

Directors' Report



On behalf of the Board of Directors of the Company, I am pleased to present the operational and financial affairs of Oil and Gas Development Company Limited (OGDCL) and the audited financial statements together with Auditors' Report for the year ended 30 June 2011.

Financial Performance

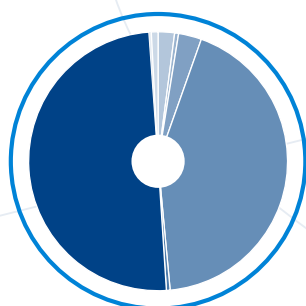
During the year under review, OGDCL registered improved figures of revenue and profitability. Its sales revenue and Profit after Taxation (PAT) grew by 9.2% and 7.4% to Rs 155.631 billion and Rs 63.527 billion respectively translating into Earnings per Share (EPS) of Rs 14.77 compared to Rs 13.76 during the preceding

year. These results are primarily attributable to higher realized prices of crude oil, gas & LPG which averaged at US\$ 72.05 / Bbl, Rs 214.03 / Mcf and Rs 65,443 / M.Ton compared to US\$ 61.37 / Bbl, Rs 186.47 / Mcf and Rs 54,415 / M.Ton respectively during the last year. Increase in gas price revision in respect of Bobi field with effect from 01 January 2007 and higher sales volume of gas contributed positively towards the financial results of the Company. However, profitability and Earnings per Share could have been even higher had there been no impediments faced in the form of adverse financial impact of Rs 15.239 billion on Company's sales revenue in respect of revision of Kunnar crude oil price with effect from 01 January 2007, increase of Rs 5.625 billion in amortization of development and production assets due to capitalization of new wells and reclassification in 1P and 2P reserves evaluation study by M/s Tracs International, UK. Moreover, the Company's financial and operational performance has also been adversely affected due to slight decline in production of crude oil & LPG, payments of arrears of security services to Inspector General Frontier Constabulary (IGFC) for Uch, Pirkoh fields and Zin block, higher workover costs at Toot well No. 12 & Missakeswal well No. 2, higher crude transportation charges at Chanda & Mela fields and idle cost of rigs and engineering field parties due to floods, donations towards flood relief fund and provision for impairment on development and production assets related to Sara West and Jandran fields. It is worth mentioning, that despite these hurdles and abnormal costs, OGDCL still managed to deliver stable operating performance along with improved profitability during the year under review.

Financial results for the year ended 30 June 2011 are summarized below:

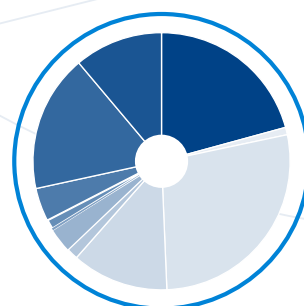
		(Rs in billion)
Profit before taxation		90.982
Taxation		(27.455)
Profit for the year		63.527
Unappropriated profit brought forward		110.524
Profit available for appropriations		174.051
Appropriations		
Transfer to capital reserves		(0.200)
Distribution through Dividends		
Final Dividend 2009-10	@ Rs 1.50 per share (15.00%)	(6.451)
First Interim Dividend 2010-11	@ Rs 1.50 per share (15.00%)	(6.451)
Second Interim Dividend 2010-11	@ Rs 1.50 per share (15.00%)	(6.451)
Unappropriated profit carried forward		154.497

Source of Net Income 2010-11



- Other Income 2.08%
- Share of Profit from Associate 0.05%
- LPG 2.92%
- Crude Oil 43.70%
- Sulphur 0.47%
- Gas 50.60%
- Other Operating Revenue 0.03%
- White Petroleum Products 0.15%

Utilization of Net Income 2010-11



- Operating Expenses 20.75%
- Finance Cost 0.93%
- Retained Profit 27.66%
- Dividend Paid 12.17%
- G&A Expenses 1.41%
- WPPF 3.01%
- Capital Reserve 0.13%
- Transportation Charges 1.38%
- Exploration Expenses 4.16%
- Corporate Tax 17.27%
- Royalty 11.13%

Final Dividend

The Board of Directors has recommended a final cash dividend of Rs 2.50 per share in addition to two interim cash dividends Rs 1.50 per share each already declared and paid during the year. This makes a total dividend of Rs 5.50 per share (55%) for the year ended 30 June 2011.

