAPTER - V

Non-imposition of penalty for belated payments

(Audit para 7.5/CAG/84-85)

5.1.1 As per instructions issued by Government in September 1980 under the Petroleum and Natural Gas Rules, 1959, royalties, rents and other dues payable for any month under the lease deeds are required to be paid by the leasees to State Government by 10th of the succeeding month. In the event of their failure to make such payment by the due date, a penalty at the rate of 10 percent of the amount in default is chargeable for each month of default.

5.1.2 The Audit had pointed out that the ONGC had delayed payment of royalty amounting to Rs. 2.02 crores by 9 days to 127 days during the period from January, 1983 to December 1983. Similarly, the Oil India Ltd. had delayed payment of royalty amounting to Rs. 38.19 crores by 16 days to 70 days during September 1982 to November 1984. For the belated payments penalties amounting to Rs. 20.35 lakhs and Rs. 8.31 crores were chargeable from the Oil and Natural Gas Commission and the Oil India Ltd. respectively, but were not charged. On this being pointed out (March 1985) in audit, the department stated

Contd..

(September 1985) that due to non-execution of any agreements with the Oil and Natural Gas Commission, no action could be taken for realisation of penalty from the Commission on belated payments. As regards the Oil India Ltd., the department stated that mining leases for Naharkatiā, Moran, Hugrijan Oil fields were granted under the Petroleum Concession Rules, 1949 where no provision for levy of Penalty existed and therefore, provision of Rule 23 of the Petroleum and Natural Gas Rules, 1959 could not be enforced. The mining leases for the above mentioned oil fields were actually granted with effect from the 10th January, 1961 i.e., after the coming into force of the Petroleum and Natural Gas Rules, 1959. Therefore, the leases should have been granted under the petroleum and Natural Gas Rules, 1959 and the penal provisions therein applied in cases of belated payment of Government dues.

5.2.1 The Department have stated in their written reply that the ONGC and OIL were not paying royalty within due date and as such according to provisions of Acts and Rules they are to pay interest on belated payment at the rate of 10% chargeable for each month of the default. Accordingly in respect of ONGC an amount of Rs. 31.58 lakhs have been calculated as penalty for the period covering from January, 1983 to December, 1983. In respect of OIL during the period covering from September, 1982 to November, 1984 the penalty is calculated at Rs. 830.69 lakhs. Except Lakwa and Rudrasagar, no mining lease for other oil fields namely Galeky, Anguri, Borhola and Charali were formally granted by Government formal grant of mining lease in respect of the aforesaid areas were issued only in 1985 to ONGC and mining lease deeds thereon, were executed accordingly in the same year. However, ONGC was allowed to work in those areas for production of oil and gas without any formal grant of mining lease till 1985. Since mining leases were not granted formally to ONGC upto 1985, lease agreements were not executed with the ONGC. No action could be taken for realisation of penal interest on belated payment of royalty, etc. from ONGC prior to 1985 legally, However,

Contd..

presently, on grant of mining leases in 1985 the matter has been taken up: with ONGC for realisation of penalty for belated payment of royalty, rent etc., as per provision laid down in the Rules 23 of the Petroleum and Natural Gas Rules, 1959. Besides, Government is considering to fix a specific date/order for payment of royalty, fees etc.

(B) In respect of Oil India Ltd., except Doom Dooma mining lease other Mining leases namely Naharkatya Extension, Moran and Hugrijan were initially granted to OIL under petroleum concession Rules, 1949. There is no provision to realise penalty on delayed payment of royalty rent etc. under the said Rules. Similarly the mining lease deeds executed under the above rules does not have any such clause to realise the penalty and Rule 23 of PNG Rules, 1959 could not be forced upon these mining lease. Under the above circumstances the penalty for delayed payment of royalty could not be realised from OIL. However, after expiry of lease period for the mining leases granted under Petroleum Concession Rules, Government's sanction for renewal of the leases are being issued under the PNG Rules, 1959. Hence from onwards, action would be taken to realise penalty for delayed payments of royalty, rent etc.

5.2.2 In course of oral deposition the Committee wanted to know as to why no penalty could be imposed against the lessees who made payments of royalty beyond the due date, and as to the stipulation penalty. For proper appraisal the proceedings are quoted below :-

Dr. K.Kalita - Why no penalty for belated payments could be imposed on these lessees who made payments much beyond the due dates ?

DIRECTOR D.G. - We have already explained it sir. It is a fact that the ONGC was making payment very critically, particularly during this period, and in the lease deed executed between the ONGC and Government of Assam there was no such clause incorporated at that time providing for a time limit by which the lessee should pay royalty and in the event of delay, the lessee would be required to pay penalty at such and such rate.

Some penalty could be demanded of them. As already explained, we have recently executed an agreement in which we have specially inserted that penalty clause. Previously it was not there.

DR. K KALITA - When it was executed - the last one ?

SECRETARY MINES ETC. - It was done in 1985, just after the audit was over.

DIRECTOR D.G. And the Audit could not be informed of this because at that time, the whole thing was under process ; certain queries made by Government of India were being met ; then our Revenue Department were yet to intimate us as to the rate of surface rent to be fixed etc. etc.

MR. CHAIRMAN - Whether there is any stipulation as to the penalty ?

