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## OGDCL UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER, 2009

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its financial results for the half year ended 31 December, 2009. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

### Highlights of the year include:

- OGDCL's net sales increased by 1.0% to Rs 72,633 million from Rs 71,940 million for the same period last year
- Net profit before tax decreased by 6.2% to Rs 45,421 million from Rs 48,428 million compared to the same period last year
- Net profit after tax stood at Rs 28,493 million resulting in earnings per share of Rs 6.62 as against Rs 31,781 million and earnings per share of Rs 7.39 respectively during the same period last year.
- Operating profit margin and net profit margin for the year was 61% and 39% respectively.
- Payable interim cash dividend of Rs 1.50 per share
- Net crude oil production of 38,787 barrels per day, net gas production was 960 MMcf per day, net LPG production was 199 tons per day and net Sulphur production was 64 tons per day.
- Average net realized price for the natural gas sold was Rs 177.09/Mcf, compared to Rs 169.57/Mcf during the last year
- Average net realized price for the crude oil sold was US\$ 59.72/BBL, compared to US\$ 69.00/BBL during the last year
- The Company spudded eight (08) wells and made four discoveries during the year, (Reti-1A, Baloch-1, Nashpa-1 and Dakhni N-1).

*(Rs in Million)*

	1Q 08/09	1Q 09/10	HY 08/09	HY 09/10	% Change
Net Sales	41,384	31,826	71,940	72,633	1.0
Profit before Tax	28,816	20,407	48,428	45,421	(6.2)
Profit after Tax	18,980	12,066	31,781	28,493	(10.3)
Earnings per Share	4.41	2.81	7.39	6.62	(10.3)
Net Cash from Operating activities	11,125	17,418	23,451	31,624	34.9

## **MD and CEO's Statement**

Commenting on OGDCL's Half-Year FY2010 results, Mr. Shah Mahboob Alam (MD and CEO of OGDCL) stated:

"I take this opportunity to report on another period of sustained performance for the Company. It is heartening to know that in spite of issues such as inter-corporate debt, development projects under litigation and law & order situation in some of Company's operational areas, OGDCL is moving on a well thought out path of sustained growth and success. The period under review saw Company's sales revenue slightly increased by 1% to Rs. 72.633 billion and profit after taxation to Rs 28.493 billion."

"In line with our aggressive exploration program to enhance reserves through focused yet targeted exploration efforts and quick and timely development of already discovered fields, we are all set to achieve growth both in our reserves base and production volumes. We are also leaving no stone unturned for catching up the natural depletion in our reserves base and diligently carrying out enhanced recovery at our existing hydrocarbon assets. During the period under review, OGDCL spudded 8 wells and made four new discoveries which will add to our reserves base. As is expected of an aggressive exploration program, the Company continue to incur higher costs related to exploration and prospecting activities. However, the impact of these high costs on our operations gets minimized to a large extent due to owning of in-house fully capable seismic, drilling & allied services functions."

"Our net crude oil production saw a decline of 6.7% due to natural depletion when compared with the same period last year, whereas the gas production remained stable against that of the corresponding period last year. We had already factored in this slight decline trend in production growth for the current fiscal year; however, we expect that this decline will reverse its trend by the end of current fiscal year by additions of hydrocarbons from Nashpa and Mela fields."

"Before concluding, I must convey my deep appreciation to all the employees of the Company for their dedication, hard work and unrelenting support in keeping the Company on a path of sustained growth and continued success."

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**For further information:**

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## **Notes to Editors**

OGDCL is the largest petroleum exploration and production (E&P) company in the Pakistan's oil and gas sector, with a primary focus on gas. It holds the largest portfolio of the recoverable hydrocarbon reserves of Pakistan, at 35% of gas and 46% of oil, respectively, as at 30 June 2009. It contributed 21% of the country's total natural gas production and 56% of its oil production as at November 2009.

With 45 operated fields in production, the Company has the largest exploration acreage in Pakistan, covering 27% of the total awarded acreage as of 30 June 2009. While its focus to date has been on onshore exploration, the Company has also begun conducting offshore exploration activities; an area which the Company believes has significant untapped potential.

OGDCL had a net profit after tax of Rs 55.54 billion for the year ended June 30<sup>th</sup>, 2009.

## **SUMMARY RESULTS**

A brief review of Company's operations for the half year ended December 31, 2009 is presented below:

During the first half of current financial year, the Company has made steady progress in all areas and its financial performance has been satisfactory. This is despite issues relating to inter-corporate debt, development projects under litigation and law & order situation in some of Company's operational areas.