Financial & Non-Financial Performance Summary

OGDCL's operational and financial performance highlighting key performance indicators for the last six years is given at page 26 of the Annual Report.

Contribution to National Exchequer

Being the leading Exploration and Production (E & P) Company in Pakistan, OGDCL is making enormous contribution towards the national exchequer on account of corporate tax, royalty, general sales tax, excise duty, development surcharge and dividend. During the year 2010-11, a sum of Rs 76.84 billion was contributed to the national exchequer. In addition, the Company's oil & gas production as an import substitution has significantly contributed towards foreign exchange savings.

Business Review

Market Share

In terms of recoverable hydrocarbon reserves, hydrocarbon production and exploration acreage, the Company has emerged as the largest E & P company of Pakistan. It holds the largest portfolio of the recoverable hydrocarbon reserves in Pakistan, at 37% of natural gas reserves and 48% of oil reserves, as of 31 December 2010. In addition, OGDCL contributed 22% of Pakistan's total natural gas production and 56% of its oil production as of 30 June 2011. It has the largest exploration acreage in Pakistan, covering 22% of the total exploration acreage awarded as of 30 June 2011.

(Source: Pakistan Petroleum Information Service (PPIS))

Exploration and Development

As of 30 June 2011, the Company holds largest exploration acreage which includes 34 owned and operated joint venture exploration licenses (22 blocks with 100% shares including an offshore block and 12 blocks as operated joint ventures including two offshore blocks) covering an area of 61,084 sq. kms. The Company during the year could not commence exploration activities in ten (10) blocks covering an area of 18,487.89 sq. kms due to lack of security clearance / cover from the concerned agencies. After seeking security clearance / cover, it is expected that the Company will be able to start exploration activities in these blocks. Efforts are underway to start exploration activities as OGDCL is in close liaison with Government of Balochistan, in this regard. During the year under review, the seismic crew of the Company was able to acquire 1,500 L. kms of 2-D and 660 sq. kms of 3-D seismic data in various concessions / blocks.

The Company marked twenty nine (29) well locations and spudded in twenty one (21) wells including seven (7) exploratory, three (3) appraisal and eleven (11) development wells. In addition, work-over jobs on nine (9) wells were also carried out during the year.

Discoveries

The Company's exploratory efforts during the year resulted in finding two (2) new oil / gas-condensate discoveries namely Sheikhan well-1 (Kohat E.L) in district Kohat of Khyber Pukhtunkhawa province and Gopang well-1 (Nim E.L) in district Hyderabad of Sindh province leading to addition of 0.14 MMstb of oil / condensate and 59 Bcf gas to the Company's reserve base.

Projects

OGDCL's strategy for reducing the Country's demand and supply gap is to focus on early and expeditious development of dormant fields for production enhancement and utilization of cutting edge technology

pertaining to exploration, drilling, production and reservoir management to optimize production from new and existing fields. The Company is actively undertaking six (6) mega development projects including Sinjhora, Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY), Uch-II, Dakhni Expansion, Jhal Magsi and Qadirpur Compression. The projects will have a combined estimated production capacity of around 500 MMcfd of gas, 8,500 Bopd of crude oil and 525 M. Tons per day of LPG.

Production

OGDCL is presently operating a total of forty five (45) Development and Production Leases (D&PL) including both owned and operated joint ventures. During the year, the Company's average daily net production including its share in operated and non-operated joint venture fields is as follows:

Products	100 % Owned Fields	Share in Operated JV Fields	Share in Non Operated JV Fields	Total
Crude Oil (Bopd)	21,312	9,687	6,371	37,370
Gas (MMcfd)	333	390	290	1,013
LPG (M.Tons / day)	106	11	78	195
Sulphur (M. Tons / day)	73	-	-	73

Daily production has been worked out at 365 days per annum.