DIRECTOR D.G. There is and we have already introduced it in respect of ONGC. In 1985-86, five leases were executed and in all these five lease deeds, 30 days ' stipulation is there. In so far as OIL is concerned, three deeds are to be executed shortly, and in these lease we will insert this term of monthly payment and 30 days stipulation for penalty. One deed, of course, we will have to execute afresh after the expiry of the existing lease, i.e. in September, 1991. But they are now paying every month, sir.

MR. CHAIRMAN - Before that, you will be well to take legal advice ; and you may refer the matter to the Advocate General, Assam as to the imposition of penalty and for recovery thereof.

OBSERVATION/RECOMMENDATION.

5.3.1 The Audit has rightly pointed out that leases should have been granted under the Petroleum and Natural Gas Rules, 1959 and the penal provisions therein applied in cases of belated payment of Government dues as a result of penalties amounting to Rs. 20.35 lakhs and Rs. 8.31 crores were chargeable from the oil and Natural Gas Commission and the Oil India Ltd. respectively, but were not charged.

5.3.2 The Committee considered the lapses as laxity on the part of those who were responsible for execution of the deeds incorporating the penalty clause under the Rules of 1959. The Committee feels that such type of lapses resulting of loss of revenue should not be occurred in future.

CHAPTER - VI

Short realisation of royalty
(Audit Para 4.7./CAG-87-88)

6.1.1 According to Rule 14 of the Petroleum and Natural Gas Rules, 1959, a lessee shall pay to the State Government royalty at the rate of 10 percent of well head value of natural gas obtained by him.

6.1.2 The Audit has brought out that in case of a lessee in Guwahati on the net production of natural gas totalling 25,48,09,237 cubic meters (Cu.M) during the period from January to April 1987 royalty amounting to Rs. 40.41 Lakhs was payable by the lessees, But Royalty of Rs. 32.48 lakhs on 24,28,94,945 Cu.M. of Natural Gas only was realised. The commission resulted in short realisation of royalty amounting to Rs. 7.93 lakhs. On this being pointed out in audit (September 1988), Government stated (November 1988) that the lessee had been asked to clear the dues.

6.2.1 The Department in their written reply have stated the factual position as below :-

(1) The Accountant General's office audited **revenue receipts** of the Directorate of Geology and Mining, Assam covering the period from 1.11.87 to 30.9.87. The audit was **exercised** during the period from 6.10.87 to 4.11.87. The audit report was formally communicated to DGM - vide letter No. RAW/9-1/87-88 3192 dtd. 29.1.88. The report indicated non-realisation of Rs. 1.54 lakhs as royalty on natural gas for the period from January to March, '87.

(2) On 19.12.87, the Directorate received half yearly statement relating to payment of royalty ^{by} Oil India Ltd. (Covering the period from 1.1.87 to 30.6.87). On scrutiny of this statement, the Directorate observed that short payment of royalty on natural gas produced by Oil India Ltd. from 1.1.87 to 31.3.87 was Rs. 7.93 lakhs and not Rs. 1.54 lakhs as indicated in A.G.'s communication indicated above.

(3) The Directorate asked Oil India Ltd. to make this payment due to the State Government on 21.3.88.

(4) However, before receipts of DGM's demand Oil India Ltd. had paid the aforesaid amount of Rs. 7.93 lakhs on 1.12.87. Proof of actual payment of the aforesaid amount was received by the Directorate on 25.5.88.

In substance, the amount of Rs. 7.93 lakhs stated to have been realised short was received by the state Government during the year 1987-88.

OBSERVATION/RECOMMENDATION.

6.3.1 From the audit para and the departmental reply, it is evident that royalty accrued for the period from January to April, 1987 was realised short by Rs. 7.93 lakhs. The short realisation was however recouped on 1.12.87 by the payee before receipt of demand from D.G.M. Assam.

6.3.2 Now the Department may examine if any penalty for belated payments under the petroleum and Natural Gas Rules, 1957. is payable to the Government and the result of the scrutiny be intimated to Public Accounts Committee within 1.3.93.

6.3.3 The Committee further observes that the information of realisation of the royalty of Rs. 7.93 lakhs on 1.12.87 was not intimated to Audit even when it was asked-for (September 88). The Committee would be happy if such avoiding attitude, in future, could be avoided. The Committee is concerned with such avoiding attitude of the Department concerned.

CHAPTER - VII

Royalty not charged on loss of crude oil
(Audit para 4.3/CAG/88-89.)

7.1.1 In the state of Assam two agencies viz. Oil India Ltd. (OIL) and Oil and Natural Gas Commission (ONGC) are engaged in exploration of mineral oils. The extraction of mineral oils is governed by the Oil Fields (Regulation and Development) Act, 1948 (since amended in 1969) and the Petroleum and Natural Gas Rules, 1959 (P.N.G. Rules). According to the P.N.G. Rules a lessee shall pay royalty, in respect of any mineral oil mined, quarried, excavated or collected by him, at the rate prescribed by Government of India from time to time. No royalty shall, however, be payable in respect of any crude oil, causing head condensate or natural gas which is unavoidable lost or is returned to the natural reservoir or is used for drilling or operations relating to the production of petroleum or natural gas or both. The term 'unavoidably lost' has not been defined in the Act or in the Rules. The lessee is required to furnish within the first seven days of the month following operations or within such further time as the state Government may allow, returns to the prescribed authority and as per Schedule attached to Rule 14 (2) of the P.N.G. Rules, the returns of crude oil so furnished by a lessee shall indicate the volume of net crude oil, on which royalty is payable. The net volume is obtained after deduction from the gross quantity of crude oil, the quantity of crude oil unavoidably lost/returned to natural reservoir and used for purposes of petroleum mining operations approved by the state Government.

