



Transporting Crude

# Cairn-ONGC Pipeline Operational

Merly Simon

Commissioning of this crude oil pipeline marks a successful completion of a technological marvel in the Rajasthan project and would facilitate more cost-effective and augmented crude oil production directly accessing the buyers.

Cairn has commenced selling crude oil from its Mangala oilfield in Rajasthan to private sector, such as Reliance Industries, Indian Oil Corporation (IOC), Mangalore Refinery Petroleum Limited (MRPL) and Essar Oil using a heated oil pipeline. Until now, Cairn shipped crude oil from the nation's most prolific on-land oilfield via road trucks to the Gujarat coast to Mangalore Refinery and Jamnagar refinery of Reliance. The ~590 km long Barmer to Salaya section of the Barmer to Bhogat pipeline (~670 km) is now operational with oil supplies having commenced to the private refineries from the delivery point

at Salaya. The pipeline would help reduce the total cost of production and transportation (trucking and shipment) from the present USD 10-12 per barrel to USD 5-6 per barrel. According to the press release quoted in the website, Sudhir Vasudeva, Director (Offshore), ONGC said, "Commissioning of this crude oil pipeline marks a successful completion of a technological marvel by our Joint Venture team in the Rajasthan project and would facilitate more cost-effective and augmented crude oil production directly accessing the buyers. In partnership with all stake holders, we are committed to develop the resources in the Barmer basin and

provide our nation with additional volumes of crude oil." Production is currently ~60,000 barrels of oil per day (bopd). The completion of the pipeline and related infrastructure allows the JV to sell crude to the refineries in order to gradually increase both production and sales. Pipeline sales are expected to reach 125,000 bopd in the second half of calendar year 2010 and sales arrangements with four buyers are now being put in place for 143,000 bopd. Mangala is the largest of 25 discoveries made by Cairn in the Barmer Basin in Block RJ-ON-90/1.

The Mangala field was dedicated to the Nation by Dr Manmohan Singh,

the Prime Minister of India, at the Mangala Processing Terminal, Barmer, Rajasthan on August 29, 2009. First oil was evacuated via trucking to the Gujarat coast for onward transport to MRPL, which is one of the Government nominated buyers, using a heated crude oil tanker. The oil production will gradually ramp up to a peak production of 175,000 barrels of oil per day over the next two years. At this point, oil production from Rajasthan oil fields will account for over 20 percent of India's domestic oil production. Cairn India, the Operator of the Rajasthan block, holds a 70 percent participating interest with ONGC, its Joint Venture (JV) partner, holding the balance of 30 percent. The JV has already invested approximately USD 2 billion in the Rajasthan project and has plans to invest a further USD 1.8 billion by 2011, making it one of the largest onshore oil and gas projects in India.

The pipeline has been constructed and installed in accordance with notified regulations and international best practices. The installation and Right of Usage (RoU) reinstatement has been subject to regular review by the International Finance Corporation independent auditors. Construction work is now set to commence on the Salaya to Bhogat section of the pipeline, on the Gujarat coast with completion

targeted for 2011. The Government of India has approved the pipeline, which is part of the Mangala Field Development Plan.

**Key features of the pipeline are**

- Safe and most cost efficient mode of crude transportation
- Adaptation and successful application of specialized Skin Effect Heat Management System (SEHMS)
- Route selection ensures minimum impact on the environment
- Use of latest technology to secure the pipeline and provide rapid response

Cairn India Ltd is supplying 70,000 barrels to Reliance Industries Ltd (RIL), whereas it has recently reached 1 lakh barrels of oil per day (bopd) production from its Rajasthan fields. For both refineries at Jamnagar, RIL is buying Rajasthan crude. Crude oil from the Barmer block is being sold at 10-15 percent discount of Brent. The current average price of Brent is about USD 74 / barrel. At Jamnagar, Reliance's two refineries at Jamnagar can together process 1.25 million barrels a day of crude. RIL buys its oil from Latin America, North Africa and West Asia. The two buyers of

Cairn crude are Essar (23,000 barrels) and IOC (7,000 barrels). Crude is also being sold to MRPL through tankers. Sale of crude oil to IOC through the pipeline is also expected to start soon. Until now, Cairn has sold eighth parcels (about 1.9 million barrels) to MRPL and (about 3.1 million barrels) to Reliance Industries. Pipeline filling capacity from Mangala to Salaya is 1 million barrels. Sales through the pipeline will lead to cost and operational benefits. About 30,000 barrels a day of crude oil from Cairn is likely to be taken by Essar. The estimated pipeline trucking cost is USD 8-10/bbl whereas the operating expenditure is USD 1.5/bbl. Crude oil is being sold at 10-15 percent discount of Brent due to joint venture.

Talking about infrastructure in oil and gas sector, Rahul Dhir, Managing Director and Chief Executive Officer, Cairn India said, "Cairn India is delighted that crude oil sales from Mangala through the pipeline have started. It has taken 24 months to link this key piece of infrastructure from Rajasthan to the refineries, which will allow for significant production growth. The partnership and support of the Government of India, state governments, local communities and ONGC has been vital in helping complete this national asset." ■

## Cairn India to undertake drilling in KG Basin

After the stupendous success of the Barmer oil fields in Rajasthan Cairn India is betting big on wildcat drilling in the oil and gas rich KG Basin.

The sources close to the development said the country's second largest oil and natural gas explorer is now set to undertake wildcat drilling at KG ONN 2003/1 block in the Krishna Godavari Basin soon.

Wildcat drilling is the process of drilling for oil in an unexplored area.

According to these sources the Cairn ONGC JV is planning to start work on at least two wildcat wells in the Krishna Godavari Basin before the end of August.

The sources further added that "The work has begun. The company has already carried out two seismic programs in the contract area. Over 500 line km of 2D seismic acquisition was swiftly followed by shooting of another 255 sq km of 3D seismic program."

**Source : Business Standard**