

Islamabad 22 August 2007

**“OGDCL ONLY” AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE, 2007**

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDCL), today announces its financial results for the year ended 30 June, 2007. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

**Highlights of the year include:**

- OGDCL's net sales increased by 3.6% to Rs 100,261 million from Rs. 96,755 million for the last year.
- The Company set an all time high record of ten discoveries made during the year at Mela-1, Pasakhi North East-1, Unar-1, Nim west-1, Chak 66 North East-1, Dhachrapur-1, Dakhni Deep-1, Kunnar West-1, Thora Deep-1 and Chandio-1.
- Net profit before tax stood at Rs 61,059 million,
- Net profit after tax stood at 45,630 million resulting earnings per share Rs 10.61.
- Operating profit margin and net profit margin were 57% and 46% respectively.
- Payable final dividend of Rs 3.50 per share.
- Net crude oil production of 41,503 barrels per day, net gas production was 947 MMcf per day, net LPG production 386 tons per day and net sulphur production was 66 tons per day.
- Average net realized price of crude oil sold was US\$ 51.86 / bbl as against US\$ 50.78 / bbl during previous year.
- Average net realized price for natural gas sold was Rs 144.12 / Mcf, compared to Rs 152.88/Mcf in the last year.
- 3,282 L. km of 2D and 661 Sq. km of 3D seismic acquired.
- Achieved drilling target by spudding 41 wells during the year.

Half year ended 31 December 2006	H1 2006 Rupees '000	H1 2007 Rupees '000	2006 Rupees '000	2007 Rupees '000	% Change
Net sales	42,668,202	<b>49,526,162</b>	96,755,382	<b>100,261,191</b>	3.6
Profit before tax	29,313,972	<b>31,659,680</b>	65,911,327	<b>61,058,726</b>	-7.4
Profit after tax	20,305,069	<b>23,112,620</b>	45,967,723	<b>45,629,964</b>	-0.7
Earnings per share	4.72	<b>5.37</b>	10.69	<b>10.61</b>	-0.7
Net cash from operating activities	19,602,447	<b>12,777,373</b>	44,635,523	<b>36,972,733</b>	-17.2

**OGDCL CONSOLIDATED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE,  
2007**

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its financial results for the year ended 30<sup>th</sup> June, 2007. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

**Highlights of the year include:**

- OGDCL's net sales increased by 3.5% to Rs 100,733 million from Rs. 97,309 million for the last year.
- Net profit before tax stood at Rs 60,755 million,
- Net profit after tax stood at 45,255 million resulting earnings per share Rs 10.52.
- Operating profit margin and net profit margin were 56% and 45% respectively.
- Payable final dividend of Rs 3.50 per share.
- Net crude oil production of 41,503 barrels per day, net gas production was 947 MMcf per day, net LPG production 386 tons per day and net sulphur production was 66 tons per day.
- Average net realized price of crude oil sold was US\$ 51.86 / bbl as against US\$ 50.78 / bbl during previous year.
- Average net realized price for natural gas sold was Rs 142.73 / Mcf, compared to Rs 150.95/Mcf in the last year.
- 3,282 L. km of 2D and 661 Sq. km of 3D seismic acquired.
- Achieved drilling target by spudding 41 wells during the year.

<b>Half year ended 31 December 2006</b>	<b>H1 2006</b>	<b>H1 2007</b>	<b>2006</b>	<b>2007</b>	<b>%</b>
	<b>Rupees '000</b>	<b>Rupees '000</b>	<b>Rupees '000</b>	<b>Rupees '000</b>	<b>Change</b>
Net sales	43,115,321	<b>49,676,384</b>	97,309,036	<b>100,733,011</b>	3.5
Profit before tax	29,094,081	<b>31,510,791</b>	65,757,228	<b>60,754,509</b>	-7.6
Profit after tax	20,020,710	<b>22,925,360</b>	45,803,398	<b>45,254,786</b>	-1.2
Earnings per share	4.65	<b>5.33</b>	10.65	<b>10.52</b>	-1.2
Net cash from operating activities	19,984,749	<b>12,922,849</b>	43,501,477	<b>37,212,618</b>	-14.5

## **Chairman's statement**

Commenting on OGDCL's FY 2007 results, the Chairman and CEO of OGDCL, Mr. Arshad Nasar, said:

"I am pleased to report on another very successful year for OGDCL. The period under review was characterized by 3.5% growth in sales which was, in part, offset by higher costs relating to the increase in exploration and prospecting activity. This was in line with management expectations."