7.1.2 The Audit has pointed out that during test check of records of the Directorate of Geology and Mining, it was noticed (October, 1987) **that** in the monthly royalty **Statement submitted** along with returns of oil and gas extracted for the period from April, 1985 to March, 1987, by a lessee (ONGC) to the said Directorate, 55,522,369 metric tons (MT) of crude oil was shown as 'crude lost (TPT)' (representing transit loss) on which no royalty was paid by the lessee treating it as unavoidable loss nor was it

demanding by the department treating the same as a permissible loss.

7.1.3 'TPT' loss' according to ONGC vide their reply to Government represented shrinkage of oil volume taking place during the process of transportation of the crude oil, basically due to escapement of lighter fraction from liquid to vapour phase because of agitation in the system and was unavoidable. However, since such 'losses' essentially occurred subsequent to the point of mining and excavation, it was not an admissible loss as per Rule 14 (2) of the PNG Rules, 1959 even if such losses were unavoidable. Consequently, royalty at the stipulated rate was due on such losses in transportation also. Royalty not charged during the two years mentioned above amounted to Rs. 106.60 lakhs, calculated at the rate of Rs. 192 per MT of crude oil.

7.1.4 The Mining Engineer of the Directorate of Geology and Mining stated (October, 1987) in reply to the audit observation that the term 'unavoidable loss' had not been defined in the aforesaid Act or Rules and, therefore, it might have different meaning in different circumstances, but could not explain the implication of 'TPT' loss. It was relevant that Oil India Ltd. who was also engaged in extraction of mineral oil in the State, did not show in their returns for the same periods, submitted to the Directorate of Geology and Mining any loss on this account.

7.1.5 The Government while confirming the facts of the case stated (November and December, 1988) that under the existing provisions in the PNG Rules and in the absence of a clear definition of 'avoidable loss' they are not in a position to determine whether any loss of crude oil is avoidable or not. The Government further added (October, 1989) that the Central Government had already been approached for a clear definition of the term 'unavoidable loss' in the Act and Rules and the lessee had been asked for detailed clarification in the matter and for a detailed technical Report. Further developments have not been reported (May, 1990).

7.2.1 The Department in their reply have stated that as pointed out by Audit it is a fact that the lessee ONGC showed in their monthly royalty statement 55,522,369 Metric Tonne of crude oil as Unavoidable loss (TPT) during April, 1985 to March, 1987, and no royalty was paid on that quantity of crude oil treating it to be 'Unavoidable loss'. The matter was taken up with the ONGC by the Director of Geology and Mining and in their reply dated 24-1-89 and 27-4-89 ONGC stated that such 'Unavoidable loss (TPT) occurs in the crude oil during the process of transportation through pipe lines due to shrinkage of oil volume caused by escaping of lighter or action from liquid to vapour phase because of agitation in system etc.

7.2.2 The Department, however, did not agree to the clarification given by ONGC on above and asked ONGC vide letter dated 7.11.89 to submit a detailed report in support of the same with reference to Oil India Ltd. who does not show such loss in their monthly returns. On this, ONGC vide their letter dated 7.11.90 explained about Unavoidable Transit loss which occurs due to the reasons mentioned below :-

- I. Evaporation
- II. Foaming effect
- III. Shrinkage
- IV. Water drain from settling tanks.

Loss due to evaporation depends on following factors :-

- 1. (a) Temperature
- 1. (b) Surface area
- 1. (c) Agitation
- 1. (d) Breathing and filling loss
- 1. (e) Vapour pressure in tank.

7.2.3 ONGC : stated that the transit loss of crude oil so occurs is an 'Unavoidable loss' and is a loss to their organisation also, as they do not get any price on that quantity of crude from the refinery. ONGC further stated that Oil India

Ltd. also suffer such an avoidable transit loss while transportation of the crude oil to the Refinery. Under the circumstances, ONGC did not pay royalty on that quantity of crude oil being 'unavoidable loss' under the provision of Rule 14 (1) of PNG Rules, 1959.

7.2.4 In view of the controversy arising out of the difference of interpretation of the term 'unavoidable loss' Government of Assam moved the Ministry of Petroleum and Chemicals to amend certain provisions of the Oil field (Regulation and Development) Act, 1948 by including a clear definition of 'unavoidable loss' and by specifying the maximum permissible limit of any such unavoidable loss. The proposal was sent to the Central Government after receipt of approval from the Cabinet.

7.2.5 The Committee in course of oral deposition discussed in details on this para. For proper appraisal the proceedings are quoted below :-

Mr. Chairman :- Have the State Government got any machinery to determine the quantum of crude oil and natural gas produced in a particular area?

Shri P. Sengupta (Spl. Commr.) So far as 55,522,369 M.T. of crude oil is concerned we got it from the statement submitted by ONGC. As per Act they are supposed to submit monthly statement about the production of crude oil and the royalty to be paid by them minus 'unavoidable loss'. ONGC have explained about 'Unavoidable loss' which occurs due to various reasons as explained in Department's written memorandum. In the absence of a clear definition of 'unavoidable loss' the State Government could not persuade the ONGC to pay the royalty. The Govt. of Assam has moved the Petroleum Ministry to amend certain provisions of the Oilfields Act and clearly define the term "Unavoidable loss" and to specify the maximum permissible limit of such loss. As per present Act, the interpretation of such loss is left to the producer. Government of Assam cannot take any legal method for contradicting it because definition of 'unavoidable loss' is not given in the Act.

