



Directors' Report

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of Oil & Gas Development Company Limited (OGDCL) and the audited financial statements for the year ended 30 June 2010, together with Auditors' Report thereon.

During the year under review, the Company has witnessed improved financial results despite decline in crude oil, gas and LPG production, issue of inter-corporate debt, and law & order situation in some of the Company's operational areas. Company's sales revenue and profit after taxation increased by 9.0% and 6.5% to Rs 142.572 billion and Rs 59.177 billion respectively resulting in Earnings per Share (EPS) of Rs 13.76 compared to Rs 12.91 during the preceding year. These results are primarily due to higher realized prices of crude oil, gas and LPG and favourable financial impact of Qadirpur gas price revision with effect from 01 January 2008.

It is also pleasing to report that during the year, Company's exploratory efforts resulted in six (6) new oil and gas / condensate discoveries leading to addition of 14.07 million barrels of oil and 161.10 billion cubic feet of gas to the Company's reserves base. Subsequently, in July 2010, another gas discovery has also been made by the Company at Sheikhan-1 (Kohat E.L.). In addition, three new wells namely Nashpa-1, Pakhro-1 and Baloch-1 were brought into production. The Company during the year was able to acquire 2,493 L. Kms of 2-D and 290 Sq. Kms of 3-D seismic survey in various concessions operated by OGDCL and spudded twenty six (26) new wells including fifteen (15) exploratory / appraisal and eleven (11) development wells. Workover jobs on another eleven (11) wells have also been carried out during the year. OGDCL's production on working interest basis averaged 38,075 barrels of oil per day (bopd), 976 MMcfd of gas, 202 M.Tons/day of LPG and 70 M.Tons/day of sulphur. However, crude oil net production as on 30 June 2010 reached 41,385 bopd after commencement of production from Nashpa-1 in May 2010.

These operational and financial results have been possible largely due to the dedicated efforts of the Company's employees under the able guidance of the Management, Board of Directors and support of Ministry of Petroleum & Natural Resources. Considering the achievements made by the Company during the year together with favourable price environment, speedy development of recently discovered fields and aggressive exploration & development programme, we remain confident of the Company's growth and success in the years ahead.

Benazir Employees Stock Option Scheme (BESOS)

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees Stock Option Scheme (BESOS) whereby the GoP transferred 438,815,774 shares to OGDCL Employees Empowerment Trust without any payment by the eligible employees subject to transfer back of these shares to the GoP as provided in the Trust Deed. Accordingly, the GoP's shareholding in the Company is reduced to 74.82% from 85.02% with effect from 14 August 2009. As per the Trust Deed such shares have been allocated through Unit Certificates to eligible employees in proportion to their entitlement on the basis of length of service. The Trust is entitled to receive dividends declared on or after 14 August 2009 and 50% of such dividends is being distributed among employees on the basis of units held while the balance 50% is being transferred to the Privatization Commission of Pakistan for payment to employees against their surrendered units.

Company's exploratory efforts resulted in six (6) new oil and gas / condensate discoveries leading to addition of 14.07 million barrels of oil and 161.10 billion cubic feet of gas to the reserves base.



Syed Naveed Qamar, Federal Minister for Petroleum & Natural Resources, distributing unit certificates to employees under BESOS

Awards Conferred

KSE Top Twenty Five Companies Award

We are pleased to inform that OGDCL has been ranked amongst the "Top Twenty Five Companies" on the Karachi Stock Exchange (KSE) for the fifth consecutive year (2004-2008). The selection for the award reflects our dedication and commitment to the best practices of corporate governance in addition to meeting the prerequisites laid down by the KSE Board for listed companies and marks obtained on the basis of dividend payout, return on equity and compliance with listing regulations.

Environment Excellence Award 2010

OGDCL won the Seventh National Forum for Environment and Health (NFEH) Environment Excellence Award 2010 for its excellent environmental initiatives and successful implementation of environmental management systems at major sites. NFEH organized the Seventh Annual Environment Excellence Awards 2010. NFEH is affiliated with the United Nations Environment Programme (UNEP) and is supported by Ministries of Environment, Government of Pakistan & Sindh province and Federation of Pakistan Chambers of Commerce and Industry. The Seventh Annual Environment Excellence Awards have been awarded to the best environment friendly companies of Pakistan.