"The delivery of sustainable future production growth remains the cornerstone of our strategy and, as such, new exploration activities have combined to form a strong operational trend during FY 2007. During this period, a challenging target of spudding 41 wells was achieved, which was a first in our Group's history. Furthermore, oil production rose by 6.5% year-on-year while gas production remained stable compared with FY 2005/06. These discoveries will add considerable amount of oil and gas to Group's reserve base. Some of the newly discovered fields including Mela have been put on regular production. Worldwide the oil and gas industry is in a growth phase with high energy prices. This has positively impacted our production revenues during the past year."

"A strict control of operating and general and administrative expenses ensured that full year profitability was unaffected, actually increasing during 2006/07 against the comparable period in 2005/06. This has been achieved despite prevailing industry cost pressures."

"I am proud to be associated with a work force that is second to none and greatly appreciate their devotion, enthusiasm and dedication in contributing to the results achieved by OGDCL. I see a very bright future of OGDCL in years to come."

**- Ends -**

**For further information:**

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### **Notes to Editors**

OGDCL is the largest petroleum exploration and production, or E&P, Group in the Pakistan oil and gas sector, with a primary focus on gas. It holds the largest portfolio of the recoverable hydrocarbon reserves of Pakistan, at 32% of gas and 30% of oil, respectively, as at 31<sup>st</sup> December 2006. It contributed 24% of the country's total natural gas production and 61% of its oil production as at 30<sup>th</sup> June 2007 on net basis.

With a portfolio of 42 exploration licences, the Group has the largest exploration acreage in Pakistan, covering 33% of the total awarded acreage as of June 2007. While its focus to date has been on onshore exploration, the Group has also recently begun conducting offshore exploration activities; an area which has significant untapped potential.

OGDCL had a net profit after tax of Rs 45.25 billion for the year ended June 30<sup>th</sup>, 2006 and Rs 22.9 billion for the six months ended December 31, 2006.

## Summary Results

During the year under review, sales revenue of the Group grew by 3.5% to Rs 100.733 billion due to combination of increased sales volume of crude oil and LPG and higher realized prices of crude oil, Naphtha and LPG. Sales volume of crude oil and LPG increased by 7.5% and 8.4% respectively which contributed increase of Rs 3.157 billion towards sales revenue. Increase in net realized prices of crude oil, Naphtha and LPG contributed Rs. 3.305 billion to the sales revenue. However, net sales revenue from gas decreased by Rs. 2.850 billion due to unfavorable price change and decreased sales volume. During the year, net realized prices of crude oil and gas averaged at US\$ 51.86 / BBL and Rs 142.73 / Mcf compared with US\$ 50.78/BBL and Rs 150.95/Mcf during the previous year.

Despite increase in sales revenue, profit before tax decreased by 7.6% to Rs 60.755 billion compared with Rs 65.757 billion in 2005-06. This decline in profit is mainly due to higher costs relating to the increase in exploration and prospecting activity. Operating expenses also increased by 21% to Rs 19.167 billion compared with Rs 15.816 billion during previous year. Within operating expenses amount of Rs 1.054 billion increased on account of charges related to minimum supply of gas i.e liquidated damages pertaining to Uch Gas Field and Rs 1.478 billion increased on account of provision made in respect of sales revenue of crude oil for prices in excess of US \$ 50/BBL for which discount table is yet to be finalized with the Ministry of Petroleum and Natural Resources. This provision reflects an adjustment made for incremental discounts for last year. Current year revenue has already been booked on higher applicable discounts. Expenses like depreciation, amortization and maintenance / repair increased due to additions in property, plant and equipment, capitalization of new wells, enhanced production and major overhauls including annual turn around at various fields / plants. Within exploration and prospecting expenditure increase of Rs 2.688 billion resulted on account of cost of dry / abandoned wells and amount of Rs 1.037 billion on account of prospecting expenditure. Higher exploration and prospecting expenditure is in line with Group's strategy of extensive exploratory efforts which will contribute new discoveries, reserves additions, enhanced production and strengthening of financial position.

Other income during the period was Rs 3.986 billion compared with Rs 4.364 billion in the previous period. Increased operating and exploration expenses resulted into profit after tax of Rs 45.255 billion against Rs 45.803 billion during 2005-06, resulting in earnings per share (EPS) of Rs 10.52 compared with Rs 10.65 in the previous year.

During the year under review, net cash from operations, after payment of corporate tax of Rs 24.141 billion, was Rs 37.213 billion, a decrease of Rs 6.289 billion over 2005-06. Net cash used

in investing activities increased by Rs 5.673 billion to Rs 12.715 billion against Rs 7.042 billion in the previous year mainly due to increase of Rs 6.319 billion in fixed capital expenditure which was Rs 16.477 billion in the year under review as against Rs 10.157 billion in 2005-06. Net cash used in payment of dividend was Rs 38.154 billion as against Rs 41.445 billion resulting in net decrease of Rs 3.291 billion in cash used for financing activities. Decrease in cash flow from operating activities, and net cash utilized in investing and financing activities resulted in a net cash decrease of Rs 13.657 billion to ending cash balance of Rs 23.738 billion.

