



India GeecI Plans \$500 Mln Coalbed Gas Investment

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Of DOW JONES NEWSWIRES
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SINGAPORE (Dow Jones)-- Great Eastern Energy Corp. (GEEC.LN), the first company to start commercial production of gas in a coal bed methane development in India, will invest up to US\$500 million in the next three years to develop its reserves, in the east of the country, a top company official said.

The company, which has already invested \$50 million in equity and raised \$25 million through debt financing, will finalize another \$65 million of financing this month, Prashant Modi, President and Chief Operating Officer for GeecI told Dow Jones Newswires.

"We are investing about \$140 million in the first phase, for the first 100 wells. We'll drill up to another 200 wells in the second phase after 2010, and the total upstream investment will be around \$400-\$500 million," Modi said.

The company is also in talks with state-owned Indian Oil Corp. (530965.BY) to form a joint venture company for midstream and downstream operations, which would need another \$500-\$700 million in investment, pushing the overall project investment to over \$1 billion-\$1.2 billion, Modi said.

CBM projects aim to capture methane gas embedded in coal seams that are unminable due to high water content and pressure.

Wells are drilled into the coal deposits and the natural gas released is compressed and piped to the markets.

Coal bed gas has been extracted in the U.S. for the past 15 years or so, and this now accounts of around 7% of domestic natural gas output.

In India, efforts to find enough energy to sustain current high economic growth are gathering pace. India offered its first seven CMB blocks in an auction six years back.

Now, the government has completed three rounds of bids and opened up 26 blocks totaling 13,600 sq kilometers to CBM drilling.

The Directorate General of Hydrocarbons, India's upstream regulator, says CBM resources in the awarded blocks are estimated at 1.37 trillion cubic meters or 48.38 trillion cubic feet, with an output potential of some 38 million standard cubic meters or 1.34 billion cubic feet of gas a day.

Geekl, which is listed in London Stock Exchange's Alternative Investment Market, started commercial output in late July.

According to Netherland, Swell and Associates, a resource evaluation company, Geekl's block contains an estimated 1.92 trillion cubic feet of gas, or about 200 million barrels of oil equivalent.

"With the current reserve estimates, the average production from 300 wells over the lifetime of the block will be about 350 million-400 million cubic feet or 8.4 million to 11.32 million cubic feet of gas a day," Modi said.

"The (IOC joint venture) company is still being set up. It'll be an independent company for midstream and downstream operations. It'll invest in pipelines, transportation and distribution," Modi said.

Modi added Geekl is also negotiating with industrial consumers for long-term offtake agreements and will likely finalize a deal in the next six to eight months.

"We'll supply 25% of our production for compressed natural gas vehicles, 25% for small consumers and 50% for bid industrial users," Modi said.

He added that talks were underway with Damodar Valley Corp. and Steel Authority of India (500113.BY)-owned Durgapur Steel Plant and Indian Iron and Steel Co. for long-term supply agreements.

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