

Real Estate Update

July 29, 2005

DISASTER AT BOMBAY HIGH

A major fire broke out on Bombay High North ("BHN") one of the Oil and Natural Gas Corporation's ("ONGC") offshore oil-drilling platforms at Bombay High, on Wednesday, July 27, 2005. Bombay High, India's largest offshore oil field discovered in the Gulf of Cambay in 1965, produces 14 per cent of India's oil requirements and accounts for 38 per cent of all domestic production amounting to approximately 260,000 barrels of oil every day.

The disaster occurred when ONGC's multi-purpose vessel Samudra Suraksha (the "MPV") lost control while engaging in a medical evacuation operation. The MPV collided with BHN and instantly damaged the oil and gas lines setting off an inferno. The MPV and BHN were consumed by the conflagration in less than two hours. As of the time of this update, up to 14 personnel are feared dead even as search and rescue operations are underway.

The resultant oil spill from BHN has extended to 10 nautical miles in the easterly direction towards Mumbai. The oil spill, aggravated by rough seas caused by unprecedented torrential rains in the region, is in danger of spreading fast. Measures to neutralize the spill are presently in progress.

BHN is insured for a sum of \$ 195 million and the MPV is insured for \$60 million. A detailed damage assessment has estimated that restoring a new platform in place of BHN would cost about \$ 300 million. The Government of India has set up a three-member committee headed by former ONGC Chairman, S.K. Manglik, to probe the cause of the fire. According to the Government, the aforementioned committee would be assisted in its investigation by Royal Dutch Shell.

The immediate impact of the disaster is the loss of crude oil production of 110, 000 barrels per day. According to the Union Minister for Petroleum, Mani Shankar Aiyar, 70% of the production loss due to the disaster should be restored within the next four weeks.

- Roshan Thomas & Vikram K Raj

Source: The Hindu, dated July 29, 2005

The Deccan Herald, dated July 29, 2005

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