

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "the Company", was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The registered office of the Company is located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan. The Company is deemed to own all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) as on that date. The Company is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities. The Company is listed on all the three stock exchanges of Pakistan.

Government of Pakistan (GoP) divested 214,091,139 Ordinary shares being 4.98% of its shareholding in October 2003 through an Initial Public Offering. In December 2006, GoP further divested 408,588,000 Ordinary shares through secondary offering in the form of Global Depository Shares (IGDS = 10 Ordinary shares of the Company) to international institutional investors including an offering of GDSs to certain qualified institutional buyers in the United States under Rule 144A of the Securities Act and secondary offering of Ordinary shares to local institutional investors. GDSs are listed on the London Stock Exchange. In addition, GoP also divested 21,505,000 Ordinary shares to the general public in February 2007. Accordingly, GoP owns 85.02% (September 30, 2006: 95.02%) of the Ordinary shares of the Company as of September 30, 2007.

2 BASIS OF PREPARATION

These financial statements are un-audited and are being submitted to shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting". The accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of annual financial statements of the Company for the year ended June 30, 2007.

3 SHARE CAPITAL

Issued, subscribed and paid up capital

September 30, 2007	June 30, 2007		September 30, 2007	June 30, 2007
Number			(Rupees '000)	
1,075,232,100	1,075,232,100	Ordinary shares of Rs 10 each issued for consideration other than cash (note 3.1)	10,752,321	10,752,321
3,225,696,300	3,225,696,300	Ordinary shares of Rs 10 each issued as fully paid bonus shares	32,256,963	32,256,963
<u>4,300,928,400</u>	<u>4,300,928,400</u>		<u>43,009,284</u>	<u>43,009,284</u>

- 3.1** In consideration for all the properties, rights, assets, obligations and liabilities of OGDC vested in the Company, 1,075,232,100 Ordinary fully paid shares of Rs 10 each were issued to GoP on 23 October 1997. Currently, the GoP holds 85.02% paid up capital of the Company.

Authorized share capital

5,000,000,000 (June 30, 2007 : 5,000,000,000) ordinary shares of Rs 10 each.

4 CAPITAL RESERVE

The Company has set aside a specific capital reserve for self insurance of rigs, wells, plants, pipelines, workmen compensation, vehicle repair and petroleum products in transit. Refer note 10.2 for investments against this reserve. Accordingly, the reserve is not available for distribution.

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September 30, **June 30,**
2007 **2007**
(Rupees '000)

5 TRADE AND OTHER PAYABLES

Creditors	135,229	290,116
Accrued liabilities	2,832,556	3,355,187
Royalty	3,164,437	2,397,564
Excise duty	107,853	102,291
General sales tax	1,401,388	1,362,049
Payable to joint venture partners	1,514,567	1,028,288
Retention money	230,349	212,766
Trade deposits	96,581	94,581
Un-paid dividend	15,053,819	2,102,291
Un-claimed dividend	74,224	65,790
Workers' profit participation fund	618,645	-
Advances from customers	132,166	35,756
Other payables	70,256	75,986
	<u>25,432,070</u>	<u>11,122,665</u>

6 CONTINGENCIES AND COMMITMENTS

- 6.1** Claims against the Company as on September 30, 2007, not acknowledged as debts amounted to Rs 232.725 million (June 30, 2007 : Rs 232.491 million).
- 6.2** Capital commitments outstanding as on September 30, 2007, amounted to Rs 10,508.598 million (June 30, 2007 : Rs 12,256.639 million). These include amounts aggregating Rs 2,434.391 million (June 30, 2007 : Rs 2,672.684 million) representing the Company's share in the minimum work commitments related to operated/non-operated concessions.
- 6.3** Letters of credit issued by various banks on behalf of the Company in ordinary course of the business, outstanding at the period end amounted to Rs 6,385.806 million (June 30, 2007 : Rs 4,318.176 million).
- 6.4** Certain banks have issued guarantees on behalf of the Company in ordinary course of business aggregating to Rs 104.844 million (June 30, 2007 : Rs 104.844 million).
- 6.5** Status of contingencies relating to pending tax assessments/re-assessments is the same as disclosed in the audited financial statements for the year ended June 30, 2007.