Financial Results

During the year, Company witnessed 9.0% growth in its sales revenue over the last year mainly due to higher realized prices of crude oil, gas and LPG. However, financial performance was negatively impacted by decline in production of crude oil, gas & LPG and price adjustment of crude oil & gas from Bobi and Kadanwari fields. Products sales revenue during the period under review of Rs 142.534 billion (2008-09: Rs 130.794 billion) is inclusive of favourable financial impact of Rs 5.461 billion pertaining to the prior periods on account of price revision of Qadirpur gas w.e.f. 01 January 2008 and unfavourable financial impact of Rs 1.663 billion due to price adjustment of crude oil and gas from Bobi and Kadanwari fields.

Net realized prices of crude oil, gas and LPG averaged at US\$ 61.37/bbl, Rs 186.47/Mcf and Rs 51,415/M.Ton respectively compared to US\$ 55.53/bbl, Rs 174.78/Mcf and Rs 36,935/M.Ton respectively during the last year.

Profit before taxation for the year was Rs 88.553 billion compared to Rs 80.928 billion during the previous year, reflecting 9.4% increase in the Company's earning performance. However, OGDCL recorded profit after taxation of Rs 59.177 billion compared to Rs 55.540 billion in the last year resulting in increase in Earnings per Share (EPS) by 6.5% to Rs 13.76 (2008-09: Rs 12.91).

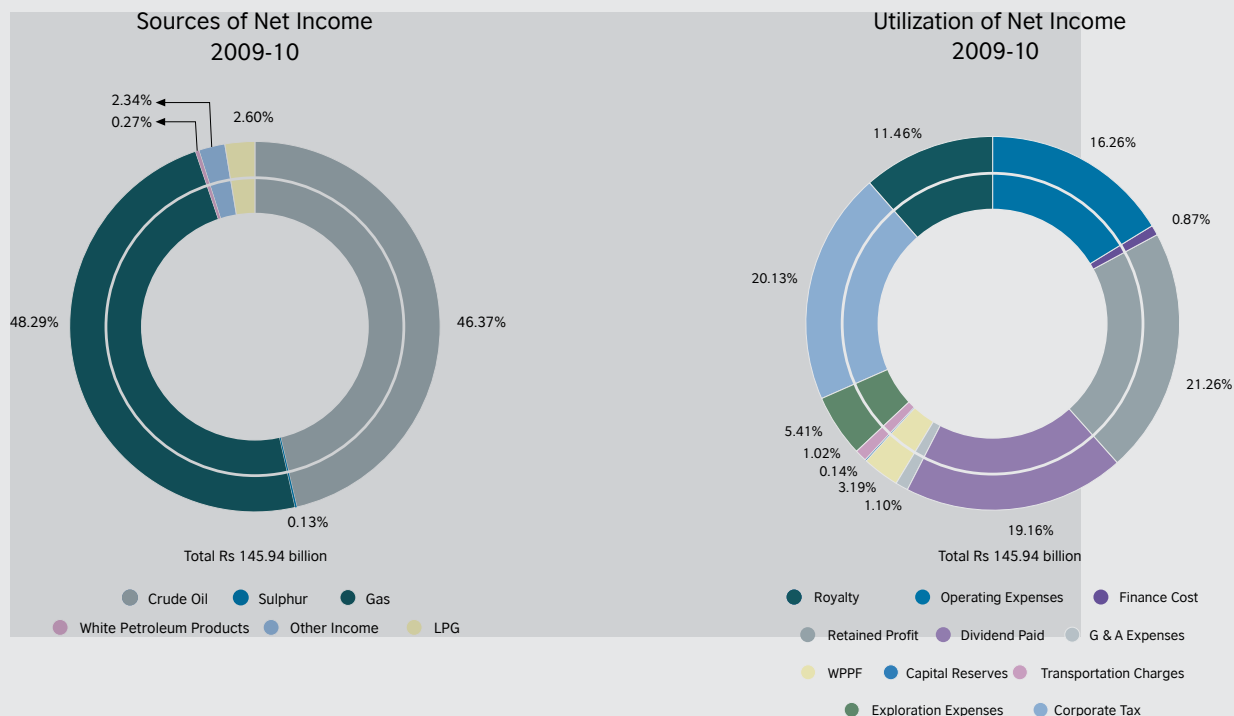
Cash flow from operations for the period was Rs 61.506 billion (2008-09: Rs 52.979 billion). After investing and financing activities of Rs 53.292 billion (cash outflows) and Rs 1.683 billion (cash inflows) respectively, the Company's cash and cash equivalent increased by Rs 9.897 billion with ending balance of Rs 18.837 billion as on 30 June 2010.

