

Whom are investors to believe? A company or a regulator? Less than a fortnight ago, the Director General of the Directorate General of Hydrocarbons (DGH), told the press that production at Reliance Industries Limited's (RIL) troubled KG-D6 gas block was likely to rise by 30% by April. The regulator said this while explaining that RIL had already completed drilling 18 of the 22 development or production wells in the area. Not surprisingly, the company's shares rose since the regulator's statement came after the company's production had been falling for several months. On Friday, however, the markets were stunned by news of RIL's reply to the DGH, which said quite the opposite—that the company's gas output from the field would fall 13% by 2012-13! It's true the DGH was talking about 2011-12 and the company about 2012-13, but there is nothing in RIL's answers to suggest it was agreeing that it's output would rise to 67 mmscmd by April (from around 44-45 right now) and then fall to around 38 mmscmd in 2012-13. So what is it that the DGH knows about the KG-D6 field that even RIL doesn't?

This, of course, is not the first time the DGH has been caught on the wrong foot and on the KG-D6 field. The DGH's previous chief had gone public saying the CAG had audited the costs of the KG-D6 field and found them to be in order, only to be contradicted publicly by the CAG, which said it had done no such audit. Some years prior to this, again under the previous chief, the DGH had put out an advertisement in leading newspapers on the day of public sector exploration firm ONGC's AGM to say ONGC had zero success in finding oil under the New Exploration Licensing Policy (NELP)— ONGC pointed out that it had found a lot more oil in its non-NELP blocks but the DGH was ignoring this!

The DGH has come a long way since the time it suggested that ONGC be denied deepwater blocks it had won bids for, on grounds that its track record was poor. But it needs to provide some clarity on its analysis that suggested RIL's output from KG-D6 would rise, even while the company thought it would fall.