### **Discoveries**

The Group made ten oil and gas discoveries at Mela-1, Pasakhi North East-1, Unar-1, Nim west-1, Chak 66 North East-1, Dhachrapur-1, Dakhni Deep-1, Kunnar West-1, Thora Deep-1 and Chandio-1 during the year 2006-07. These discoveries will add considerable amount of oil and gas to Group's reserve base. Some of the newly discovered fields including Mela have been put on regular production. Other new finds are also expected to substantially enhance oil and gas production in the near future.

### **Production**

OGDCL has adopted strategy of extensive exploratory and development drilling in order to make additions in oil and gas reserves and ensure sustained growth in its oil and gas production. Accordingly, an aggressive exploratory and development drilling programme is under way and in order to ensure growth in production, the Management of the Group is focusing on early and expeditious production from discovered fields in the close proximity of existing producing fields and facilities and also making efforts to maintain and enhance production from existing fields through workovers. Additionally, efforts are also being made to employ latest technology and different secondary recovery techniques to optimize production from existing fields.

During the year, OGDCL spudded 13 development wells in addition to completion of workover jobs on another 13 wells. This on going development programs is expected to continue to deliver further substantial production growth during the years ahead.

During the year under review, OGDCL accomplished the target date of completion of Mela Project located in District Kohat, NWFP Province. The project was completed in a record time of 19 weeks in spite of an unexpected delay of 4 weeks caused due to unprecedented rains. The infrastructure laid for this project is capable of handling 10,000 barrels of oil per day and 20 MMcf of gas. All phases of the project were efficiently handled using the JITE (Just-in Time Engineering) approach. The well was put on extended testing during May 2007 after laying 12 kms pipeline in a very difficult terrain and by installing processing plant and surface facilities.

Mela-1 well is currently producing 5,000 barrels per day of oil and 8 MMscfd gas. Pasakhi North East-01 was put on regular production during December 2006. The well is currently producing 1,300 barrels of oil per day. Chanda Well-02 which was put on regular production in Sept 2006, an acid stimulation job was carried out on this well which resulted an increase in daily oil production by 1,400 barrels. Dhodak-10-A after direct completion was put on production with 8.6 MMscfd gas and 270 barrels per day of condensate. Testing and successfully completion of Dakhni Deep-01 and Dakhni-10 was also achieved during the year. Sale of 10 MMcfd of gas to M/s. SSGCL also started in May 2007 after completion of 42 kms gas pipeline at Bobi.

Annual bottom hole pressure (BHP) survey at Qadirpur wells completed during the year and multifinger imaging tool (MIT) survey carried out in order to check the condition of tubing of 10 wells. Additionally acid stimulation jobs were carried out at Qadirpur-26 and 28 along with drilling of another development well i.e. Qadirpur - 29 which is in progress. In order to effectively run the processing plants, annual turnaround were carried out at six gas / condensate plants during the year.

OGDCL maintained its status as leading national oil and gas producing Group in the Country and it produced 54% of total Crude Oil and 22% of total Gas during 2006-07.

OGDCL's average daily net production including share in joint ventures during the year was as follows:

<b>Products</b>	<b>Own Fields</b>	<b>Share in Operated JVs</b>	<b>Share in Non-Operated JVs</b>	<b>Total</b>
Crude Oil (Barrels / day)	28,720	5,443	7,340	<b>41,503</b>
Gas (MMcf / day)	332	388	227	<b>947</b>
LPG (M. Tons / day)	307	-	79	<b>386</b>
Sulphur (M. Tons / day)	66	-	-	<b>66</b>

- **Daily production has been worked out at 365 days per annum.**
- **Gas production includes production of 19 MMcfd from subsidiary company, Pirkoh Gas Company (Private) Limited.**

	2006	2007
Crude oil	38,966 Barrels/day	<b>41,503 Barrels/day</b>
Gas	946 MMcf/day	<b>947 MMcf/day</b>
LPG	353 Tons/day	<b>386 Tons/day</b>
Sulphur	59 Tons/day	<b>66 Tons/day</b>

Daily production has been worked out at 365 days / year. Gas production includes subsidiary company production which was 19 MMcf/day against 23 MMcf/day during 2005-06.

### **Exploration and Development Activities**

OGDCL's exploration strategies include maintaining balance portfolio of exploration concessions in order to hedge risk, accelerating exploration activities in offshore, extending exploratory efforts to unexplored frontier areas and maintaining acceptable success ratio for reserves addition.

OGDCL's exploration team is committed to encourage out-of-the-box thinking in all aspects of its operations; seek new ideas and alternatives that reduce costs or enhance operational efficiencies; quickly incorporate new technologies that have proven effectiveness; continually seek improvements in all areas of its operations.

