

Islamabad, February 24, 2011

FOR IMMEDIATE RELEASE

**OGDCL Un-Audited Financial Results for the Half Year Ended 31 December, 2010**

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its financial results for the Half Year ended 31 December 2010. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

**Highlights of the Half Year include:**

- OGDCL's net sales increased to Rs 81.090 billion compared to Rs 72.633 billion in the corresponding period last year.
- Net profit before taxation increased to Rs 51.171 billion compared to Rs 45.421 billion in the corresponding period last year.
- Net profit after taxation increased to Rs 31.598 billion compared to Rs. 28.493 billion in the corresponding period of preceding year translating into an Earnings per Share of Rs 7.35
- Operating profit margin and net profit margin were 62% and 39% respectively.
- Average net realized price of crude oil sold was US\$ 66.08/bbl as against US\$ 59.72/bbl during corresponding period last year.
- Average net realized price for natural gas sold was Rs 215.95/Mcf as against Rs 177.09/Mcf during corresponding period last year.
- 575.80 L. Kms of 2D and 116.30 Sq. Kms of 3D seismic acquisition completed.
- 07 new wells including two (2) exploratory / appraisal wells namely Sehar-1 & Nashpa-2 and five (5) development wells namely Thora-8, Qadirpur-41 & Uch-23, 24, and 29 were spudded during the Half Year ended 31 December 2010. Moreover, another development well Uch-31 has also been spudded on 27 January 2011.
- Company's exploratory efforts yielded two (2) new gas / condensate discoveries namely Gopang-1 (Nim E.L) and Sheikhan-1 (Kohat E.L).
- Net crude production of 36,970 barrels per day, net gas production of 981 MMcf per day, net LPG production of 194 tons per day and net Sulphur production of 68 tons per day was witnessed during the period under review.

|                                    | <b>1H 2009-10<br/>Rupees '000</b> | <b>1H 2010-11<br/>Rupees '000</b> | <b>%<br/>Change</b> |
|------------------------------------|-----------------------------------|-----------------------------------|---------------------|
| Net Sales                          | 72,633,402                        | 81,090,495                        | 11.6                |
| Profit before Taxation             | 45,420,961                        | 51,170,712                        | 12.7                |
| Profit after Taxation              | 28,493,458                        | 31,598,477                        | 10.9                |
| Earnings per Share - Rs            | 6.62                              | 7.35                              | 10.9                |
| Net Cash from Operating activities | 31,623,721                        | 20,433,891                        | (35.4)              |

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

Mr. Muhammad Naeem Malik, (MD and CEO of OGDCL), commenting on the financial results of OGDCL's first half FY2010-11, said:

"I am happy to report on another prosperous period at OGDCL. During the first half of FY2010-11, the Company witnessed a significant 12% surge in its revenue stream, transpiring further expansion in its net profits by approximately 11% as compared to the corresponding period last year. The enhanced profits were achieved primarily due to higher oil and gas realized prices as well as due to the favourable impact of gas price revision of Bobi field.

On the production side, OGDCL saw an increase in its gas volumes; however, the oil production dipped slightly when compared to the same period of last year. A sizeable portion of this decline in production is attributable to heavy floods in July last year and also due to OGDCL undertaking more plant ATA's in the first half of FY2011 as compared to the same period last year. OGDCL endeavours to maintain and enhance the current production level by actively conducting work-over jobs and by applying Enhanced Oil Recovery techniques at many of its wells. To this effect, increase in oil and gas production has been achieved at Naspha well after conducting choke performance test. Work-over jobs on Toot-12 and Lashari-5 wells have been successfully completed, resulting in revival of production of 1,100 bopd.

In addition, OGDCL is actively working on its on-going development projects, which are expected to add sizable volumes in next year or two. I am also pleased to inform you that during the period under review, Company's exploratory efforts yielded two (2) new gas / condensate discoveries namely Gopang-1 (Nim E.L) and Sheikhan-1 (Kohat E.L).

Finally, I would like to thank all the employees of the Company for their full support, focus and hard work towards achieving Company's goals and targets year after year. I feel fortunate to be associated with such a talented group of people that this company is fortunate to have. I am sure together, we will take the Company to even higher grounds resulting in continuous maximization of shareholder value."