Commissioner, Geology & Mining : (contd.) Read out a copy of letter sent to Government of India on November, 1990 . Since 1985 this loss has been reflected out statement has made it more clear. The figures show the unavoidable loss, which may be due to shrinkage and water drain.

Chairman : I am very happy that your department has submitted the proposal with a view to realising the amount. But I observe whether you have collected the information from Gujrat and whether they have accepted such kind of unavoidable loss.

Director, Geology & Mining : We have collected various statements and we have been persuing the matter with ONGC showing the loss in respect of Gujarat. They are also showing unavoidable loss.

Chairman : Do not you think that the ONGC Officers may submit wrong or cheating statement to deceived the state Government.

Commissioner : First, we got attached with the Gujrat Government and put a combined pressure on the Government of India for getting proper definition of unavoidable loss. Secondly, as far as the other agencise are concerned, the Supply Department have got the authority to take action under the Essential Commodities Act to check it.

Chairman : You can take up with them .

Chairman : Some officials of Government of Assam should be posted there to see that there is no piracy.

Commissioner , G & M :- I agree Sir, that this loss is the national loss. As far as piracy is concerned the police may be alerted. I do not think these people have any resources.

Chairman : You may put some agencies on behalf of the State Govt.

Director , G&M : The production of crude oil spreads over 5,000 sq, Km all over India. There are numerous oil collecting stations. If we have to physically verify each and every oil collecting station we are to put somebody at every place. In such a venture a lot of technically qualified people will be required.

Chairman : Piracy does not take place every where. It takes place where the pipelines were not laid. Only 2 or 3 persons will be required at new drilling sites. As far as I believe the State Government will be able to do it easily.

Commissioner, G & M : Strictly speaking on the piracy part, anti-special people are involved. So I was suggesting that this type of checking can possibly be done by the District administration.

Chairman : If the Assam Government Department engage at least one person at each site, there will be less piracy.

Director , G & M : Only posting of one person at the collecting stations will not do Sir. The crude is mixed up with slush etc. and it will be required to place another person at the measurement point also.

Shri Zoii Nath Sarma :- What are the rules regarding payment of royalty on crude oil and then read out from a booklet.

Commissioner, G&M : Read out from records (Rule 14).

Shri Zoii Nath Sarma :- Not this but the rule quoted by the AG.

Commissioner ; G&M :-Again started reading.

Shri Zoii Nath Sarma :- Now what is the definition of unavoidable loss.

Commissioner, G&M : There is no definition. However, a proposal was made by the Government of Assam to the Government of India saying that a few modifications in the Acts and Rules were necessary and that this particular clause of unavoidable loss should be made much more precise. In the absence of any more specific definition, the State Government is not in a position to recover the money. However, we have been keeping on pursuing. In any case, if the definition comes it is most likely to have a prospective effect.

Shri Zoii Nath Sarma :- What was the proposal of the State Government ?

Commissioner, G & M :- We can give a copy of the letter that was sent by the Government of Assam to the Government of India suggesting modification of this particular clause and other clauses also.

Commissioner, Power :- I would submit that chances of recovery by Government of Assam is very little because we do not have legal coverage.

Chairman : - Did you take the view of Law Department ?

Commissioner :- A proposal was placed in the Cabinet in 1989.
(The views of the LR read out).

Chairman :- Then, it is a wild cry on our part.

Commissioner : Recovery of this amount is unlikely. I can submit a copy of the letter written by State Government to the Central Government and we will continue to pursue the matter.

Shri Zoii Nath Sarma :- What is the meaning of IPT ?

Commissioner :- IPT means Transportation Pressure Temperature.

Director :- We are making correspondences with ONGC. But of no use. In the month of November we sent out technical Officers there. They tried to find out whether there was any loss. Only thing is that legally we cannot issue notice.

Commissioner : The Act says that if royalty is due and not paid in time, the State Government may impose penalty. Our power is that we can issue notice. That provision is there. But in the absence of lack of clarity in law, it has become difficult. Only we can pursue

Shri Zoii Nath Sarma, : Can we ask ONGC to clarify their points?

Commissioner : (Letter of November , 1990 read out).

Shri Zoii Nath Sarma :- Can you give the figures of unavoidable losses to us so that we can discuss it in the Assembly. Please give us figures of last 5 years.

Commissioner : I will give a comparative statement to get a picture Sir,

Chairman : This para may be dropped.

Shri Zoii Nath Sarma : Let them reply and we will see and examine.

7.2.6. The Department subsequently furnish the Statements at Annexure II & III together with the correspondences with OIL & ONGC regarding TPT loss etc.

OBSERVATION | RECOMMENDATIONS

6.3.1. From the statement at Annexure II, it appears that the quantity of unavoidable loss of crude oil during the years 1986-87 to 1990-91 was 1146558744 M.T. There are two Agencies viz. O.N.G.C. and OIL who, during this period, explored the oil fields in Assam. Except a small quantity of 51'000 M.T., The entire loss of crude oil was caused in respect of O.N.G.C. The Committee could not understand as to how such huge loss of crude oil could occur in respect of one Agency with exception to the other under similar circumstances.

6.3.2. The Committee expresses their concern regarding the loss of crude oil in huge quantity and recommends that the matter should be enquired into detail and the findings be intimated to the Committee on or before 31-3-93.