The sustained and concerted efforts have resulted in meeting drilling targets of the year with the accomplishment of ten discoveries in different provinces of the country, including major ones at Mela, Pasakhi, Bahu and Dakhni Deep.

Perusing aggressive exploration strategy, the Group acquired two new exploration concessions namely Offshore Indus-S and Offshore Indus-R covering an area of 3,622.14 Sq. Kms

OGDCL has also signed an agreement on February 09, 2007 with GHPL and Petrobras Oil & Gas B.V for assigning 50% working interest from its share to Petrobras Oil & Gas B.V over Block No. 2,265-1 (Offshore Indus-G) for under taking exploration activities in the block covering an area of 7,466.02 Sq. Kms.

OGDCL acquired 70% working interest along with the operator ship in Guddu Block from Messers IPR Transoil Corporation (IPRTOC), under an assignment agreement executed on February 17, 2007 between GHPL, OGDCL and IPRTOC. Guddu Block covers an area of 2,093.4 Sq.Kms over the Sindh and Punjab provinces of Pakistan.

OGDCL presently holds the largest acreage position in Pakistan and as on June 30, 2007, was operating in 42 exploration blocks covering an area of 80,584.48 Sq. Kms. which constitute 33% of total exploration area granted to various E&P companies working in Pakistan. OGDCL also holds working interest in another 5 exploration concessions which are operated by other joint venture partners.

The Group regularly evaluates opportunities, domestic and overseas, to expand OGDCL's activities to other areas that may offer attractive exploration and development potential, with a particular interest in those areas with plays that complement our current exploration, development and production activities.

A study aimed at having updated data analysis and geological synopsis of Pakistan's sedimentary basins is being carried out in collaboration with Fugro Robertson of UK. The project focuses on integrated geological and geophysical studies for identifying new hydrocarbon potential areas and plays to promote petroleum exploration within the country.

### **Secondary Offering**

Another significance of the year was the divestment of 10% of total shares of OGDCL by the Government of Pakistan (GoP) through secondary offering and the listing of the Company on the London Stock Exchange (LSE).

Government of Pakistan (GoP) divested 9.5% of total shares of the Company in December 2006 through Secondary Offering in the form of Global Depository Shares (GDS) to international and local institutional investors. The transaction was handled by a consortium of companies, as underwriters / joint lead managers, which included Goldman Sachs, Citigroup and BMA Capital. The offer was priced at Rs 115 per ordinary share and US\$18.90 per Global Depository Share (GDS), with each GDS representing 10 ordinary shares of OGDCL. At the offering size, the transaction was approximately two times oversubscribed. Unconditional trading of the GDSs started on the LSE with effect from December 6, 2006. The demand was generated from a broad range of institutional investors from United States, United Kingdom, Asia and the Middle East, as well as from the domestic Pakistani institutional market. Approximately 95% of the institutional offer was allocated to international institutional investors.

In addition, GoP also divested 0.5% of total shares to the general public in February 2007. The domestic retail offer of 21,505,000 shares of OGDCL was on a fixed price subscription basis, with the offer price set at Rs 110 per share. The shareholding of GoP in OGDCL now stands at 85.02% of the total paid up capital of the Company.

## **Dividend**

The Board of Directors is pleased to recommend a final cash dividend at 35 % (Rs 3.50 per share) in addition to 55% (Rs 5.50 per share) interim cash dividends declared earlier during the year on the basis of interim results. This makes a total of 90% (Rs 9.00 per share) for the year ended June 30, 2007. The dividend recommended is subject to approval by the shareholders in the Annual General Meeting.

## **Outlook**

The year 2006-07 represents a period of record operating and stable financial performance. Our operational achievements are driven by Company's strategies of adding oil and gas reserves through accelerated exploration and timely development of discovered fields. Discoveries made during the recent past will strengthen the oil and gas production base and with favorable price environment we anticipate strong financial results in the years to come which will help the Group in carrying out its exploration and development activities set out in its business and strategic plan.

Initiatives are being taken to enhance OGDCL's business canvas. OGDCL intends to maintain a balance portfolio of exploration blocks and accelerate exploration activities in offshore areas and extend exploratory efforts to unexplored and frontier areas in addition to exploring old areas with new ideas and innovations. The Group will also avail opportunities to acquire overseas acreage by buying stakes in existing viable producing fields. OGDCL is looking into the possibility of E&P opportunities and joint venture collaborations outside Pakistan and aims to follow an aggressive business development strategy to strengthen its positions in its core business areas.

Our strategy of strengthening the production base and focusing on high impact exploration, backed by strong financial position will add significant value for the shareholders in the years ahead.