**For further information:**

**Investor Relations Contact**

**Usman M. Bajwa**

Investor Relations Officer

Telephone: +92 51 920 9888

Fax: +92 51 920 9858

Email: [usman\\_bajwa@ogdcl.com](mailto:usman_bajwa@ogdcl.com)

**Notes to Editors**

OGDCL, the largest petroleum Exploration and Production (E&P) Company in Pakistan, is listed on all three stock exchanges of the country and on London Stock Exchange since December 2006. It holds the largest portfolio of the recoverable hydrocarbon reserves of Pakistan, at 36% of gas and 47% of oil, respectively, as at June 30, 2010. It contributed 23% of the country's total natural gas production and 56% of its total oil production as at December 31, 2010.

With a portfolio of 35 exploration licences, the Company has the largest exploration acreage in Pakistan, covering 23% of the total awarded acreage as of December 31, 2010. While its primary activities are focused at onshore exploration, the Company has also begun conducting offshore exploration activities.

OGDCL had a net profit after tax of Rs 59.177 billion for the year ended June 30, 2010.

## **SUMMARY RESULTS**

During the first half of the current financial year, the Company's operational and financial performance has been satisfactory. This is despite the issues of mounting inter-corporate circular debt, heavy floods in the Country during the month of July 2010 and unfavourable security situation in some of the Company's operational areas. Higher realized prices of crude oil, gas & LPG coupled with increase in gas production have delivered improved financial results. Company's sales revenue and profitability grew by 12% and 11% to Rs 81.090 billion and Rs 31.598 billion respectively translating into an Earnings Per Share (EPS) of Rs 7.35 compared to Rs 6.62 during the corresponding period of preceding year.

During the period under review, OGDCL discovered two (2) new oil / gas condensate fields including Sheikhan Well-1 in Kohat E.L in District Kohat of Khyber Pukhtoonkhawa Province and Gopang Well-1 in Nim E.L in District Hyderabad of Sindh Province.

### **Board of Directors**

The Board of Directors comprises eleven Directors including the Chairman and MD / CEO. During the first half of the year, Mr. Imtiaz Kazi joined the Board as Chairman in place of Mr. Kamran Lashari and Mr. Mohammad Naeem Malik has been appointed as MD/CEO in place of Mr. Shah Mahboob Alam. On his promotion and transfer from Ministry of Petroleum & Natural Resources (MP&NR) to the Privatization Commission, Mr. Muhammad Ejaz Chaudhry, Director, OGDCL Board has been replaced by Mr. Zafar Iqbal Qadir, Additional Secretary, MP&NR with effect from 13 January 2011. The Board welcomes the new Directors and appreciates the services rendered by the outgoing director.

### **Financial Results**

OGDCL continued to deliver strong operating performance and completed the first half of the year with improved financial results. Company's sales revenue increased by 12% to Rs 81.090 billion compared with Rs 72.633 billion in the corresponding period last year. This increase is mainly due to a combination of higher realized prices of crude oil, gas, LPG and sulphur, higher sales volume of gas and favourable financial impact of Rs 2.786 billion on account of gas price revision in respect of Bobi field with effect from 01 January 2007. However, decline in production volume of crude oil, LPG and white petroleum products had a negative financial impact of Rs 1.421 billion on Company's sales revenue. During the

period, net realized prices of crude oil, gas and LPG averaged at US \$ 66.08 / BBL, Rs 215.95 / Mcf and Rs 58,298 / M.Ton compared to US \$ 59.72 / BBL, Rs 177.09 / Mcf and Rs 49,288 / M.Ton respectively during the same period of 2009-10.

Profit before taxation for the period was Rs 51.171 billion compared to Rs 45.421 billion during the first half of previous year depicting 13% improvement and continuing upward trend in the Company's earning performance. Profit after taxation was Rs 31.598 billion compared to Rs 28.493 billion corresponding period of last year.

During first half of current financial year, net cash flow from operating activities after working capital changes and payment of income tax of Rs 10.898 billion and royalty of Rs 11.104 billion was Rs 20.434 billion, showing a decrease of Rs 11.190 billion over the same period last year. After investment and financing activities of Rs 16.224 billion (cash outflow) and Rs 959 million (cash inflow) respectively, the Company's cash and cash equivalent at the end of the period were Rs 24.006 billion.