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		Quarter ended September 30,	
		2007	2006
	Note	(Rupees '000)	
7 PROPERTY, PLANT AND EQUIPMENT			
Opening book value		19,794,799	19,040,852
Additions during the quarter	7.1	592,060	991,441
Book value of disposals	7.2	(1,161)	(1)
Adjustment (net)		(89,655)	43,613
Depreciation charge for the quarter		(783,106)	(646,718)
Closing book value		<u>19,512,937</u>	<u>19,429,187</u>
Capital work in progress		1,931,188	1,523,687
		<u>21,444,125</u>	<u>20,952,874</u>
7.1 Additions during the quarter			
Freehold land		5	286
Buildings, offices and roads on freehold land		30,525	2,281
Buildings, offices and roads on leasehold land		3,761	-
Plant and machinery		456,652	454,632
Rigs		31,887	8,642
Pipelines		18,908	305,245
Vehicles		39,994	35,470
Office and domestic equipment		3,545	4,783
Office and technical data computers		4,518	18,090
Furniture and fixture		2,265	3,536
Stores held for capital expenditure (net)		(89,655)	43,613
Decommissioning cost		-	158,476
		<u>502,405</u>	<u>1,035,054</u>
7.2 Book value of disposals during the quarter			
Vehicles		1,161	1
		<u>1,161</u>	<u>1</u>
8 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE			
Opening book value		26,650,320	20,429,379
Additions during the quarter		830,572	741,775
Amortization charge for the quarter		(973,031)	(783,579)
Closing book value		<u>26,507,861</u>	<u>20,387,575</u>
Wells in progress		2,899,003	2,031,465
		<u>29,406,864</u>	<u>22,419,040</u>
9 EXPLORATION AND EVALUATION ASSETS			
Balance at beginning of the quarter		1,875,370	2,551,149
Additions in exploration and evaluation assets during the quarter		2,475,758	1,984,781
		4,351,128	4,535,930
Cost of dry and abandoned wells during the quarter		(1,202,893)	(857,138)
Cost of wells transferred to development and production assets		(165,053)	(509,533)
		<u>(1,367,946)</u>	<u>(1,366,671)</u>
		2,983,182	3,169,259
Stores held for exploration and evaluation activities		4,198,476	3,361,819
Balance at end of the quarter		<u>7,181,658</u>	<u>6,531,078</u>

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	September 30, 2007	June 30, 2007
	(Rupees '000)	
Note		
10 LONG TERM INVESTMENTS		
Investments in related parties	10.1 491,500	491,500
Investments held to maturity	10.2 2,618,036	2,454,438
	3,109,536	2,945,938
	3,109,536	2,945,938
10.1 Investments in related parties		
Wholly owned subsidiary Company - unquoted		
Pirkoh Gas Company (Private) Limited	418,000	418,000
Percentage holding 100%		
1,254,000 fully paid ordinary shares of Rs 1,000 each (including 836,000 bonus shares). Breakup value based on latest financial statements was Rs 6,717.307 million (June 30, 2007 : Rs 6,655 million).		
Associated Company - quoted		
Mari Gas Company Limited	73,500	73,500
Percentage holding 20%		
7,350,000 fully paid ordinary shares of Rs 10 each		
Market value Rs 1,892.625 million (June 30, 2007 : Rs 1,286 million)		
	491,500	491,500
	491,500	491,500
10.2 Investments held to maturity		
Defence saving certificates (DSCs)	10.2.1 369,333	389,097
Term deposit receipts (TDRs)	10.2.2 2,248,703	2,065,341
	2,618,036	2,454,438
	2,618,036	2,454,438
10.2.1 Face value of investments in DSCs is Rs 78.117 million (June 30, 2007: Rs 84.908 million). These carry effective interest rates ranging between 16% to 18% (June 30, 2007: 16% to 18%) per annum. These have maturity of ten years and are due to mature in periods ranging between 2007 to 2009.		
10.2.2 Face value of investments in TDRs is Rs 2,215 million (June 30, 2007: Rs 2,015 million). These have maturity period upto six months and carry effective interest rates of 10.25% to 11.00% (June 30, 2007: 10.80% to 11.60%) and are due to mature in 2007.		
10.2.3 Investments amounting to Rs 2,573.119 million (June 30, 2007: Rs 2,255.354 million) are due to mature within next 12 months, however these have not been classified as current assets based on the management's intention to reinvest them in the like investments upto the extent of capital reserve.		
10.2.4 These investments are identified against capital reserve as explained in note 4 to the financial statements.		
	September 30, 2007	June 30, 2007
	(Rupees '000)	
11 TRADE DEBTS		
Un-secured, considered good	29,812,176	27,873,515
Un-secured, considered doubtful	177,737	177,737
	29,989,913	28,051,252
Provision for doubtful debts	(177,737)	(177,737)
	29,812,176	27,873,515
11.1 Trade debts include an amount of Rs 4,369 million (June 30, 2007: Rs 4,354 million) withheld by Uch Power Limited (UPL) against claims for damages related to minimum supply of gas. The GoP had constituted a committee to resolve this matter and on the advice of the committee, a settlement proposal has been finalized. Management has principally agreed to the proposal.		
11.2 Trade debts also include an amount of Rs 6,867 million (June 30, 2007: Rs 5,379 million) which have been withheld by the refineries under the directive of Ministry of Petroleum and Natural Resources and represents revenue on crude oil in excess of USD 50 per barrel for which discount table is yet to be finalized.		
11.3 Also included in trade debts is an amount of Rs 2,684 million (June 30, 2007: Rs 3,288 million) withheld by refineries on the direction of Directorate General of Petroleum Concessions (DGPC) pending finalization of crude oil sale agreements. Management considers this amount to be fully recoverable.		

