

Regulatory Announcement

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Indus Gas Limited

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Indus Gas Limited

("Indus" or "the Company")

Operations Update & Financial Review

Indus Gas Limited (AIM: INDI.L), an oil & gas exploration and development company based in India, is pleased to provide an operations update and a summary of the unaudited combined financial information of its two subsidiary companies, iServices Investment Limited ("iServices") and Newbury Oil Company Limited ("Newbury") (together "the Subsidiaries") for the period ending 31 March 2008 and 2007. Indus listed on the AIM market in June this year under the symbol: INDI.L

The two subsidiaries were incorporated into Indus as part of the AIM listing and as such did not form part of the group accounts at 31 March 2008.

Highlights:

- Successful admission to AIM - raising £25m
- ONGC acquired 30% interest in SGL Field
- Completed drilling of SSG-1 well- shortest drilling time to date - testing results to follow
- SPF-1 flowed gas, awaits further testing
- OMM-1 well in SGL Field soon to be spudded
- Seismic Programme on track
- Additional rigs due to be deployed in the Block

Operations Update:

As of 18 September 2008, the following work programme has been completed on Block RJ-ON/6 under the productions sharing contract ("PSC"):

- i) Acquisition, processing and interpretation of 884.50 line kilometre (LKM) of 2D Seismic & 290 km2 of 3D Seismic;

- ii) The acquisition of additional 152.77LKM of 2D Seismic and 53.38 km² of 3D Seismic;
- iii) Reprocessing of 4,700 LKM of 2D Seismic;
- iv) Drilling of 11 exploration/appraisal wells.

The work undertaken to date fulfils the minimum work obligations required as part of the PSC on the Block.

SGL Discovery

SGL was declared commercial in January 2008, following an independent assessment of reserves by Industry leading consultants DeGolyer & MacNaughton of Dallas, Texas.

As announced on 6 June 2008, Oil and Natural Gas Corporation of India ("ONGC") exercised its option under the PSC to acquire a 30% interest in respect of the SGL Field discovery. Following the exercise of this option, Indus' participating interest in the SGL Field is 63%.

Under the PSC, the ONGC is responsible for its share of the development costs in respect of the SGL Field as well as 100% of the applicable royalty and certain taxes calculated with reference to income from the field as outlined in the admission document. ONGC being a licensee is also obliged to pay the license fees in respect of the Block.

An area of 195 km² has been proposed as the "SGL Development Area". A field development plan is required to be submitted for this area by January 2009. Upon approval of the plan and the extent of the development, the area approved will be known as the SGL Field and the participants will be able to develop and produce hydrocarbons from this field until the termination of PSC.

The rig used to drill the SSF-2 well, the ZJ40, has now been moved to the SGL field to drill the appraisal/production well OMM-1. A release announcing the spudding of this well will be made shortly.

A term sheet has been signed with GAIL India Limited ("GAIL"), for the supply of 33.5 MMcf of natural gas per day for 12 years. The term sheet is currently being revised to include ONGC as a party to the arrangements. Under the terms of the term sheet, GAIL is required to install a pipeline for the supply of gas to a nearby power plant owned by Rajasthan Regional Vidhyut Utpadan Nigam Limited (RRVUNL). The RRVUNL plant is current producing 110 MW of power, which is being expanded to 270 MW. An initial supply of 7 MMcf of gas will commence within 12 months of the Effective Date of the agreement. The removal of carbon dioxide from the feed gas will not be required for the first 24 months and at which point the supply of gas will increase to 33.5 MMcf per day.

The Company, along with the other SGL field participants, will be required to install appropriate production facilities, including an estimated 16 production wells over the life of the sales contract, a gas gathering station and gas treatment facilities to meet the contractual requirements. Installation of the production facilities is expected to commence from early 2009 following approval of the field development plan.

It is anticipated that a large proportion of the development cost of the SGL field will come from loan financing.

Other Prospects & Discoveries

SSF-2 Well

The SSF-2 discovery well was drilled in February 2008. Wireline logs provide strong evidence of clean, gas charged sand encountered in the Baisakhi and Bedesir sequence. The SSF discovery structure was defined by several 2D seismic lines.

Testing of the likely gas bearing zones has been delayed due to a stuck drill string in the bottom

hole. A competitive tender process is currently underway to bring a work over rig onto the Block to conduct the test. The rig is expected on site later this year or early 2009 and following the deployment of certain specialist tools, drill string recovery and testing will continue.

SPF-1 Well

The SPF-1 well, which was drilled to assess the Pariwar - P10 sequence, was successfully drilled and cased as planned to a total depth of 3,564m in July 2008. Wireline logs indicate the well intersected three gas bearing reservoir intervals in the Early Cretaceous Pariwar formation. During initial testing of these zones, gas and water (interpreted as Formation water) were produced and gas flared continuously for 48 hours. A 6m gas charged interval was intersected at a depth of between 3,267-3,273m, a further 8m interval was encountered between 3,226-3,234m and the final 12m interval at a depth of between 3,208-3,220m.