SUMMARY OF OBSERVATIONS | RECOMMENDATIONS

<u>Sl.No.</u>	<u>Reference to Para No.</u>	<u>Observation/Recommendations</u>
1.	1.3.1.	The P.A.C. would like to know the total royalty that would have accrued from Crude Oil and Natural Gas shown as "Unavoidable Loss" and "used for Petroleum mining operation" as in para 1.1.3. of this part, Regarding other cases of under-assessment, loss, non-payment, short-payment etc., the Committee has given their observations and recommendations in the subsequent chapters of this Report.
2.	2.3.1.	On the strength of Coal Mines (Nationalization) Act, 1973 the Coal India Ltd. took-over eight coal fields. They did not execute any agreement with the Government nor did they pay surface rent as per Mineral concession Rules, 1960. In course of discussion the Committee hinted the Government as to how to over-come those problems with a view to raise revenue from this non-tax revenue earning source.
3.	2.3.2.	In course of discussion the Committee also wanted to know to have certain information and records. The Committee would be interested to have a comprehensive note on all the points raise in forgoing paras, showing their action taken or proposed to be taken by the Government.
4.	2.3.3.	The Committee feels that the revenue that is to be accrued by way of royalty, rent etc. is generally assessed on the basis of figures submitted by the lessee concerned. The Directorate of Geology and Mining, Govt. of Assam have to have a Machinery of their own to assess the figures supplied by the lessees so that there could be unanimity between the lessee and lessor. The Committee therefore recommends that the Directorate of Geology and Mining, Government of Assam will have a

cell wit field staff to over-see the revenue realised and to physically verify daily production etc. at Oil fields and Mines under direct control of the Director.

5. 3.3 The Committee expressed their satisfaction that the sums outstanding against Cement Corporation of India and Coal India Ltd. could be realised in full.

6. 4.3 The Public Accounts Committee feels that the Monitoring system should be strengthened to the extent that the lessee might not take advantage of this clause to say that the extraction was a loss and get away only with paying the dead rent.

7. 5.3.1. The Audit has rightly pointed out that leases should have been granted under the Petroleum and Natural Gas Rules, 1959 and the penal provisions therein applied in cases of belated payment of Government dues. As a result penalties amounting to Rs.20.35 lakhs and Rs.8.31 crores were chargeable from the oil and Natural Gas Commission and the Oil India Ltd. respectively, but were not charged.

8. 5.3.2 The Committee considered the lapses as laxity on the part of those who were responsible for execution of the deeds incorporating the penalty clause under the Rules of 1959. The Public Accounts Committee feels that such type of lapses resulting loss of revenue should not occurred in future.

9. 6.3.1 From the audit para and the departmental reply, it is evident that royalty accrued for the period from January to April, 1987 was realised short by Rs. 7.93 lakhs. The short realisation was however recouped on 1.12.87 by the payee before receipt of demand from D.G.M., Assam.

10. 6.3.2. Now the Department may examine if any penalty for belated payments under the petroleum and Natural Gas Rules, 1957 is payable to the Government and the result of the scrutiny be intimated ^{to P.N.C.} within 1.3.93.
11. 6.3.3. The Committee further observes that the information of realisation of the royalty of Rs.7.93 lakhs on 1.12.87 was not intimated to Audit even when it was asked-for (September,88) . The Committee would be happy if such avoiding attitude in future, could be avoided. The Committee is concerned with such avoiding attitude of the Department concerned.
12. 7.3.1. From the statement at Annexure II, it appears that the quantity of unavoidable loss of crude oil during the years 1986-87 to 1990-91 was 114655'744 M.T. There are two Agencies viz. O.N.G.C. and OIL who , during this period, explored the oil fields in Assam. Except a small quantity of 51'000 M.T., the entire loss of crude oil was caused in respect of O.N.G.C. The Committee could not understand as to how such huge loss of crude oil could occur in respect of one Agency with exception to the other under similar circumstances.
13. 7.3.2. The Committee expresses their concern regarding the loss of crude oil in huge quantity and recommends that the matter should be enquired into detail and the findings be intimated to the Committee on or before 31-3-93.

ANNEXURE - I

COMPOSITION OF THE OUT GOING COMMITTEE
(1988-91)

CHAIRMAN :

1. Shri A.F. Golam Osmani,

MEMBERS :