The prevailing inter-corporate debt issue in the industry is negatively impacting OGDCL as its trade debts on 30 June 2010 include overdue receivable of Rs 58.159 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 critical to ensure smooth running of Company's operations, maintaining adequate liquidity position, carrying out Company's exploration and development programme and timely discharge of statutory obligations including payment of royalty, duties/taxes and dividends etc. Nevertheless, if the existing trend persists, the Company may face liquidity concerns triggering borrowing requirements which in turn, will affect the Company's financial risk profile.

Financial results for the year ended 30 June 2010 are summarized below:

		(Rs in billion)
Profit before taxation		88.553
Taxation		(29.376)
Profit for the year		59.177
Unappropriated profit brought forward		79.504
Profit available for appropriations		138.681
Appropriations:		
Transfer to capital reserves		(0.201)
Distribution through Dividends:		
Final dividend 2008-09	@ Rs 2.50 per share (25.00%)	(10.753)
First interim dividend 2009-10	@ Re 1.00 per share (10.00%)	(4.301)
Second interim dividend 2009-10	@ Rs 1.50 per share (15.00%)	(6.451)
Third interim dividend 2009-10	@ Rs 1.50 per share (15.00%)	(6.451) (27.956)
Unappropriated profit carried forward		110.524

Company's sales revenue and profit after taxation increased by 9.0% and 6.5% to Rs 142.572 billion and Rs 59.177 billion respectively resulting in Earnings per Share (EPS) of Rs 13.76 compared to Rs 12.91 during the preceding year.



Final Dividend

The Board of Directors has recommended a final cash dividend @ 15% (Rs 1.50 per share). This is in addition to three interim cash dividends @ 40% (Rs 4.00 per share) already declared and paid during the year. This makes a total of 55% (Rs 5.50 per share) for the year ended 30 June 2010.

Contribution to National Exchequer

Being a leading exploration and production company in Pakistan, OGDCL is contributing significant amount towards the national exchequer on account of corporate tax, royalty, general sales tax, excise duty, development surcharge and dividend. During the year 2009-10, OGDCL contributed around Rs 80.24 billion (2008-09: Rs 86.45 billion) to the national exchequer. In addition, Company's oil and gas production is contributing considerably towards foreign exchange savings as import substitution.