Board of Directors

The Board of Directors comprises eleven (11) Directors including the Chairman and Managing Director (MD) & Chief Executive Officer (CEO). During the year under review the composition of the Board of Directors has changed as follows:

Chairman

On 15 September 2010, Mr. Imtiaz Kazi joined the Board as Chairman in place of Mr. Kamran Lashari. Subsequently on 07 May 2011, Mr. Muhammad Ejaz Chaudhry replaced Mr. Imtiaz Kazi as Chairman OGDCL Board.

Managing Director

On retirement of Mr. Shah Mahboob Alam, MD & CEO, Mr. Mohammad Naeem Malik was appointed as MD & CEO on 13 August 2010 and subsequently on transfer of Mr. Mohammad Naeem Malik as Additional Secretary, Ministry of Petroleum & Natural Resources (MP & NR), Mr. Asif Saeed Sindhu took charge as MD & CEO on 27 April 2011. Upon the resignation of Mr. Asif Saeed Sindhu, Mr. Basharat A. Mirza was appointed as acting MD & CEO with effect from 01 August 2011.

Directors

Consequent upon his promotion as Federal Secretary and posting at Privatisation Commission, Mr. Muhammad Ejaz Chaudhry, Director tendered resignation from Board and Mr. Zafar Iqbal Qadir, Additional Secretary, MP & NR was appointed as Director on the Board with effect from 13 January 2011. On 22 July 2011, MP & NR nominated Mr. Raashid Bashir Mazari,

Joint Secretary (Administration), MP & NR as Member of Board in place of Mr. Zafar Iqbal Qadir who was posted as Chairman, National Disaster Management Authority (NDMA). The Board recorded its appreciation for the contribution and services rendered by all the outgoing Chairmen, MDs & CEOs and other Directors.

The composition of the Board as on 12 August 2011 is as under:

Mr. Muhammad Ejaz Chaudhry	Chairman
Mr. Basharat A. Mirza	MD & CEO
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director
Mr. Ahmad Bakhsh Lehri	Director
Mr. Raashid Bashir Mazari	Director
Dr. Kaiser Bengali	Director
Mr. Wasim A. Zuberi	Director
Mr. Tariq Faruque	Director
Syed Masieh-ul-Islam	Director
Mr. Fahd Shaikh	Director

Meetings of the Board

Fifteen (15) meetings of the Board of Directors were held between 01 July 2010 to 30 June 2011 and the attendance of each Director is given below:

S.No.	Name of the Directors	Total No. of Meetings*	Meetings attended
1	Mr. Kamran Lashari, Chairman	1	1
2	Mr. Shah Mahboob Alam, MD & CEO	1	1
3	Mr. Imtiaz Kazi, Chairman	11	11
4	Mr. Mohammad Naeem Malik, MD & CEO	12	12
5	Senator Mir Wali Muhammad Badini	15	10
6	Syed Amir Ali Shah	15	13
7	Mr. Ahmad Bakhsh Lehri	15	10
8	Mr. Muhammad Ejaz Chaudhry	3	3
9	Mr. Wasim A. Zuberi	15	14
10	Mr. Tariq Faruque	15	6
11	Dr. Kaiser Bengali	15	7
12	Syed Masieh-ul-Islam	15	12
13	Mr. Fahd Shaikh	15	10
14	Mr. Zafar Iqbal Qadir	8	7
15	Mr. Muhammad Ejaz Chaudhry, Chairman	3	3
16	Mr. Asif Saeed Sindhu, MD & CEO	2	1

* Meetings held during the period concerned Directors were on the Board.