2. Shri Kamala Kalita,
3. Shri Pradip Hazarika,
4. Shri Joy Prakash Tewari,
5. Shri Silvius Condpan,
6. Shri Sheikh Abdul Hamid,
7. Shri Ramendra Dey,
8. Shri Chandra Mohan Patowary,
9. Shri Abdul Rob Laskar,
10. Shri Abhijit Sarma.

~~~~~



ANNEXURE - II

STATEMENT SHOWING THE GROSS PRODUCTION UNAVOIDABLE LOST, NET PRODUCTION ETC.  
OF CRUDE OIL PRODUCED BY O.I.L. AND O.N.G.C. DURING THE YEAR 1986-87 TO 1990-91.

|         |             | Gross Production (MT)             | Unavoidably lost(MT) | Return to N/R (M.T.) | Used for PMO (M.T)   | Net Production (M.T.)        |
|---------|-------------|-----------------------------------|----------------------|----------------------|----------------------|------------------------------|
| 1986-87 | OIL<br>ONGC | =<br>2563,192.00<br>2546,403.915  | 29,138.607           | -                    | 1264.000<br>6859.388 | 2562,267.000<br>2510,405.920 |
| 1987-88 | OIL<br>ONGC | =<br>2395,705.000<br>2632,337.110 | -<br>20,732.606      | -                    | 1042.000<br>6812.700 | 2394,663.000<br>2604,791.804 |
| 1988-89 | OIL<br>ONGC | =<br>2371,035.000<br>2855,127.300 | 51.000<br>22,838.073 | -                    | 920.000<br>6588.100  | 2370,114.000<br>2825,701.127 |
| 1989-90 | OIL<br>ONGC | =<br>2636,771.000<br>2865,983.653 | -<br>26,009.158      | -                    | 1031.000<br>5091.261 | 2635,740.000<br>2835,583.233 |
| 1990-91 | OIL<br>ONGC | =<br>2551,974.000<br>2264,635.700 | -<br>15,886.300      | -                    | 1366.000<br>3920.700 | 2550,608.000<br>2244,828.700 |

M.T. = Metric Tonne.  
N.R. = Natural Reservoir.  
P.M.O = Petroleum Mining Operation.



ANNEXURE - III

STATEMENT SHOWING THE GROSS PRODUCTION, UNAVOIDABLE LOST NET PRODUCTION ETC OF  
NATURAL GAS PRODUCED BY O.I.L. AND O.N.G.C. DURING THE YEAR 1986-87 TO 1990-91

|         |             | Gross Production (M <sup>3</sup> ) | Unavoidable lost (M <sup>3</sup> ) | Returned to N/R (M <sup>3</sup> ) | Used for PMO (M <sup>3</sup> ) | Net Production (M <sup>3</sup> ) |
|---------|-------------|------------------------------------|------------------------------------|-----------------------------------|--------------------------------|----------------------------------|
| 1986-87 | OIL<br>ONGC | =<br>=                             | 1617,868.212<br>517,919.548        | 582,357.828<br>376,457.399        | 62,957.797<br>-                | 194,570.053<br>29,209.800        |
| 1987-88 | OIL<br>ONGC | =<br>=                             | 1553,411.290<br>990,609.519        | 513,693.440<br>324,202.744        | 54,407.590<br>-                | 185,954.183<br>33,232.000        |
| 1988-89 | OIL<br>ONGC | =<br>=                             | 1490,787.795<br>659,952.605        | 475,096.188<br>384,137.492        | 84,089.328<br>-                | 194,437.682<br>37,143.000        |
| 1989-90 | OIL<br>ONGC | =<br>=                             | 1488,936.885<br>662,067.773        | 418,387.368<br>387,566.806        | 95,763.986<br>-                | 203,839.686<br>37,716.900        |
| 1990-91 | OIL<br>ONGC | =<br>=                             | 1488,642.308<br>513,958.559        | 354,181.815<br>303,391.601        | 101,560.590<br>-               | 220,443.518<br>32,008.000        |
|         |             |                                    |                                    |                                   |                                | 812,456.385<br>178,558.958       |

M<sup>3</sup> = Cubic Meter.  
N.R. = Natural Reservoir.  
P.M.O. = Petroleum Mining Operation.



ANNEXURE - IV

OIL & NATURAL GAS COMMISSION  
EASTERN REGION : NAZIRA.

OFFICE OF THE  
GENERAL MANAGER (P)

No.: OBG/ERBC/Audit/89-90,

Dated, 27th April, 1989.

To: The Director of Geology & Mining,  
Government of Assam,  
Kahilipara,  
Guwahati-19.

Sub. MONTHLY STATEMENT OF PRODUCTION OF OIL FROM  
ONGC FIELDS - UNAVOIDABLE LOSS/

Sir,

We have for acknowledgement of your letter No.  
GM/AR/32-A/68, dated 5-4-89 on the above subject.

We are sorry to note that our reply dated 24-1-89 has not been able to clarify the issues raised by you. The practice being followed by ONGC in Eastern Region is not unique. The Same practice is being followed in all the Regions of ONGC. Shrinkage of oil-volume takes place during any transportation process of crude oil and would obviously station process of crude oil and would obviously create a difference in measurement between two stations where the measurements are taken. The Shrinkage is therefore, responsible for the difference in the measurements at two points referred in our earlier letter. This has been termed as "unavoidable loss"

We hope this would clarify the issue raised in your letter.

We would be too happy to explain any question which you may still have in this regard.

Thanking you,

Yours faithfully,

(S.N. SINGH)  
Dy. Suptdg. Engineer (P)  
for GENERAL MANAGER (P)

Copy to :- The Secretary to the Govt. of Assam, Power (elec.)  
Mines & Minerals Deptt. Dispur.



ANNEXURE - V

OIL & NATURAL GAS COMMISSION  
EASTERN REGIONAL BUSINESS CENTRE :: NAZIRA.

NO. NZA/Prodn/Tech/R-2/88-89, Dated Janurary, 24, 1989.

To

The Director of Geology & Mining,  
Government of Assam,  
Guwahati.

Sub. MONTHLY STATEMENT IF PRODUCTION OF CRUDE OIL  
FROM ONGC FIELDS-- UNAVOIDABLE LOSS

Ref. Your letter No. GM/AR/32-A/88/7743 dt. 30-11-88

Sir,