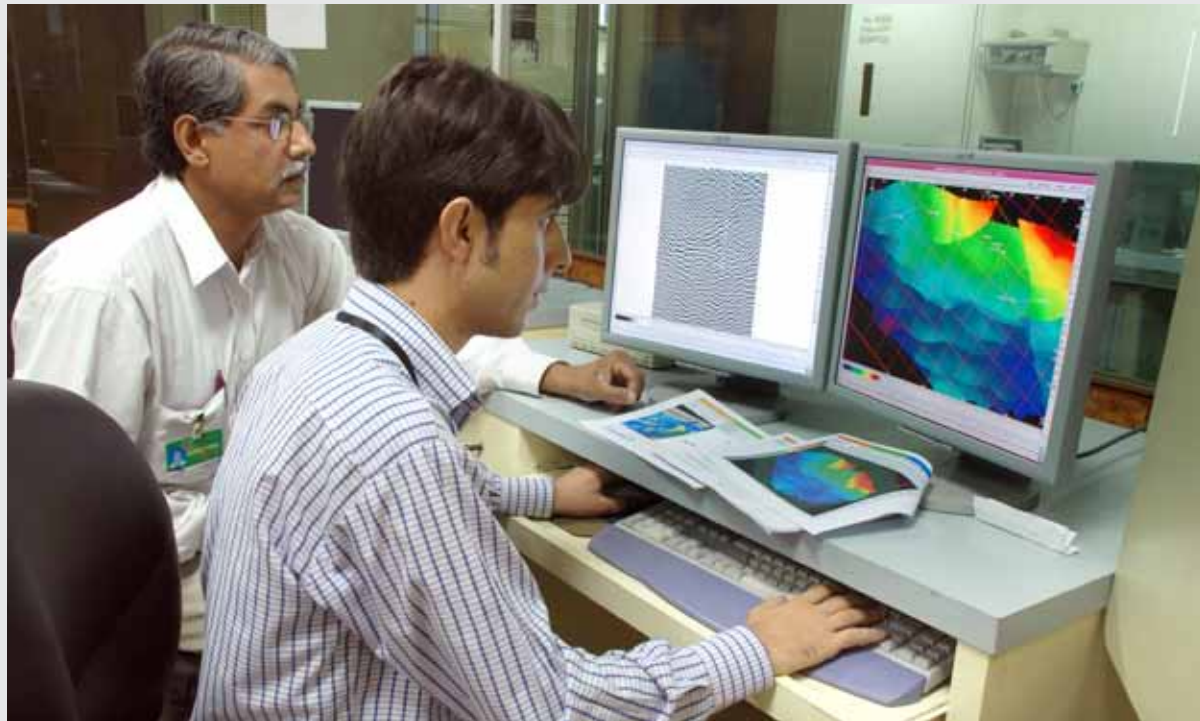
Exploration and Development

The year 2009-10 was another year of successful operations for the Company by making efforts to explore old areas with new ideas & innovations and new areas with well established concepts to maintain acceptable success ratio for reserves addition. OGDCL, during the year, has continued its aggressive exploration programme and strategies of exploiting exploration opportunities by building the Company's reserves portfolio through its large onshore exploration acreage. It has further enhanced its portfolio and during the year 2009-10 acquired four new exploration blocks namely Channi Pull, Mari East, Jandran West and Lakhi Rud covering an area of 4,795.70 Sq. Kms. However, three exploration licenses namely Thatta, Thatta East and Khiranwala were relinquished/surrendered and operatorship of Offshore Indus-S was transferred to M/s BP Alpha.

Presently, OGDCL is operating in thirty five (35) exploration blocks (twenty two (22) blocks with 100% share and thirteen (13) blocks as operated Joint Ventures (JV) including three (3) offshore blocks) covering an area of 63,581.12 Sq. Kms. In addition, OGDCL also holds working interest in another eight (8) exploration licenses operated by JV partners. Being the largest E & P Company of the Country, OGDCL has its own geological survey crew which carried out 380 L. Kms in Channi Pul E.L. and working along regional traverses in Potohar area during the year and collected 310 samples for reservoir/source studies.

The Company managed to drill more than one third of the total wells drilled in the Country.

OGDCL is running five (5) seismic crews having latest acquisition technologies with the capability of 2-D and 3-D seismic surveys, equipped with on-site data processing facilities and latest quality control software. These capabilities have played a major role in enhancing the exploration activities of the Company. During the year under review, OGDCL acquired 2,493 L. Kms of 2-D seismic data in Bagh South, Guddu, Mari East, Bitrism, Thal, Mianwali, Dakhni, Tando Allah Yar, Thano Beg, Nim, and Nashpa concessions and 290 Sq. Kms of 3-D seismic data in Soghri concession and Toot Mining Lease (M.L.).