Committees of the Board

In order to ensure effective implementation of sound internal control system and compliance with Code of Corporate Governance, the Board has constituted various committees. Composition of committees and their Terms of Reference (TOR) are shown on pages 16 & 17 of Annual Report.

Reporting

The Company's Board of Directors conforms to the rules and procedures regarding true and fair presentation and timely submission of its periodic financial statements along with the provision of other financial and non-financial information to the concerned external regulators.

All material information relating to Company's business and other affairs including announcement of interim and final results, as specified in the listing regulations which may impact the market price of Company's share are immediately notified and communicated to the stock exchanges. Moreover, all such material information relating to operational and financial affairs can also be accessed through the Company's website. The Company has also established an Investor Relations (IR) Section to interact with investors and effectively carry out the activities related to smooth and reliable communication flow with all our external stakeholders. Investors section has also been placed on Company's website (www.ogdcl.com).

Corporate Governance

The Company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders. The Board of Directors is accountable to the shareholders for good corporate governance. The Management of the Company is continuing to comply with the provisions of best practices set out in the Code of Corporate Governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with listing regulations of the stock exchanges, which clearly defines the role and responsibilities of the Board of Directors and the Management. Vision & Mission statements, Core Values and Statement of Ethics & Business Practices have been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and are under review of the Board.

Specific statements to comply with the requirements of the Code of Corporate Governance are as follows:

- 1 The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 1 Proper books of accounts of the Company have been maintained.
- 1 Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- 1 International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- 1 The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- 1 There are no doubts upon the Company's ability to continue as a going concern.
- 1 There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 1 Key operating and financial data of the last six (6) years in summarized form is annexed.
- 1 Information about outstanding taxes and levies is given in the notes to the financial statements.
- 1 Value of investments, including bank deposits of various funds based on the latest audited accounts as of 30 June 2010 are as follows:

- Pension and Gratuity Fund	Rs 13,501 million
- General Provident Fund	Rs 1,923 million

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants have completed their assignment for the year ended 30 June 2011 and shall retire on the conclusion of 14th Annual General Meeting.

In accordance with the Code of Corporate Governance, the Audit Committee considered and recommended the re-appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, as joint statutory auditors for the year 2011-12. The Board of Directors also endorsed the recommendations of the Audit Committee.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2011 is shown on page 48 of the Annual Report.

Internal Control and Audit

The Company has an independent Internal Audit Department. The scope and role of the Internal Audit Department has been duly approved by the Board. This role corresponds to the responsibilities envisaged for the internal audit function under the Code of Corporate Governance. The Head of Internal Audit Department functionally reports to the Audit Committee of the Board. The Audit Committee comprises six (6) non-executive Directors.

Business Risks and Challenges

Being in the E&P industry, the Company is exposed to various risks which may unfavorably affect its operational and financial performance. The Management and the Board of Directors of the Company are well aware of their responsibilities in this regard and ensure that an appropriate system exists in the Company for the identification and mitigation of such risks.

The Management is committed to cope with the given challenges with the help of well integrated strategies focused on evaluating potential risks and taking prompt actions wherever necessary to keep the risk level under control.

Key operational and non-operational risks which can influence the operations of the Company are as follows:

1. Commodity Price Risk

Crude oil pricing in Pakistan is based on the basket of Arabian crude oil prices adjusted for yield differential and freight. The Company is exposed to fluctuations in International prices of crude oil and other petroleum products, whose prices are determined by reference to the International market prices. International oil prices are volatile and are influenced by global as well as regional supply and demand conditions. This volatility

has a significant effect on the Company's net sales and net profit.

However, gas sales which accounts for around 50% of the Company's revenues are less prone to this risk as the gas price of certain fields is capped at fixed crude oil / HSFO price and is affected only in case the International crude oil / HSFO prices fall below the capped price.

