ONGC Videsh Ltd. (OVL) said it will pull out of Block 5B in Sudan on May 1 and is writing off investments worth $90 million after it experienced problems accessing the acreage, according to sources cited by Indian media.

A report in The Times of India said OVL, the overseas investment unit of India's Oil & Natural Gas Corp., was leaving the block as Sudan's regional and federal governments are in a conflict over the block's allocation.

The 20,000-sq-km block is in the southern part of the Muglad basin in an area claimed by the federal government based in Khartoum and by the regional government based in Juba, Southern Sudan.

Ascom SA of Moldova was granted rights to one portion of Block 5B from the Southern Sudanese government and began drilling in January 2008, while the Khartoum government awarded the other part of the block to the White Nile Petroleum Operating Co. (WNPOC).

Ascom's three wells came up dry, according to another Indian newspaper, The Telegraph, which said OVL decided to relinquish its stake in the block after realizing that its potential was meager compared with the investment.

Analyst Global Insight agreed with that assessment, saying that OVL's departure seems more about "prospectivity and future cost savings than about the sovereignty issue."

Global Insight noted: "The White Nile consortium has had access to the block and that previous awards by the government of South Sudan…have been resolved in favor of the party selected by the Khartoum-based government."

Block 5B is operated by the WNPOC consortium, which includes operator Petronas 39%, Lundin 24.5%, OVL 23.5%, and Sudapet 13%.