The term "unavoidable loss" refers to the discrepancy in despatch and receipt valumes during transportation through pipe line. The quantity shown under this head is practically not lost anywhere but it is the difference in measurement of the same quantity at despatch and receiving ends which is basically due to escaping of lighter fraction from liquid to the vapour phase because of agitation in the system resulting in shrinkage of the volume received and measured at the receiving end. Since transport losses are because of the inherent nature of the system and unavoidable the term unavoidable loss has been used.

The discrepancy in the measurement, referred above goes to the credit of the customer (reginery). Thus no valuable mineral loss and loss of royalty to the State Govt. is taking place.

Yours faithfully,

(S.N. SINGH)  
Dy. Suptdg. Engineer (P)  
for GENERAL MANAGER (P)  
.....

Copy to :-

1. AO to RD ONGC, ERBC, Nazira for information.
2. The Under Secretary to the Government of Assam Power, (Elect.), Mines & Mineral Department, Dispur, Guwahati for information.
3. The Resident Geologist, Directorate of Geology and Mining, Assam, seujpur, Dibrugarh, Assam.

(S.N. SINGH)  
Dy. Suptdg. Engineer (P)  
for GENERAL MANAGER (P).  
....



OIL INDIA LIMITED  
A Government of India Enterprise

PLN/1-8/2-100/  
08 April 1991.

DULIAJAN 786 602 ASSAM INDIA  
REGISTERED OFFICE :: DULIAJAN  
TELEX 285-240 DULO IN CABLE:OIL INDIA

Director of Geology & Mining,  
Government of Assam,  
Dakhingaon, Kahilipara,  
Guwahati-781019/

Sub. LOSS OF CRUDE OIL DURING TRANSPORTATION  
TO THE REFINERIES.

Sir,

We are in receipt of your letter No. GM/AR/32-A/151176  
22-3-91 on the above subject and confirm that transportation loss  
shown by ONGC (.also confirmed by our Pipeline Division) is  
correct.

2.0 This transportation loss also occurs in case of Oil  
India Ltd. and is duely reflected under column No. 15(Measure-  
mental Error) of the Monthly Royalty Statement of Oil and Gas  
furnished by us to you.

3.0 It may be recalled that in 1968 there was a meeting on  
the subject between the Government of Assam and Oil India Ltd.  
and it was decided that Oil India Ltd. whould pay royalty on net  
production basis as provided under the Petroleum & Natural Gas  
Rules 1959. Since transportation loss occurs while transporting  
the crude oil to the refineries, we do not deduct this loss  
figure while computing the quantity of crude oil for paying  
royalty.

4.0 Hope the above clarifies the queries raised by you.

Yours faithfully,  
OIL INDIA LIMITED

Sd/-

(P K Das)  
Chief Planning Manager  
for GROUP GENERAL MANAGER

.....

\*§§§§\*

DS.



ANNEXURE - VII

GOVERNMENT OF ASSAM  
DIRECTORATE OF GEOLOGY & MINING

NO. GM/AR/32-A/5588,

Dated Guwahati, the 7th

/89.

From : Shri K.C. Prasad,  
Director of Geology & Mining, Assam,  
Kahilipara, Guwahati-19.

To : The General Manager (Production),  
Oil & Natural Gas Commission (ERBC),  
P.O. Nazira - 785685,  
Assam.

Sub. : MONTHLY STATEMENT OF PRODUCTION OF OIL FROM  
ONGC FIELDS - UNAVOIDABLE LOSS (TPT)

Ref. : Your letter No. NZR|PRODN|Tech|R-2|88-89|1579,  
dt. 24-1-89 & OBG|ERBC|Audit/89-90/507, dt.27-4-89.

Sir,

Kindly refer to your letters mentioned above, on the subject of unavoidable (TPT) loss of crude oil. The clarifications given in your letters under reference have been examined and forwarded to the State Govt. as well as to Accountant General Shillong. After careful examination of your clarifications given in your letters, the State Govt. as well as Accountant General could not agree to your explanations on the following grounds.

1) ONGC started showing unavoidable (TPT) loss of crude oil in the Monthly statements since April, 1985. There was no such unavoidable (TET) loss prior to April/85 and ONGC paid royalty on net production of crude oil including the TPT loss or measuremental error if any from inception the TPT loss or measuremental error if any from inception to March/85. Sudden inclusion of such loss in the monthly returns cannot be accepted by the Govt. which caused loss of revenue to the State Govt. to a considerable extent.

2) A lessee is to pay royalty on oil, mineral oil in raw and crude form but free from water or other foreign substances. ONGC is, therefore, to pay the royalty on crude oil obtained from their leasehold after measurement in the nearest tank farm to the well heads, when the water or foreign substances are separated. State Govt. will not accept the measurements taken to measure the crude oil in tank farms or stations situated at long distances from the well heads/GGs, which causes Transportation loss to a considerable extent.

I request you kindly to send your reply on the above point with necessary clarifications in details and supporting Reports, etc, at an early date.

Contd.....2/-



(3) In your letter dated 24-1-89 under reference, it has been stated as below :-

" The discrepancy in the measurement, referred above goes to the credit of the customer (refinery). Thus no valuable mineral loss and loss of royalty to the State Government is taking place".

The above statement made in your letter is not found to be true, because a quantity of about 55,522 MT of crude oil has been found to be shown as unavoidable (TPT) loss during the period from April/85 to March/87 for which no royalty has been paid by ONGC to State Government which has deprived the State Government from the royalty amounting to Rs. 1.07 Crores (approx).

A detailed explanation may please be given in this respect.