2. Exchange Rate Risk

OGDCL's reference oil prices are quoted in US dollars on a weekly basis; while gas prices are notified on a six-monthly basis in Pakistani Rupee for its 100% owned and operated joint ventures except Chanda and non-operated joint ventures which are in US dollars. Oil and gas prices notified in US dollars are translated to rupees using exchange rates established by regulating authority on various reference dates stipulated in the relevant sales agreements. Because its reporting currency is the Pakistani Rupee and the Company receives oil and gas revenues in rupees, therefore, Rs /US dollar parity decline has a positive impact on Company's earnings and vice versa.

Approximately 70% of the material and equipment the Company purchases and 3rd party services it acquires are denominated in currencies other than the Pakistani Rupee, primarily US dollar, euro and pound sterling. However, any exposure to foreign currency exchange risk arising from these payment obligations is neutralized by the natural hedging provided by OGDCL's pricing mechanism described above.

3. Exploration and Drilling Risks

Exploration risks include selection of incorrect exploration acreage, inaccuracies in acquisition, processing, interpretation of seismic data and selection of exploratory well site. The Company is also exposed to variety of hazards during the drilling process including well blowout, fishing, fire and other safety hazards. There is always a risk of success / failure in drilling exploratory wells. Risk of un-successful drilling has an adverse affect on Company's earnings and growth. Though this risk is reduced in case of development fields, expertise in reservoir engineering is in place to manage pertinent risks. The Management is well aware of these risks and is taking into consideration these facts while planning and executing the exploration and drilling targets. The Company is also utilizing experienced professionals and latest technologies in selection of acreage, acquisition and processing of seismic data etc.

4. Reserves Depletion and Under Performance of Oil & Gas Fields

Oil and gas production usually reflects a decline after reaching its peak production. Oil and gas reserves are assumed to produce 3/4th in case of gas with compression and around 1/4th of oil of the original reserves in place which can be further improved through Enhanced Oil Recovery (EOR) to around 1/3rd of total recoverable reserves over the reserve life. Some of the major oil and gas assets of the Company are mature fields which bear the risk of depletion at advanced stage. In addition, OGDCL's investment decisions of development of newly discovered fields are made after extensive technical studies and assessment of reservoir. Reserves estimates of these fields are worked out in-house as well as are certified by reputable international consultants.

5. Credit Risk

The Company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of trade debts. Significant trade debts are owed by local crude oil refineries and natural gas distribution companies to which the Company supplies oil and natural gas products respectively. Settlement of such amounts has been delayed because debts owed to the refineries and natural gas companies in respect of products supplied by them to the Government or Government related entities also remain unpaid due to non-availability of funds. This is termed as "circular inter corporate debt" issue.

A Committee under the chairmanship of the Secretary, Ministry of Finance, Government of Pakistan, has been formed to review and settle the circular debt issue. In addition, the Government has confirmed to OGDCL in writing that the circular debt outstanding will be settled in full and that steps are being taken to resolve the issue of circular debt as a matter of priority. The year under review, however, ended with improved liquidity position on account of receipt of significant amount of overdue receivables from refineries and gas companies in the last quarter of the year under review.

6. Environmental Risks

The Company is not insured against all potential losses and may be seriously harmed by natural disasters or operational catastrophes. Exploration and production of oil and natural gas is hazardous. Natural disasters, operator errors or other occurrences can result in oil spills, blowouts, fires, equipment failure, and loss of well control, which can injure or kill people, damage or destroy wells, production facilities, property and the

environment. To the extent the Company engages in offshore production, these operations are subject to marine perils like severe storms and other adverse weather conditions, earthquakes, vessel collisions, etc.

These risks are addressed by the Management while making investment decisions, planning and executing the Company's exploration and development plan.

7. Competitive Risk

The Government of Pakistan has taken steps to liberalize the E&P sector in Pakistan, particularly the application and award of exploration concessions, which is done on a competitive basis. Historically, as the market incumbent, OGDCL has not been exposed to strong competitive pressure with respect to any of its fields currently in production. However, in the case of increased exploration activity in the future, the Company may be exposed to greater competition while pursuing the acquisition of additional exploration concessions, including competition from major international E&P companies.