Further testing, which will require production logging tools, will enable the Company to obtain a better analysis of the gas/water behaviour and obtain pressure and flow rates. Testing is expected to commence later this year, once the tools have arrived and the work-over rig has been mobilized on the well site.

The SPF-1 well was referred to as "SFT-1/P" in the Competent Persons Report and the AIM Admission Document.

SSG -1 Well

The SSG-1 well was successfully drilled to a terminal depth of circa 3,500m as planned. During the drilling operations, several instances of clean gas charged sand horizons were encountered. Testing will commence shortly and an announcement will be made on completion.

The SSG-1 well was spudded on 22 August 2008, targeting the Pariwar formation lead referred to as "SFT-7/L" in the Competent Persons Report and the AIM Admission Document.

Outlook

Significant progress has been made since Indus successfully listed on the AIM market earlier this year. During the next 12 months, there is also a strong work programme in place. This programme includes the development of the SGL field, testing and commencement of appraisal of the prospects and discoveries listed above, drilling of exploration/ appraisal wells in additional prospects that were identified in the Competent Person Report, results from processing and interpretation of the acquired seismic data and also the acquisition of an additional 400 km² of 3D seismic data. The Company is, as such, well placed to make further and solid progress in the year ahead.

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Financial Review

The Company listed on AIM in June 2008 with a group financial year end of 31 March. The Company admission document contained audited financial information for the Company for the period from incorporation on 4 March 2008 to 10 May 2008, being the last practicable date prior to publication of the admission document. The admission document also contained financial information on the two subsidiary companies, iServices Investment Limited ("iServices") and Newbury Oil Company Limited ("Newbury") (together "the Subsidiaries") for the three years ended 31 March 2005, 2006, 2007 and six months ended 30 September 2006 & 2007. iServices and Newbury were not incorporated into the Company until 10 May 2008 and therefore did not form part of the Group as at 31 March 2008 and as such group accounts to 31 March 2008 have not been presented. A copy of the admission document can be found on the Company's website www.indusgas.com.

The Company will be announcing its maiden half yearly financial results for the period ending 30 September 2008 by mid December 2008 and going forward the Company will publish annual accounts to 31 March.

AIM rule 20 does not apply as no Company accounts have been publically produced after the publication of the admission document.

For information, the unaudited financial information of the Subsidiaries on a combined basis for the financial year ending 31 March, 2008 and 2007 is reproduced as follows

Balance sheet as at 31 March, 2008 and 2007

	2008	Amounts in USD 2007
Assets		
Non-current assets		
Intangible assets		
Exploration and Evaluation - Oil and gas assets	3,926,210	35,140,921
Property, plant and equipment		
Development assets - Oil and gas assets	46,221,326	-
Others assets	1,140,730	1,537,264
	51,288,265	36,678,185
Current assets		
Inventories	2,286,252	1,613,943
Other current assets	8,297,364	9,672,886
Cash and cash equivalents	5,720	1,424
	10,589,336	11,288,253
Total assets	61,877,602	47,966,438

Liabilities and Equity**Stockholders' equity**

Ordinary share capital	206,778	206,778
Additional paid in capital	23,691,148	23,691,148
Accumulated losses	(1,291,669)	(1,006,782)
	<u>22,606,257</u>	<u>22,891,144</u>

Liabilities**Non current liabilities**

Provision for decommissioning	222,109	136,647
Finance lease obligations, excluding current portion	63,565	60,445
	<u>285,674</u>	<u>197,092</u>

Current liabilities

Trade and other payables	38,873,814	23,844,828
Short term borrowings	-	996,572
Finance lease obligations (current portion)	95,311	30,530
Other current liabilities	16,546	6,272
Total current liabilities	<u>38,985,670</u>	<u>24,878,202</u>
Total liabilities	<u>39,271,344</u>	<u>25,075,294</u>
Total equity and liabilities	<u>61,877,602</u>	<u>47,966,438</u>

Income statement for the year ended 31 March, 2008 and 2007

	2008	Amounts in USD 2007
Revenue	-	-
Cost and expenses		
Administrative expenses	<u>284,886</u>	<u>181,838</u>
	284,886	181,838
Loss from operations	284,886	181,838
Loss before tax	284,886	181,838
Income tax expense	-	-
Loss after tax	284,886	181,838

Notes:

1. Financial information presented for year ended 31 March 2007 is extracted from the Historical financial information for the year ended 31 March 2007, 2006 and 2005 presented in the admission document dated 29 May 2008

2. Accounting policies used for the preparation of above financial information for the year ended 31 March 2008 are consistent with policies used in the preparation of historical financial information referred in note 1 above.
3. The Company accumulates exploration and evaluation cost at the block level. Cost accumulated till the date of the first commercial discovery i.e. 21 January 2008 is reclassified as development assets under Properties, plant and equipment. Amount of cost transferred was tested for impairment on the date of reclassification and no impairment was noted. Cost incurred on exploration and evaluation subsequent to 21 January 2008 is classified under Exploration and evaluation assets.

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