

Clarification on ONGC's participation in Rajasthan Blocks RJ-ON-90/1

Dated: 08th June, 2009

There have been certain speculative, conflicting and misleading media reports recently regarding ONGC's participation in the pre NELP Block RJ-ON-90/1, being operated by Cairn Energy India Pvt. Ltd. ONGC management would like to clarify the issue as under:

Last month ONGC Management at the level of CMD has clarified that there is no decision to exit from this Block. The issue regarding reimbursement of royalty payable by ONGC on 100% share (as against ONGC participating interest being 30%) is currently under active consideration of the Government. Earlier, there have been assurances to this effect at the level of Group of Ministers as well as the Committee of Secretaries. As such there is no controversy or refusal on the part of the Government to agree to this legitimate demand of ONGC. The same has been discussed and agreed to subsequently at various levels in the administrative ministry and the Government. This is being actively pursued by ONGC for an early decision.

Under this background, the Board of Directors of ONGC has been approving Capex and other investments from time to time not only in Block RJ-ON-90/1, but also in few other pre NELP Blocks where in terms of PSC agreements, ONGC is required to bear certain statutory levies on behalf of other private/foreign parties. The decision for approving the investment from time to time have been agreed to by the Board of Directors keeping in view also the commitments made in the past by the Govt. for reimbursement of such levies being paid by ONGC in PSC terms on behalf of other partners.

As such there is no incidence of the Administrative Ministry or any other Govt. functionary putting pressure on ONGC for approval of such investments.