In-house data processing facilities of the Company along with availability of highly skilled professionals provide an edge to OGDCL to timely and accurately process seismic data. Through these facilities, the Company has carried out processing of 3,414.78 L. Kms of 2-D seismic data to facilitate and expedite the prospect generation work. In addition, 5,474.45 L. Kms of 2-D seismic data (2,374.45 L. Kms onshore and 3,100 L. Kms offshore) and 2,377 Sq. Kms of 3-D seismic onshore data was also processed/reprocessed by out-sourcing to renowned companies of international repute.

During the year, forty (40) well locations were marked on ground and twenty six (26) wells including thirteen (13) exploratory, two (2) appraisal and eleven (11) development wells were spudded. Following the new approach and concepts in prospect generation, sustained and aggressive efforts along with the interpreter's high level of expertise and experience, the Company managed to drill more than one third of the total wells drilled in the Country. In addition to that, OGDCL was also joint venture partner in sixteen (16) wells drilled by other operators. OGDCL is also committed to acquire more exploration acreage and to extend its exploration activities overseas wherever a technically and commercially viable potential is identified.

Discoveries

During 2009-10, Company's exploratory efforts yielded six (6) new oil and gas/condensate discoveries namely Nashpa-1 (Nashpa E.L.), Reti-1A & Maru-1 (Guddu E.L.), Baloch-1 (Sinjhoru E.L.), Shah-1 (Tando Allah Yar E.L.) and Dakhni-11 (Dakhni M.L.). Subsequently, in July 2010, another gas discovery has also been made by the Company at Sheikhan-1 (Kohat E.L.). The discoveries have been tested to produce 5,080 bopd, 1,465 barrels per day of condensate and 67 MMcfd of gas.

Development Projects

Qadirpur Compression Project

OGDCL is the operator of Qadirpur gas field, which is the third largest gas field in Pakistan, with 75% working interest. The field is located in district Ghotki of Sindh province and is on production since 1995. Production rate from the Qadirpur field has been on the decline due to decrease in reservoir pressure. To arrest the natural decline in the field, OGDCL Management has undertaken to install fourteen (14) reciprocating compressors and later relocation of three (3) more compressors from Pirkoh gas field. All the fourteen (14) compressors were planned to be installed and commissioned at the field during Annual Turn Around (ATA) in June - July, 2010. However, keeping in view the overall energy demand in the Country, Government of Pakistan (GoP) decided to postpone Qadirpur plant ATA to 11 - 22 September 2010. It is now anticipated that after commissioning of the compression system in September 2010, the field deliverability of raw gas will be 650 MMcfd.

To arrest the natural decline fourteen (14) reciprocating compressors have been installed at Qadirpur gas processing plant. After commissioning of the compression system field deliverability of raw gas will be 650 MMcfd.



UCH-II Development Project

The Uch gas field is located about 67 Kms South-East of Dera Bugti in Balochistan province. OGDCL has drilled fifteen (15) wells and is supplying 72,000 million Btu gas per day to Uch Power Limited (UPL). After carrying out detailed study of Uch gas field, it was envisaged that OGDCL can commit an additional 160 MMcfd of gas for 25 years to a power producer. Hence, Uch-II Development Project is planned by the Company. Basic Engineering and

Reciprocating compressors recently installed at Qadirpur gas processing plant

tender documents to engage Engineering, Procurement, Construction and Commissioning (EPCC) contractor have been completed and Gas Sale Agreement (GSA) is being finalized between OGDCL and UPL. EPCC contract has been press tendered based on the revised criteria approved by the Board of Directors. Five (5) development wells have already been drilled out of total fifteen (15) wells needed for the project. Completion period of the project is 18 months after award of the contract. After completion of the project, the sale gas from Uch gas field will be enhanced from 250 MMcfd to 410 MMcfd.