In order to keep the Company running strongly and to maintain its position as the leading Company in E&P sector the Management is cognizant and reliant on its core values namely merit, integrity, teamwork, safety, dedication and innovation.

8. Security Conditions

The security conditions are acting as an impediment to the smooth running of the Company's operations particularly in the provinces of KPK and Balochistan. This is potentially detrimental in respect of OGDCL's exploration, drilling and development activities causing hurdles in way of the Company's sustainable growth.

The Management of the Company is well aware of these issues and a complete set-up for handling security situation is working in the Company. A strategy has been developed by the Company to avoid disruptions at all the sites of the Company's operations.

Relationships affecting Performance

The Company has six major customers, four oil refineries and two gas distribution companies. Significant amount of trade debts / receivables are at times overdue to OGDCL due to inter-corporate circular debt issue. Delays in settlement of the outstanding receivables could adversely affect the cash resources of the Company and may trigger the need for borrowing in order to implement planned exploration and development activities / projects along with timely

discharge of statutory obligations including payment of royalty, duties / taxes and dividends etc. Management of the Company always vigorously follows up for the recovery of overdue receivables and settlement of the issue. An early resolution of such issues is always pivotal for ensuring smooth operation of the Company and corporate relations in the market. In case, such negative trend prevails in future, the significant relationships with these companies may result into inconsistencies to comply the sales agreements in true spirit.

Human Resource

As of 30 June 2011, manpower strength comprised a total of 10,635 employees working at Company's Head Office at Islamabad, Regional Offices, field locations and other operational areas of the Company. The workforce is spread out in all four provinces of the country and is highly motivated towards the achievement of the Company's goals and objectives as per Vision and Mission statements of the Company.

The Company is effectively involved in the management of employees within the organization and is prudently performing the key responsibilities of recruitment, selection, placement, establishing a learning environment within the organization, compensation determination, performance & appraisal reviews and designing jobs specifications and career advancement. In addition, the HR function is also contributing towards the productivity and capacity enhancement of the employees by bringing effective changes and innovation in the system of performance management and evaluation of employees through recognition, promotions, appraisals and ensuring succession planning for employees.



Conclusive moments of 21st Memorandum of Settlement (MOS) with the CBA.

Industrial Relations

Management relations with all the employees of the Company including the Collective Bargaining Agent (CBA) continued to be friendly and industrial peace prevailed at locations during the year under review. The Management has successfully concluded 21st Memorandum of Settlement (MOS) with the CBA for a period of two (2) years with effect from 06 February 2011 reflecting cordial and conducive relationships between the workers and the Management.



Oath Taking Ceremony of OGDCL Officers Association 2011-13 being honored by Federal Minister for Petroleum & Natural Resources.



Corporate Social Responsibility

Community Investment & Welfare Schemes

The Company endeavors to be a responsible corporate citizen of E&P community. The Management is well aware of its social obligations and has used proactive approaches to achieve the goodwill in the areas of its operations for the benefit of the communities affected by its work and presence. These include employment opportunities for locals and financial assistance for numerous projects to improve the quality of life of people and communities with which OGDCL interacts.

Rural Development Programs

The Company has spent significant amount on various rural development programs for the welfare of the communities which entails health, education, water supply, and infrastructure development during financial year 2010-11 under its CSR program.

Health Care

The Company considers the health sector as the main pillar in achievement of the Corporate Social Responsibility (CSR) objectives. OGDCL has extended free medical aid to the communities falling in close proximity of its fields, by providing free medicines to the local hospitals of the concession areas for treatment of the patients in far-flung and remote areas of Pakistan through hospitals, mobile dispensaries and medical camps. The Company also provides ambulances, doctors, and paramedical staff for the treatment of ailing persons.

Education

The Company identified the educational requirements of the local communities in its concession areas and felt that education facility is lacking and needs to be addressed immediately. The Company has not only constructed / rehabilitated buildings for schools but has also upgraded various local girls and boys schools. The construction / rehabilitation and up-gradation of school buildings also provided temporary employment opportunities to the locals. These schools are now providing quality education to young minds.

