



सत्यमेव जयते

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महानिदेशक

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26th October, 2009

Sub:Article published in PETROWATCH dated 23.10.2009

Dear **Mr. Nee land**,

This refers to the articles under the heading "Uncertain Future for V.K.Sibal after October 31" and "DGH Rank and file feel ashamed after CBI raid" published in the Petrowatch online magazine dated 23.10.2009 (Copy enclosed).

Since your company is an active participant and contributor to the growth and development of the E & P industry in India, I felt that you should know the truth, and that it is my responsibility as Director General, DGH to set the records straight. Firstly, there is absolutely no truth in the allegation by Petrowatch that there has been a CBI raid on DGH office. It appears to be the handiwork of a few unscrupulous quarters who are bent upon destroying the E & P industry in India. No such raid took place. A certain group within the media planted the news for reasons which are not very difficult to comprehend. Therefore, DGH has conveyed, to Petrowatch, its strong objection to the contents of the articles that are not only misleading, but false, motivated and published with malafide intentions. The personal attack on the Director General, DGH is defamatory and is aimed at character assassination. The website has been publishing such articles regularly. It is clear that the Petrowatch is backed and supported by unscrupulous and vested interests that are determined to destroy the institution of DGH.

You are aware that during the past few years, there has been a tremendous progress on all fronts in the upstream hydrocarbon sector in India. It appears that some vested interests are not happy with the growth of the industry and are, therefore, doing all that they can to sabotage the same. Keeping the interest of the E & P industry in India, DGH appeals to you, not only as DG, DGH, but also as a concerned citizen of this country to ignore such articles that exemplify nothing other than crass yellow journalism. To begin with, I request you to unsubscribe to this website immediately to discourage such irresponsible and fictitious reporting and to send a strong signal to the media that such irresponsible journalism will not be tolerated.

Wan Nee land

Yours sincerely,

V.K. Sibal
(V.K. Sibal)

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Ministry, Politics & People

1. Uncertain future for VK Sibal after October 31



There comes a time in everyone's life when it becomes clear that 'enough is enough' and it's time to move on, quietly if possible. By now this feeling must have dawned on DGH boss VK Sibal (left) who this month endured possibly the most difficult two weeks of his five-year term, culminating in a humiliating six-day raid on his office by a joint task force from the Central Bureau of Investigation (CBI) and the Central Vigilance Commission (CVC) looking for evidence of corruption. Eyewitnesses tell PETROWATCH the raid began on (Thursday) October 8 and ended on (Tuesday) October 13, when the last investigating officer left the DGH's shiny glass HQ in far-flung Noida on the outskirts of Delhi. Even oil ministry officials seem to have got the message: Sibal has become a dangerous liability and needs to go! By (Monday) October 19, a regular visitor to the oil ministry tells us officials were preparing to advise the Department of Personnel and Training to grant 58-year old Sibal a 'stop-gap' one-month extension to his term, which ends on October 31. Why only one month? Three weeks ago we heard it would be for three months! But then came the CBI raid, and even if Sibal could not quite bring himself to say it, his oil ministry backers now clearly believe 'enough is enough'! Not that it was always so. In July, all of them, from joint secretary DN Narasimha Raju, through to additional secretary S. Sundareshan, oil secretary RS Pandey, and oil minister Murli Deora, endorsed a 'quiet' two-year extension for Sibal, hoping no one would notice, or care. Since then, Sibal's position has become untenable and even Prime Minister Manmohan Singh wants him out. Could this be why his file with the two-year extension proposal is gathering dust on a pile in the SM-2 (Senior Management 2) wing of the Appointments Committee of the Cabinet? "Sibal's chances of a (two-year) extension," says an ACC source, "are negative."