(4) Oil India Ltd. being the another lessee of Oil & Gas under Government of Assam, also submits similar monthly statements on production of crude oil, as furnished by ONGC. In the monthly statements of OIL, no quantity of crude oil has been found to be shown as 'unavoidable loss' during the last 3 years period, except of a nominal quantity of 51 to 100 MT on two occasions. OIL, however, also shows measuremental error in their monthly statements but OIL pays royalty on all the quantities of crude oil shown as 'Measuremental error'.

Under the above circumstances, we cannot relieve ONGC from payment of royalty on the crude oil termed as TPT loss or measuremental error, when OIL pays royalty on such loss or error.

(5) As stated in your letter dt. 27-4-89 under reference, we agree to your explanation about 'shrinkage of oil volume during transportation process of crude oil to some extent.' But we cannot agree to your clarification when more than 26000 MT of oil volume shrinks, during transportation of the net production of crude oil of 2.5 Million tonne during 1985-86. For this a detailed Technical Report is necessary in support of the same, which may please be sent accordingly.



::50 ::

I request you kindly to send your reply on the above points with necessary clarifications in details and supporting Reports, etc. at an early date.

This may please be treated as **topmost** priority.

Yours faithfully,

(K.C.Prasad)  
Director of Geology & Mining, Assam  
..

Memo No.GM/AR/32-A/5589-90,      Dated Guwahati the 7th      /89

Copy forwarded to :-

1. Regional Director, Oil & Natural Gas Commission (ERBC), P.O. Nazira-785635, Assam . He is requested to take up the matter with G.M.(P) to send reply at an early date.
2. General Manager (Finance & Accounts), Oil & Natural Gas Commission (ERBC), P.O. Nazira-785685, Assam for information.

( K.C.Prasad )  
Director of Geology & Mining, Assam  
.....



ANNEXURE -VIII

OIL & NATURAL GAS COMMISSION  
EASTERN REGION :: NAZIRA

OFFICE OF THE  
GENERAL MANAGER (P)  
ONGC:: ERBC: NAZIRA

NO.NPT/ROY/LOSS/3/90-91,

Dated 31-10-90

To Shri K.C. Prasad,  
Director of Geology & Mining, Assam,  
Odulbakra Hill, Kahilipara,  
Guwahati-19.

Sub : MONTHLY STATEMENT OF PRODUCTION OF OIL FROM  
ONGC FIELD UNAVOIDABLE LOSS (TPT)

Ref.: Letter No. GM/AR/32-A/6071 dated 20-9-90.

Sir,

We have the following clarifications to the various points raised in your above referred letter.

TPT losses are technical reality as mentioned in our earlier letter and dependant on inherent nature (chemistry) of crude oil and various other physical factors involved. Prior to April 1985 these losses were not reflected separately but gross production figures were reconciled to take care of these losses. Since April, '85, these losses have been reflected. This was done with a view to make the statements more clear to auditing agency.

In the PNG rules, 1956, clause 3(b), Crude Oil is defined as follow.

"Crude oil" means petroleum in its natural state before it has been refined or other wise treated but from which water & foreign substances have been extracted.

Obviously this indicates the net despatchable oil produced which is acceptable to refinery. Hence, the royalty figures are furnished based on figures available from these stations from where crude oil is pumped to refinery. Needless to mention that such stations (CTFS) are created to improve the quality of the crude oil so that it is acceptable to refinery.

Contd.....2/-



3. Had there been no loss, our organisation would have been benefitted by selling an extra quantity to refinery which otherwise is unavoidably lost, and the benefit would have gone to you as well. Further we donot get the payment for the quantity we pay royalty to you. It is again loss as the quantity again shrinks during its transportation to refinery.

The statement submitted by Oil India Limited to us for the year 89-90 (Xerox copy enclosed ) clearly shows the ONGC loss of 20,855 tons against the despatch of 2979, 419 tons from Moran & Jorhat to Refinery.

4. We cannot comment how OIL is furnishing details for royalty payment but obviously the reporting as it had been done prior to April 1985 would have raised no controversy in our case and it is felt that the same system is probably being followed by OIL. OIL is also facing such losses which is clear from the xerox copy of the enclosed statement submitted by them.

5. Figures shown as unavoidable loss is auditable and attributed to the following reasons :-

- (i) Due to evaporation.
  - (ii) Due to foaming effect
  - (iii) Due to shrinkage.
  - (iv) Due to water drain from settling tanks
- Loss due to evaporation depends on following factors :-

- (i.a) Temperature.
- (i.b) Surface Area
- (i.c) Agitation.
- (i.d) Breathing & Filling Loss.
- (i.e.) Vapour pressure in tank

Contd..3..



::53::

Hope this clarifies about the unavoidable transportation losses of crude oil.

Yours faithfully,

Enclosed :-As above.

(S.N.SINGH)

Deputy Supdtg.Engr.(Prod)

OBG::ONGC :: NAZIRA

Copy for information to :-

1. AO to RD,ONGC, Nazira.
2. The Secretary to the Govt. of Assam,Power(Elect),  
Mines & Mineral Deptt.,Dispur,Guwahati(Assam)
3. The Resident Geologist, Directorate of Geology & Mining,  
Assam, FOCR Building, Milan Nagar, Dibrugarh-3,Assam.
4. The GM (Finance)ONGC,Nazira.
5. The DD (F & A) Sales, ONGC, Sibsagar.

( S.N.SINGH)

Dy. Supdtg, Eng.(Prod)

OBG::ONGC::NIZARA

..