

# INTERVIEW: Cairn eyes India's new block auctions to diversify upstream footprint



Author [Sambit Mohanty](#) 

Editor [Aastha Agnihotri](#) 

Commodity [Crude Oil](#), [Refined Products](#), [Upstream](#)

Tags [United States](#)

Topic [Exploration & Production](#)

## HIGHLIGHTS

**Hopeful of winning multiple blocks in latest auction**

**Eyes 3-4 billion dollars capex over next 3-4 years**

**Looking to diversify assets: eyes on shale, tight oil**

Cairn Oil and Gas is hoping to win multiple oil and gas blocks in the latest and upcoming rounds of auctions by the Indian government, opening up a window of opportunity to diversify and expand its footprint in shallow and deepwater blocks, its chief financial officer Hitesh Vaid said.

India's Vedanta Group, which owns Cairn Oil and Gas, is in the race for all 28 oil and gas blocks offered in the latest round of the Open Acreage Licensing Policy -- or OALP -- a sign that the company is keen to shed its dependence on just a few assets and venture into newer regions and segments, he added.

"India has a vast potential for untapped reserves and resources, and our ongoing exploration activities are focused on unlocking this potential. We are hopeful of winning at least 20% of what we have bid for in the most recent round of auctions," Vaid told S&P Global Commodity Insights in an interview.

"That should not only help to grow our portfolio, but it should also help to expand into new segments and regions within the country," he added.

India received 60 bids in its latest round of OALP, under which 28 blocks, spread over 136,596 sq km, have been offered in eight sedimentary basins, according to petroleum ministry officials.

Out of the total blocks offered for bidding, nine are on land, eight are in shallow waters, and 11 are in deep water. Under OALP, companies have the freedom to carve out their areas for drilling.

According to Commodity Insights, out of the 28 blocks on offer, 16 blocks are category-1 basins, which have reserves and are already in the producing stage, while 12 blocks are in category-2, which have contingent resources but are pending commercial production. No category-3 blocks, which have prospective resources and are awaiting discovery, were offered in the latest -- or ninth -- round.

According to Rahul Chauhan, upstream technical research country lead at Commodity Insights, Category-1 basins in India are in their maturing phase. However, unexplored hydrocarbon potential still exists in these basins, primarily in the deepwater areas of Mumbai, Krishna-Godavari and Cauvery offshore.

## International collaboration

According to Commodity Insights, the Rajasthan assets are the company's main cash cow and position the company to remain highly liquids-weighted compared to a general E&P-wide push towards gas-weighted assets. Cairn's portfolio is an attractive dollar hedge for the government.

"To make a bigger push into the upstream sector and unlock the potential of the blocks that are now being offered, we are looking for international partners for strategic tie-ups. We are in talks with a few oil majors who have expressed interest in working with us," Vaid said, without giving any details of the international companies.

Cairn -- whose portfolio includes interests in 62 blocks spread over more than 60,000 sq km -- further plans to explore deepwater drilling on the east coast, as well as for tight oil and shale in the western onshore fields.

"We are working with international experts who have helped to do tight oil monetization in the United States and Canada. We are also talking to Shale experts," Vaid added.

Cairn's annual average gross operated oil and gas production is around 128,000 boe/d, with the Rajasthan block contributing the bulk of the output. The company has set a target to achieve 300,000 boe/d of production in the near term and increase it to 500,000 boe/d over the longer term, according to company officials.

"We have plans to pump in about 3-4 billion dollars of capital expenditure over the next 3-4 years in the upstream sector. About 20% that will be in exploration activity and the remaining 80% will be in upstream infrastructure and other related projects," Vaid added.

Vaid said that the country's northeastern regions also offered a lot of upstream potential.

"We have ambitious plans to drill more than 40 appraisal, development, and drilling wells over the next two years to unlock the potential of the northeast region and coastal areas. We are accelerating our activities by mobilizing 20 rigs in the country, making it one of our largest campaigns in the last 15 years," Vaid added.

## Technology at the forefront

Cairn has commenced phased implementation of Enhanced Oil Recovery techniques, such as the Alkaline Surfactant Polymer flooding in the Mangala oil field in Rajasthan, demonstrating its ability to maximize recovery from mature fields. Vaid said this technology increases recovery rates from 40% to 60%.

Cairn was also enhancing its focus on natural gas, which aligns with India's vision to promote gas as a source of clean energy. Its new production facilities—the Jaya field in Gujarat and the Hazarigaon field in Assam—have commenced gas flows, helping in its vision to support the push towards a gas-based economy, he added.

A series of policy reforms by the Indian government have made the country's upstream investment climate more investor-friendly.

"Oil and gas are here to stay. We will continue to see more incentives given to that sector. Traditionally, we had a much bigger oil share in our portfolio and much less presence in gas. But gradually, the gas share will rise," he added.