NOTE: *Sibal's friends argue he should be given a three-month extension because there's no obvious candidate to replace him. The DGH, they say, can't be headless. "You can't afford to have the ministry's technical arm without a DG," we hear. "No government bureaucrat would like to come and sit at that seat. It has to be a technocrat." Others argue against a temporary extension, saying it will give Sibal 'breathing space' and give him time to manage a longer stay. "If Sibal gets an extension," said a source, "he will be the most controversial government official in a position of authority. This would give the DGH a very bad name." Another source adds, disparagingly: "Sibal will be thanked for his contribution to the oil sector and told to stay at home after October 31." (Back)*

2. DGH rank and file feel 'ashamed' after CBI raid

DGH boss VK Sibal likes to claim global recession and the Ambani feud are to blame for the disastrous response to NELP-VIII. Partly, he's right. But one thing he fails to mention is that his partisan role in the Ambani feud and his inability to keep quiet has damaged the international perception of the institution he heads. Talk to past and present DGH employees and the sense of shock at last week's raid is palpable. "I feel ashamed telling anyone I worked at the DGH," one long-serving former employee tells us. "I can't ever remember the CBI or the CVC

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conducting a raid on the DGH like this." Set up in April 1993, the DGH under its former chief Avinash Chandra was no doubt chaotic and disorganised but it never had to suffer the ignominy of being labelled 'corrupt' in the finest traditions of an African dictatorship. Shocked DGH employees who witnessed events unfold during the six-day raid express sadness that the institution they serve and which was created to uphold the sanctity of legally binding PSCs is itself the focus of a dirty corruption probe. In India, a CBI investigation is no less serious than a FBI investigation in the US. On the first day of the raid, eyewitnesses say up to six CBI and CVC officers turned up in two cars. After making their way to the second floor, where Sibal sits, they spent the next six days going through files and taking photocopies. Sibal, it seems, imposed a total 'blackout' on the second floor, during the investigation. "No one was allowed to turn 'left' when entering the second floor," we hear. Sibal's office is on the left side of the second floor. "Most of us are barred from talking to outsiders about what happened." Most DGH employees meekly agreed not to talk, scared that Sibal would make negative comments in their crucial all-important ACR (Annual Confidential Report), which can make or break the career of state sector employees.

NOTE: As expected the joint CBI and CVC team spent most of its time ploughing through paperwork related to the Reliance-operated KG-DWN-98/3 exploration block and D6 development plan looking for incriminating documents. We also hear the joint CBI-CVC team also showed interest in paperwork related to NELP-I shallow water Cauvery Basin block CY-OSN-97/1, which was relinquished by Eni-affiliate and BSE-listed operator Hindustan Oil Exploration (HOEC) in March last year. In July, the Central Vigilance Commission received an unsolicited (and unproven) allegation from a Chennai-based resident that Sibal reduced the penalty for an unfinished work programme at CY-OSN-97/1 for reasons best left to the imagination. (Back)

3. Mukherjee in the dock for abolishing tax break



GSPC is challenging Indian finance minister Pranab Mukherjee in a move that could save it more than \$200m in backdated taxes from gas production at the Hazira field. On October 9, GSPC filed a petition in the Gujarat High Court challenging Mukherjee's controversial decision to 'change the goalposts' and redefine the term 'single undertaking' in his budget statement to parliament on July 6. Unless stopped, Mukherjee's new definition of a 'single undertaking' to classify gas production wells from producing fields would rob not only GSPC but all companies producing oil and gas in India of several hundred million dollars. Oil company sympathisers will be heartened to hear that when admitting the GSPC petition Justices Dave and Puj granted the company 'interim relief' to ensure the taxman is kept at bay until a ruling. Before long the oil ministry, the attorney general, as well as GSPC's income tax assessment officer and other central government departments will appoint legal counsel to fight GSPC in a case that will drag on for months, if not years. "The next hearing will take place on November 3," confirms Tushar Hemani, senior counsel for GSPC. At stake is up to Rs1000cr (\$208m) in backdated taxes, stretching back to April 1 2000. Six months ago the picture was very different, when GSPC won an important victory at the income tax appellate tribunal, which ruled in its favour against the government over a tax demand for 2000-2001. "The tribunal confirmed that each well in a block is a separate 'undertaking'," reports a source. "It also confirmed that the term 'mineral oil' includes natural gas for the purposes of tax claims under section 80IB (9)." But GSPC's initial euphoria quickly turned sour when

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