The Company has also donated furniture and equipment to the schools / laboratories and teaching & support staff to many schools. To promote vocational training, the Company has constructed vocational training institutions in the concession areas and given generous donations so that it can impart quality education to students in various technical disciplines. Scholarships have also been provided to the deserving students to help foster education and knowledge.

Water Supply

The Company has undertaken several projects by implementing water supply schemes to the villages within the concession areas including supply of potable water to the communities. Several water pumps have been installed besides supplying water through bouzers / tankers / trolleys especially in those areas where people are in dire need of water.

Infrastructure Development

The Company has given due importance to improving and expanding infrastructure services for sustaining economic and social development in its areas of operation.

National Cause Donations

The Company, as a responsible corporate entity launched country wide relief operations to alleviate the sufferings of the people when the country witnessed worst-ever flood in its history. The Management promptly rose on occasion of tragic disaster and presented an immediate response by contributing Rs 100 million for the flood-hit people in all the four provinces in addition to Rs 200 million donation towards Prime Minister's Flood Relief Fund. Employees of the Company also donated two-day salary to ease the woes of the flood affected people who were in urgent need of food and shelter. The Company arranged medical camps at Nowshera Khurd to provide medical facility to the flood victims of those areas along with flood relief camps besides medicines, dry ration and other necessities. The medical camps were organized at Nowshera Khurd, Charsada Tangi road, and village Usman Zai. Similarly at Qadirpur the OGDCL medical team provided medical cover to over 14,000 people who had moved from Katcha to OGDCL Bund of Qadirpur. Free medical camps were also established at Tando Mohammad Khan, Nawabshah, Materi and around Hyderabad. Moreover, the Company has also initiated relief measures for the people of Uch and surrounding areas.

Future Outlook

The Company has a strong vision and passion to contribute to the development of the Country's E&P sector and to help enhance energy security of Pakistan at the same time maximizing value for its shareholders. With a formidable presence across the country, OGDCL is looking beyond geographic boundaries for E&P opportunities. Efforts are also continuing towards formulation of joint ventures with leading E&P companies both within the country and abroad.

The Company is actively participating in the national bid rounds for acquiring more acreages and gearing to participate in international bidding rounds to work towards international presence in line with its Vision. The Company also intends to enhance its reserves and strengthen its core business (E&P) functions by incorporating international best practices and innovative thinking.

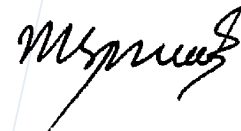
The Company has in place strong business processes and internal checks in all operations to ensure transparency and accountability. Continuous review and improvement of internal policies and processes is part of the overall plan, in addition to further enhancing corporate goodwill through focused CSR initiatives for the benefit of the communities that the Company interacts with.

Acknowledgment

As we move forward, I am confident that the Company will continue to exhibit improved operational and financial results in the coming years. Based on our strengths, the Company is endeavoring to give boost to oil and gas production and locate new prospects for reserves addition thus strengthening its position as a market leader in the E&P sector.

The success and glory achieved by the Company is attributable to the resolute support of the Company's shareholders and stakeholders particularly the Ministry of Petroleum & Natural Resources, and other divisions & departments of Federal & Provincial Governments for their supporting role and prudent policies. The Board would also like to express its gratitude for the able guidance and invaluable counseling provided by the Board Members, the participative leadership style of the Management and active involvement of the employees in rendering their services with utmost devotion and loyalty. The Board looks forward to the persistent support of all the stakeholders in order to align the Company activities with its strategic vision. The Company continues to add to the shareholders value while being a socially responsible corporate entity and banks on the support of all its stakeholders, while dispensing its corporate roles and responsibilities.

On behalf of the Board.



(Muhammad Ejaz Chaudhry)
Chairman

12 August 2011