

OIL exits US shale venture, sells 20% stake for \$25 mn

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NEW DELHI: State-owned Oil India Ltd (OIL) has exited from a US shale oil venture, selling its 20 per cent stake to its venture partner for \$25 million — the second exit of an Indian firm from the US shale business in two months.

“Oil India (USA) Inc (wholly owned subsidiary of OIL), divested its entire stake in Niobrara shale asset, USA,” a regulatory filing by the company said, adding the consideration received was \$25 million.

OIL and Indian Oil Corporation (IOC) had together in October 2012 bought a 30 per cent stake in Houston-based Carrizo Oil & Gas’s Niobrara shale asset in Colorado for \$82.5 million.

While OIL had acquired 20 per cent, IOC bought 10 per cent in Carrizo’s Niobrara basin acreage assets through their respective subsidiaries.

The total investment of \$82.5 million included an upfront cash payment of \$41.25 million and a carry amount of \$41.25 million, linked to Carrizo’s future drilling and development cost.

The stake was sold to Verdad Resources LLC, which is the operator of the asset.

Originally, OIL acquired the 20 per cent interest in the liquid rich shale asset in the



Denver-Julesburg Basin from Carrizo Oil & Gas, Inc. Carrizo sold its entire stake in the Niobrara asset to Verdad Resources LLC in January 2018. As a result, Verdad became the new operator of the asset.

Haimo Oil & Gas holds the remaining 10 per cent stake in the project.

The move by OIL follows Reliance Industries Ltd’s exit from US shale, which has not been attractive in generating returns.

In November last year, Reliance said its wholly-owned subsidiary Reliance Eagleford Upstream Holding, LP has signed an agreement with Ensign Operating III, LLC to divest its interest in upstream assets in the Eagleford shale play of Texas.

With this, Reliance has divested all its shale gas assets and exited the shale gas business in North America. The firm had previously divested its entire stake in the Marcellus shale blocks.

State gas utility GAIL (India) Ltd continues to hold

a 20 per cent stake in Carrizo’s Eagle Ford shale acreage, which it had acquired in 2011.

OIL, in the filing, said its subsidiary Oil India (USA) Inc had reported a net profit of \$279,000 on a revenue of \$4.27 million in the fiscal year ending March 31, 2021.

When in 2012 it and IOC bought a stake in Niobrara, they were to receive a 30 per cent interest in Carrizo’s production of about 1,850 barrels of oil-equivalent a day from 24 gross wells.

Carrizo held 61,500 gross acres in the Niobrara basin, of which the Oil India-IOC consortium had 18,450 acres, spread over three counties in Texas.

Apart from participating in Carrizo/Verdad operated wells, OIL USA has also participated in wells drilled by other operators in the region, such as Noble Energy, Whiting Oil and Gas, Mallards, Bison energy etc. Net production to OIL was about 415 barrels of oil equivalent.

OIL, whose assets in the northeast account for its entire crude oil production and the bulk of gas production, had aggressively scouted for overseas assets in the last decade.

As a result, it acquired interest in oil and gas exploration and producing assets from Venezuela to Russia. It continues to hold those assets.

Oil India sells 20% stake in US shale venture for \$25 million

Oil India subsidiary sold its entire stake in Niobrara shale asset to its venture partner

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OIL and Indian Oil Corporation (IOC) had together in October 2012 bought a 30% stake in Houston-based Carrizo Oil & Gas's Niobrara shale asset in Colorado for \$82.5 million. While OIL had acquired 20%, IOC bought 10% in Carrizo's Niobrara basin acreage assets through their respec-

tive subsidiaries. The total investment of \$82.5 million included an upfront cash payment of \$41.25 million and a carry amount of \$41.25 million, linked to Carrizo's future drilling and development cost. The stake was sold to Verdad Resources LLC, which is the operator of the asset. Originally, OIL acquired the 20% interest in the liquid rich shale asset in the Denver-Julesburg Basin from Carrizo Oil & Gas, Inc. Carrizo sold its entire stake in the Niobrara asset to Verdad Resources LLC in January 2018. As a result, Verdad became the new operator of the asset. Haimo Oil & Gas holds the remaining 10% stake in the project. The move by OIL follows the exit by Reliance Industries Ltd (RIL) from US shale.

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Ltd continues to hold a 20% stake in Carrizo's Eagle Ford shale acreage, which it had acquired in 2011. OIL, in the filing, said its subsidiary Oil India (USA) Inc had reported a net profit of \$279,000 on a revenue of \$4.27 million in the fiscal year ending 31 March 2021.