During the period under review, Company's committed efforts yielded four new Oil / Condensate and Gas discoveries including a significant one in Nashpa E.L (Nashpa well-1) in NWFP, another two in Guddu E.L (Reti well-1) and Sinjhoru E.L (Baloch well-1) in Sindh, and one at Dakhni (Dakhni well -11) in Punjab. On the basis of preliminary in-house reserves estimates, these discoveries have added 11.86 million barrels of Oil and 86.76 billion cubic feet (Bcf) of Gas to Company's reserves base. Subsequently, in January-February, 2010, two more gas / condensate fields in Guddu E.L (Maru well-1) and Tando Allah Yar E.L (Shah well-1), both in Sindh, have been discovered. Sizeable enhancement of Crude Oil, Condensate and Gas production is expected from these newly discovered fields. Oil and Gas production from Nashpa during Extending Well Testing (EWT) is expected to start in May 2010 which will have significant positive impact on Company's earning performance.

Company's financial performance during the period reflected positive financial impact of Rs 8.684 billion in gas sales revenue on account of revision in Qadirpur wellhead gas price with effect from January 01, 2008. Company's sales revenue and profit after taxation during the period was Rs 72.633 billion and Rs 28.493 billion respectively resulting into Earnings Per Share (EPS) of Rs 6.62 compared to Rs 7.39 in the corresponding period last year.

However, the issue of inter-corporate circular debt remains a matter of great concern for the Company as trade debts on December 31, 2009 includes overdue receivables of Rs 42.215 billion from refineries and gas companies. The Management of the Company has already taken up this issue with the Government of Pakistan and position of receivables is being reported to the Government on daily basis. Early resolution of this issue is pivotal to ensure smooth running of Company's operations, maintaining adequate liquidity position, carrying out Company's exploration and development program and timely discharge of statutory obligations including payment of royalty, duties/ taxes and dividend etc.

## **DIVIDEND**

Directors of the Company are pleased to declare an interim cash dividend of Rs. 1.50 per share (15%). This is in addition to first interim dividend of Rs. 1.00 per share (10.00%) totalling to Rs. 2.50 per share (25%) for the year ending June 30, 2010.

## **BOARD OF DIRECTORS**

During the first half of the year, composition of Company's Board of Directors has changed due to appointment of Mr. Fahd Shaikh, Mr. Kaiser Bengali, Mr. Ahmed Bakhsh Lehri, Senator Mir Wali Muhammad Badini and Syed Masieh-ul-Islam as new Directors on the Board in place of Mr. Sikandar Hayat Jamali (late), Mr. Tariq Iqbal Khan, Mr. Waqar A. Malik, Mr. Rafique Dawood and Mr. Iskander Mohammed Khan. The Board welcomes the new directors and also wishes to record its appreciation for the valuable contributions made and services rendered by all the outgoing Directors during their tenure.

## **REVIEW OF OPERATIONS**

A substantial and balanced exploratory, appraisal and development programme for adding new reserves continues to be central to OGDCL's business model. This programme has further been strengthened with addition of four new exploration blocks namely Channi Pull, Mari East, Jandran West and Lakhi Rud which were provisionally awarded to the Company during the first half of the year. However, three exploration blocks namely Thatta, Thatta East and Offshore Indus-S were surrendered / relinquished by the Company during the period under review.

As of December 31, 2009, OGDCL was operating in 32 exploration blocks (19 blocks with 100% share and 13 blocks as operated Joint Venture (JV) including 3 offshore blocks covering an area of 61,282.77 Sq. Kms. In addition, OGDCL also holds working interest in another 7 exploration blocks operated by other JV partners.

In Offshore Indus-R block 1,325 L.Kms 2-D seismic data loading on work station is in progress for interpretation. Seismic data acquired in Eastern Offshore-A block and Offshore Indus-S block is under processing. 50% share along with Operatorship of Offshore Indus-S has been transferred to M/s BPXA, UK and modalities are being finalized in Offshore Indus-G to handover 25% to each BPXA, ENI and PPL with operator ship to ENI.

During the first half, 1,141 Line Kms of 2-D and 192 Sq. Kms of 3-D seismic data acquisition have been achieved in various concessions operated by OGDCL. The Company also carried out drilling operations on number of exploratory / appraisal and development wells. 30 new locations have been marked on ground and 8 new wells including 5 exploratory / appraisal wells and 3

development wells were spudded. Subsequently, in January-February 2010, 4 more exploratory /appraisal & development wells were also spudded totalling to 12 wells during the current financial year. Workover jobs have also been carried out on another 4 wells.

OGDCL has 45 operated development and production / mining leases besides working interest ownership in 16 non-operated leases. During the period under review, various steps have been taken by the Company to improve production base and productivity of the fields. OGDCL has recently added 10 MMcfd of Gas and 350 barrels of Condensate from Dakhni and 4 MMcfd of Gas from Nandpur. Gas compression facilities have been installed at Chanda Oil field to meet the pressure requirement of SNGPL. Annual Turn Around (ATA) of plants at Bobi, Dakhni, Uch, and Kunnar were carried out and forced evaporation system has been installed at Fimkassar and Tando Alam Oil fields in order to dispose off the produced water.