Dakhni Expansion Project

Dakhni gas processing plant started commercial production in early 1990 with a design capacity of 30 MMcfd of sour feed gas. Over the years, the composition of H₂S contents of raw gas has increased considerably resulting in processing limitation on the existing plant. Due to this change the existing plant is currently processing 24 MMcfd of sour feed gas. As part of Dakhni Expansion Project, contract for the supply of Sulphur Recovery Unit (SRU) was signed in May 2008. Complete delivery of the unit has been received at site in February/March 2010. All other equipment/material except Refrigeration Package and Gas Power Turbine have been received/installed at site. The tender documents for Refrigeration Package and hiring of services for Procurement, Construction & Commissioning (PCC) contractor for the installation/erection of SRU have been finalized for press tendering. The tender documents for Gas Power Turbine are under review by OGDCL and will soon be press tendered. Project is expected to be completed by October 2011. The incremental production after the expansion will be sales gas: 12 MMcfd, condensate: 720 barrels per day, sulphur: 80 M. Tons/day and LPG: 12 M. Tons/day.

Sinjhero Development Project

The Project is located in district Sanghar, Sindh. The surface facilities to be installed by the Company include gas gathering system for fourteen (14) wells, sales gas line from Sinjhero to Bobi field, gas treatment plant, LPG recovery and compression system etc. However, OGDCL Management has decided to develop the field on its own by relocating Dhodak plant to Sinjhero. The Consultant after carrying out preliminary study for compatibility of Dhodak plant with Sinjhero fluids has confirmed that same can be used with some modifications. The project is expected to be completed by June 2011. After completion, the project will enhance Company's production capacity by 3000-3500 bopd, 25-30 MMcfd of gas and 120-140 M.Tons/day of LPG.

Kunnar & Pasahki Deep (KPD)/Tando Allah Yar (TAY) Integrated Development Project

The fields are located about 25 Kms from Hyderabad city, Sindh province. KPD-TAY Integrated Development Project will be developed by OGDCL. The objective of the project is to install gas processing facility to process raw gas from Kunnar & Pasahki Deep (KPD) and Tando Allah Yar (TAY) gas/condensate fields to supply processed sale gas to Sui Southern Gas Company Limited (SSGCL) and to extract condensate and LPG. The gas processing plant will be installed adjacent to Company's existing Kunnar LPG Plant. OGDCL Management has decided to go for KPD-TAY Integrated Development Project vide press advertisement on EPCC basis with LPG extraction plant. The tender notice for hiring of EPCC contractor for KPD-TAY Development Project has been released in press on 14 July 2010 with bid submission date of 30 August 2010. The project is expected to be completed by May 2012 and expected production will be: 284 MMcfd of gas, 4,400 bopd and 387 M.Tons/day of LPG.

Jhal Magsi Project

Jhal Magsi field located in Dera Murad Jamali, was discovered in 2003. It is a joint venture among OGDCL, GHPL and POL. Three (3) wells have been drilled, out of which two (2) wells are producers. DGPC has approved the development plan on 25 July 2009. OGDCL Management and JV partners have approved the engagement of Engineering Consultant for preparation of Basic Design Engineering Package and Instruction to Bidders (ITB) documents. The Consultant has prepared the tender documents for hiring services of EPCC

contractor. The tender notice was issued in the press on 22 July 2010 for pre-bid meeting on 06 September 2010 and bid submission on 15 September 2010. The project is expected to be completed by March 2012 and will produce 15 MMcfd of gas.

Oil and Gas Reserves

During the year, the estimate for gas reserves of Nandpur gas field was revised upward from 107 Bcf to 175 Bcf to cater its production profile for the remaining years. The reserves are reassessed upward for Sari gas field and Dhamraki gas/condensate field due to better production performance of these fields during the year under review. The probable reserves of Mithrao (Chak 5 Dim), Chak 5 Dim South, Kunnar, Pasahki NE & Pasahki fields are shifted to the proved reserves category. There is no downward revision in the reserves during the period. However, revision/certification of total OGDCL reserves is presently underway by reputable independent third party International Consultant. OGDCL's remaining recoverable reserves as of 30 June 2010 stood at 142.669 million barrels of oil and 9,967.594 billion cubic feet of gas.

