

Essar sells CBM gas to GAIL using Rel formula

NEW DELHI: Essar Oil has sold its entire production of coal-seam gas or CBM from a West Bengal block to state-owned GAIL India Ltd using the same formula that Reliance Industries used for pricing of its CBM.

GAIL will buy 2.3 million standard cubic metres per day of coal-bed methane (CBM) that Essar Oil and Gas Exploration and Production (EOGEPL) will produce from its Raniganj block in West Bengal for \$7.1 per million British thermal unit.

According to an evaluation of bid posted by Essar on its website,

GAIL outbid Matix Fertilizers and Chemicals Ltd, Graphite India Ltd and Positron Energy Pvt Ltd to bag the supplies.

The price is more than double of the \$2.89 per mmBtu price set by the government for most of the domestically produced conventional natural gas.

Essar used the same formula which Reliance Industries had first used in 2012 to seek bids for its CBM gas from its Sohagpur block in Madhya Pradesh, and then again last year for selling the CBM. In the first instance, the Oil Ministry

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plus \$0.52 per mmBtu plus \$0.26 per mmBtu, according to the bid document.

GAIL bid a deductible of 1.89, which translated into a gas price of \$7.12 per mmBtu (on gross calorific value) at Thursday's Brent oil price of \$64.80. At three-month Brent crude average of \$65.8, the gas price comes to \$7.23 on gross calorific value (GCV) basis.

Interestingly, GAIL had in the similar bid process run by RIL last year for 3 million standard cubic metres per day of Sohagpur CBM gas quoted a deductible of

3.495. RIL had bid a deductible of 1.836 to win all the supplies.

RIL's Sohagpur gas at Thursday's oil price comes to \$7.15 per mmBtu on GCV basis.

The formula used by RIL and Essar is the same at which Petronet LNG, a joint venture of public oil companies, whose chairman is the Oil Secretary, used to import long-term liquefied natural gas (LNG) from Qatar.

EOGEPL had invited bids from prospective buyers of gas based on a government notification dated April 11, 2017.

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PRESS TRUST OF INDIA

New Delhi

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EOGEPL has invested about ₹4,000 crore in the Raniganj East CBM block in drilling wells, setting up supply infrastructure, and laying customer pipelines to Durgapur and nearby industrial areas, according to the company.

The block has 348 completed CBM wells, alongside robust gas and water handling capacity. The Raniganj East is the country's most prolific CBM block, which has achieved gas production of more than 1 mmscmd (million standard cubic metre per day), which will gradually be scaled up a saleable volume to 2.3 mmscmd.

Essar exits gas output biz

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DEAL DYNAMICS

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