Average daily net production for the first half including share in operated and non-operated joint venture fields was as follows:

<b>PRODUCTS</b>	<b>UOM</b>	<b>1<sup>st</sup> Half 2008-09</b>	<b>1<sup>st</sup> Half 2009-10</b>
Crude Oil	Barrels / day	41,573	38,787
Gas	MMcf / day	964	960
LPG	M. Tons / day	229	199
Sulphur	M. Tons/ day	66	64
<i>Daily production has been worked out at 365 days / year.</i>			

Compared with equivalent period last year, Crude Oil net production from Company's operated fields decreased by 8.9% (despite increase in production from Mela, Dakhni and Thora fields) and share in non-operated JV fields increased by 8.6%, resulting into net decrease in Crude Oil production by 6.7% (2,786 barrels per day). During the first half, Company's gas production from its operated fields decreased by 2.4% compared with same period last year. However, share of gas production from non-operated JV fields increased by 6.7%, resulting into nominal decrease of 4 MMcfd. LPG production from OGDCL's operated fields and share from non-operated JV fields during the period under review was also lower than anticipated mainly due to water break through at Dhodak field, ATA at Dakhni, Kunnar, Uch and Bobi fields etc.

Production enhancement in short term (next 12 months) is expected from Qadirpur, Nashpa, Mela, Dakhni and Rajian after installation of compression in Qadirpur, EWT of Nashpa Well No. 1, completion of Mela Well No. 3, Dakhni Development Well No.12 & Dakhni Deep Well No. 4, workover of Missa Keswal Well No.3 and drilling of Rajian Development Well No. 5A.

The Company is actively working on completion of various on-going development projects like Qadirpur Compression System, Dakhni Expansion Project, Uch-II Development Project, Jhal Magsi Development Project, Bahu Development Project and Pakhro Project. Work on development

projects like Kunnar Pasakhi-Tando Allah Yar (KPD & TAY) Integrated Development Project and Sinjhora Development Project will be undertaken on accelerated pace after clearance of court cases.

## **FINANCIAL RESULTS**

Sales revenue remained slightly above that in the equivalent period last year mainly due to positive financial impact of Rs 8.684 billion on account of revision in Qadirpur wellhead gas price which has been notified by Oil & Gas Regulatory Authority (OGRA) on provisional basis with effect from January 01, 2008. However, financial performance was negatively impacted by decline in production of Crude Oil and LPG and substantial drop in realized prices of gas in some of the non-operated joint ventures fields.

Product sales revenue during the period under review of Rs 72.633 billion (1H 2008-09: Rs 71.940 billion) is inclusive of Rs 8.684 billion on account of price revision in respect of Qadirpur gas effective January 01, 2008. (Rs 3.223 billion pertains to first half of 2009-10 and Rs 5.461 billion to the period January 01, 2008 to June 30, 2009). However, the Company witnessed decrease in sales revenue during the period on account of decline in realized prices of Crude Oil and Gas (mainly in non-operated JV fields) together with decrease in sale volume of Crude Oil, LPG and other petroleum products.

Net realized prices of Crude Oil, Gas and LPG averaged at US\$ 59.72/bbl, Rs 177.09/Mcf and Rs 49,288/M.Tons respectively, compared to US\$ 69.00/bbl, Rs 169.57/Mcf and Rs 39,724/M.Tons respectively during the same period last year.

Despite slight increase in sales revenue, profit before taxation for the period was Rs 45.421 billion compared to Rs 48.428 billion during same period last year, reflecting 6.2% decrease in Company's earning performance. These results were impacted mainly on account of decrease in other income and higher exploration and prospecting expenditure. Company recorded profit after taxation of Rs 28.493 billion compared to Rs 31.781 billion in first half of last year resulting into Earnings Per Share (EPS) of Rs 6.62 (1H 2008-09: Rs 7.39).

Cash flow from operations for the period was Rs 31.624 billion (1H 2008-09: Rs 23.451 billion). After investment and financing activities of Rs 23.472 billion (cash outflow) and Rs 597.974 million (inflow) respectively, the Company's cash and cash equivalent at the end of period were Rs 17.689 billion.

## **FUTURE OUTLOOK**

In the first half of 2009-10, OGDCL has delivered significant exploration successes, improved exploration portfolio, enhanced oil and gas reserves base and progressed new seismic acquisition and exploratory & development drilling. Based on the results achieved in the first half together with positive impact of revision in Qadirpur Gas price and expected production from Nashpa, we look forward to Company's improved operational and financial results during the rest of this year.