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Quarter ended September 30,
2007 2006
(Rupees '000)

12 SALES - net

Gross sales

Crude oil	15,861,640	14,000,070
Gas	13,995,559	13,514,021
Kerosene oil	115,702	115,794
High speed diesel oil	101,976	108,327
Solvent oil	7,782	23,300
Naphtha	814,903	789,930
Liquefied petroleum gas	1,312,087	808,047
Sulphur	67,222	14,788
Other operating revenue	9,991	13,171
	<u>32,286,862</u>	<u>29,387,448</u>

Government levies

Excise duty	(368,855)	(334,102)
Development surcharge	(19,972)	(15,160)
General sales tax	(4,129,303)	(3,742,551)
	<u>(4,518,130)</u>	<u>(4,091,813)</u>
	<u><u>27,768,732</u></u>	<u><u>25,295,635</u></u>

13 OPERATING EXPENSES

Salaries, wages and benefits	607,573	542,546
Traveling and transportation	82,103	69,937
Repairs and maintenance	126,401	166,216
Stores and supplies consumed	200,021	172,120
Rent, fee and taxes	84,612	43,581
Insurance	62,494	58,411
Communication	6,890	7,416
Utilities	7,257	6,008
Land and crops compensation	40,116	10,888
Contract services	177,043	89,772
Joint venture expenses	405,256	463,773
Desalting, decanting and naphtha storage charges	55,562	49,611
Gas processing charges	48,521	11,274
Welfare of locals at fields	54,282	38,368
Workover charges	17,548	58,634
Depreciation	660,711	552,584
Amortization of development and production assets	973,031	783,579
Transfer from general and administration expenses	214,928	171,031
Miscellaneous	502	489
	<u>3,824,851</u>	<u>3,296,238</u>
Stock of crude oil and other products:		
Balance at beginning of the quarter	93,788	65,608
Balance at end of the quarter	(160,746)	(61,021)
	<u><u>3,757,893</u></u>	<u><u>3,300,825</u></u>

14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the quarter (Rupees '000)	12,336,860	12,327,803
Average number of shares outstanding during the quarter ('000)	4,300,928	4,300,928
Earnings per share - basic (Rupees)	<u>2.87</u>	<u>2.87</u>

There is no dilutive effect on the earnings per share of the Company.

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15 RELATED PARTIES TRANSACTIONS

Related parties comprise wholly owned subsidiary, associated company, profit oriented state-controlled entities, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. Transactions of the Company with related parties and balance outstanding at the quarter end are as follows:

	Quarter ended September 30,	
	2007	2006
	(Rupees '000)	
Subsidiary company- Pirkoh Gas Company (Private) Limited		
Dividend income	-	250,800
Gas processing charges	48,521	11,274
Technical support provided by the Company	32,760	14,874
Reimbursement of payroll expense	24,622	24,279
Stores and supplies transferred to the subsidiary company	23,868	10,128
Rent of dehydration plant charged by the subsidiary company	-	1,815
Receivable as at 30 September	41,065	-
Associated company- Mari Gas Company Limited		
Dividend income received	7,482	7,350
Related parties by virtue of common directorship and GoP holdings		
Sales of:		
Crude oil	7,362,731	14,053,828
Natural gas	12,523,093	12,232,437
Naphtha	810,592	789,930
Liquefied petroleum gas	788	4,516
Refined petroleum products	162,225	142,778
Naphtha handling and storage charges	28,108	29,846
Desalting/decanting charges paid	-	10,290
Crude oil transmission charges paid	-	207
Purchase of high BTU value gas	427,328	386,244
Pipeline rental charges	9,642	10,053
Purchase of petroleum, oil and lubricants	402,029	303,790
Insurance premium paid	115,661	151,635
Crude transportation charges paid	308,863	180,671
Purchase of stores and spares	4,533	1,135
Receipts against long term receivables	266,700	266,700
Consultancy services	11,238	2,565
Receivable at the end of the quarter	20,295,687	26,232,041
Other related parties		
Contribution to staff benefit funds	90,074	106,631
Remuneration including benefits and perquisites of chief executive	4,098	1,815
Remuneration including benefits and perquisites of executives	423,955	89,785

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Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuations modes as admissible, except in rare circumstances for some of the transactions with the wholly owned subsidiary, where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so. Sale of crude oil to related parties is at a price determined in accordance with the agreed pricing formula as approved by GoP under respective agreement. Sale of natural gas to related parties is at price notified by the GoP whereas sale of Liquefied Petroleum Gas and Refined Petroleum Products is made at prices notified by Oil Companies Advisory Committee/Oil and Gas Regulatory Authority (OGRA).

16 CORRESPONDING FIGURES

Previous quarter figures have been rearranged and/or reclassified, wherever necessary, for the purpose of better presentation and comparison in the financial statements.

17 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors approved interim dividend at the rate of Rs _____ per share in its meeting held on 25 October 2007.

18 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 October 2007 by the Board of Directors of the Company.

19 GENERAL

Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

Chairman and Chief Executive

Director