

Regulatory Announcement

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Company	Indus Gas Limited
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Indus Gas Limited
("Indus" or "the Company")

Significant Take or Pay gas sales arrangement signed with GAIL

Field Development Plan Approval Received

Indus Gas Limited (AIM:INDI.L), an oil & gas exploration and development company with assets in India, is pleased to announce it has signed a take or pay gas sales arrangement with the Gas Authority of India Limited ('GAIL'), with a total gas sales value expected to be in the region of \$600m.

Under the arrangement, GAIL has a take or pay commitment to acquire at least 90% of the agreed quantity of gas supplied. Indus will initially supply 7 MMscfd of gas, which will commence on or before 15 April 2010. The amount supplied will then increase to 33.5 MMscfd no later than 24 months after the date of the signing of this arrangement.

The gas supplied to GAIL will be from the Company's SGL Field, within Block RJ-ON/6. Indus holds a 63% interest in the SGL Field, with ONGC holding 30% and Focus Energy Limited 7%. Indus has a 90% interest in the remainder of Block RJ-

ON/6.

The arrangement has been put in place based on confirmation that all conditions under the term sheet have now been satisfied. These conditions include:

- Certification of Gas Reserves by Director General of Hydrocarbons of India ('DGH')
- Approval of SGL Field Development Plan by Management Committee formed under the Production Sharing Contract (comprising: ONGC, DGH, Indus, Focus Energy Limited and Government of India nominees)
- Confirmation from DGH regarding the gas reserves (recoverable) and the production profile for supply of at least 33.5 MMscfd of gas for a period of 12 years
- GAIL management approval for laying a pipeline to connect to the Seller's Facilities
- Signing of gas sales arrangements between the downstream customers and GAIL.

GAIL will be responsible, at its own cost, for the installation of the pipeline from the SGL field to the end user, a power plant located in Ramgarh, Rajasthan. Ahead of commencing supply of the additional balance of 26.5 MMscfd of gas, Indus and its co-ventures will be required to install a CO₂ removal facility. Should a short fall of gas supply occur below the 90% of quantities agreed, the Sellers will be required to offer GAIL certain pre-agreed discounts.

With the additional supply of gas made possible from the SGL Field, the Ramgarh power plant will be able to increase the amount of electricity it is able to produce from 110 MW to 270 MW. This arrangement with GAIL signifies the opening of a significant new commercial gas resource region in India. The Indus Basin straddles eastern Pakistan, where it has proven to be a highly prospective area with a large number of oil and gas field discoveries, and western India, where until now the basin has remained relatively under-explored.

The development of the Indus Basin in Western India and the connection of this area to the Northwest region of the Rajasthan State, via the approved GAIL pipeline, enables, for the first time, the effective supply of natural gas in significant quantities to this part of India and will help bridge the substantial demand / supply gap for electrical power in that region. The Rajasthan State, like all states in India, has a significant and growing energy deficiency for both domestic and industrial use and India, as a whole, currently imports over 70% of its resource requirements.

Approval of SGL Field Development Plan

Indus is also pleased to announce it has received approval for the SGL Field Development Plan by the DGH and Management Committee. This approval paves the way for developing the SGL Field and the production of gas under the PSC. The highlights of the approved Development Plan are as follows:

- An area of 176 Km² has been approved as the SGL Field Area
- P50 in-place GIIP of 328 Bscf gas and recoverable reserves of 246 Bscf
- Production facilities consisting of mainly 14 Gas wells, 2 manifold/headers, a total of 65 km of 6" flow line from wells to GGS manifold, 3 phase test and inlet separator, Gas dehydration unit, heat exchanger, CO₂ removal unit, hydrocarbon dew point control unit, condensate stabilization, storage, loading & unloading facilities, gas compression unit, gas turbine unit, water treatment plant, gas flare unit, SCADA control and monitoring system
- 12 years Plateau and field life of 21 years with peak production rate of 42 MMscfd
- Total Project cost of up to \$239.16m, subject to annual budget approval by Management Committee
- Techno-economic feasibility proved with expected positive net cash present value at 10% discounting factor
- Production Mining lease in respect of SGL Field to be granted for an initial period of 20 years

The total capital cost share to Indus in the SGL field development project is currently expected to be in the region of \$150m, to be spent over the next 12 years. Given the level of interest shown by a number of banks in this project, Indus remains confident of being able to successfully put the required funds in place as per the planned time schedule.

The certification of reserves by the DGH in late 2008 enabled the gas sales arrangement with GAIL to be put in place. There is, as a result, no additional operational value at this time in obtaining a further competent persons' report and it has been decided to defer this to when greater value can be added through the availability of additional data.

Commenting, Marc Holtzman, Chairman of Indus, said:

"The commitment by GAIL to the installation of the gas pipeline, the signing of the sales arrangement by GAIL with a downstream customer and approval of the SGL Field development plan are major steps forward for Indus and also the development and supply of power in the state of Rajasthan. The arrangement will bring predictable and substantial long term revenues streams to the Company and its shareholders".

-ENDS-

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