Company's trade debts as of 31 December 2010 include overdue amounts of Rs 76.241 billion which were not paid by oil refineries and gas distribution companies due to inter-corporate circular debt issue. The Management is aggressively pursuing the recovery of these overdue receivables with the relevant customers and the Government of Pakistan. An early settlement of these debts is essential for ensuring that the exploration, development and production activities of the Company are not affected.

### **Dividend**

In view of the present cash position of the Company due to amounting trade receivables and aggressive exploration and development plans of the Company, the Board of Directors has considered it prudent to preserve cash and not to declare any dividend during this quarter.

### **Exploration and Development Activities**

OGDCL's concession portfolio as of 31 December 2010 stood at 35 own and operated joint ventures (JVs) exploration licenses (22 blocks with 100% shares and 13 blocks as operated JVs including 3 offshore blocks) covering an area of 63,581 Sq. Kms.

During the first half of 2010-11, the seismic crew of the Company has acquired 576 L. Kms of 2-D and 116 Sq. Kms of 3-D seismic data. On the drilling front, OGDCL marked twenty four (24) well locations on the ground and spudded two (2) new exploratory / appraisal wells namely Sehar-1 and Nashpa-2 and five (5) development wells namely Qadirpur-41, Thora-8, Uch 23, 24 and 29. Moreover, another development well Uch-31 was also spudded on 27 January 2011. In addition, drilling / testing of 13 ongoing wells from the previous financial year is also in progress. During the period under review, workover jobs on Toot-12 and Lashari-5 have been successfully completed and resulted in revival of production of 1,100 bopd. Workover jobs on Kal-2 and Missakeswal-2 wells are in progress.

OGDCL could not start operations in ten (10) exploration blocks (29.07% of total acreage) due to non availability of security clearance from the concerned authorities. However, security clearance in Zin Block (covering an area of 5,559.74 Sq. Kms) is granted and civil work on marked well location (Zin X-1) has been completed.

In addition, OGDCL is also working on the on-going development projects namely Sinjhor Development project, Dakhni Expansion project, Jhal Magsi Development project, Kunhar Pasahki Deep - Tando Allah Yar (KPD-TAY) joint Development project and Uch-11 Development Project. As part of Qadirpur Gas Compression project all the fourteen (14) reciprocating compressors have been installed and commissioned. Performance testing is in hand and at present field is supplying approximately 590-600 MMcfd of raw gas.

## **Production**

The Company is endeavouring to maintain and enhance production level and keep natural decline to minimum for which workover jobs are being undertaken regularly. Recently an increase in oil and gas production is achieved at Nashpa well after conducting choke performance test. Moreover, a newly discovered exploratory well Sheikhan-1 has started gas production and Gopang & Nim West wells have also been connected with Daru central facilities by implementing seamless development strategy and bringing these wells into production in shortest possible time.

Annual Turn Around (ATA) of plants has been carried out at Chanda, Qadirpur, Dakhni and Uch along with start of commissioning of well head compressors at Qadirpur field. Moreover, development of Sinjhor, Bahu, Reti and Maru fields is also being carried out

using indigenous resources for augmenting production levels. These fields are expected to commence production during current financial year.

OGDCL is operating in forty five (45) Development and Production Leases which include both owned and operated joint ventures. Average daily net production for the half year (2010-11) including share in operated and non operated joint venture fields is as follows:

| <b>Products</b>  | <b>UOM</b>  | <b>1<sup>st</sup> Half 2010-11</b> | <b>1<sup>st</sup> Half 2009-10</b> |
|--|-------------|------------------------------------|------------------------------------|
| Crude oil  | Barrels/day | 36,970                             | 38,787                             |
| Gas  | MMcf/day    | 981                                | 960                                |
| LPG  | M.Tons/day  | 194                                | 199                                |
| Sulphur  | M.Tons/day  | 68                                 | 64                                 |
| Daily production has been worked out at 365 days/year. |             |                                    |                                    |

During the first half of the year, OGDCL benefited from higher realized price of crude oil, gas and LPG along with increase in gas production resulting in improved financial results. Based on production growth trend witnessed during the second quarter and current exploration and development activities including development of Sinjhoru, Bahu, Reti & Maru fields and completion of under drilling wells namely Mela-3, Nashpa-2 and Chak Naurang South, we anticipate significant enhancement in oil production leading to further improvement in financial results. We also anticipate that overall performance of the Company will be in line with expectations during the current financial year.