Production

Company's production activities are focused towards acceleration of oil and gas enhancement by implementing innovative techniques. In addition, OGDCL is fully committed for seamless development of new discoveries to ensure sale of oil and gas within shortest possible time frame. OGDCL has been successful in keeping the natural decline to a minimum through rigless and with rig workovers, stimulation, and other innovative techniques as most of the wells in Southern region are on artificial lift. On the development front, OGDCL has been successful in developing some of newly discovered fields at its own. In this regard, Nashpa and Pakhro fields have been developed utilizing seamless development strategy and the Company is also in the process of developing Bahu, Nim West and Sheikhan (Extended Well Testing) fields using indigenous resources.

OGDCL's remaining recoverable reserves as of 30 June 2010 stood at 142.669 million barrels of oil and 9,967.594 billion cubic feet of gas.



Nashpa oil field

OGDCL during the year has added 10 MMcfd gas from its Dakhni field and 4 MMcfd from Nandpur gas field. Moreover, 350 barrels per day of condensate has been added from Dakhni field. After the discovery at Nashpa, OGDCL using indigenous resources, put the field on Extended Well Testing (EWT) before one month of the target date producing 4,500 bopd and 15 MMcfd gas. The gas is being supplied to SNGPL and crude oil is being transported to Attock Refinery Limited (ARL). Rajian-5A, a development well, was successfully completed and brought on production in a record time of five days. The well is producing 1,000 bopd of crude oil and 0.8 MMcfd gas.



Gas compression recently installed at Chanda field

As part of improving operational efficiencies of the producing fields, gas compression has been installed at Chanda oil field to meet the pressure requirement of SNGPL and the Company carried out ATA of plants at Bobi, Dakhni, Uch, and Kunnar. In order to dispose off the produced water, forced evaporation system has been installed at Fimkassar and Tando Alam oil fields.

Sale of gas at wellhead for four dormant gas fields namely Nur, Bagla, Jandran and Sara West has been finalized and Letter of Intent (LOI) has been issued to successful bidders. Upon completion of these projects, about 80 MMcfd of gas would be supplied for power generation. In addition, substantial enhancement in crude oil production is expected from newly discovered fields/development wells like Nashpa-1, Mela-3 and Baloch-1. Similarly, around 147 MMcfd of additional gas production is expected from Qadirpur (Compression), Dakhni, Mela, Nim West, Sinjhor, Nur, Bagla and Bahu projects.

During the year, OGDCL's average daily production on working interest basis was as follows:

Products	100% Owned Fields	Share in Operated JVs	Share in Non-Operated JVs	Total
Crude Oil (bopd)	24,100	7,930	6,045	38,075
Gas (MMcfd)	338	389	249	976
LPG (M. Tons/day)	104	11	87	202
Sulphur (M. Tons/day)	70	-	-	70

- Daily production for the year 2009-10 has been worked out at 365 days per annum

Compared with preceding year, crude oil production from the Company's 100% owned fields and share in operated JV fields decreased by 11.3% mainly due to natural decline in Southern region fields like Kunnar, Pasahki, Bobi, Lashari, Moolan North and Sono, partially offset by increase in production from Thora, Dakhni and start of production from Nashpa and Baloch fields. Share of crude oil production from non-operated JV fields (Badin-II, Adhi, Pindori & Manzalai fields) increased by 23.3% which resulted in net decrease of crude oil production by 7.2%. Company's gas production from 100% owned fields and share in operated JV fields decreased by 7.6% mainly due to decrease in production from Uch, Pirkoh, Dhodak, Nandpur and Qadirpur fields. This decrease in production was partially offset by increase in share of gas production from non-operated JV fields resulted in net decrease of gas production by 2.6%. LPG production during the year decreased by 7.4% mainly due to water break-through at Dhodak field and operational problems at Bobi Plant. However, share of LPG production from non-operated JV fields was higher than last year.

After the discovery at Nashpa, OGDCL using indigenous resources, put the field on Extended Well Testing (EWT) before one month of the target date producing 4,500 bopd and 15 MMcfd gas.

Non-Operated Joint Ventures

Adhi Field

Pakistan Petroleum Limited is the operator and OGDCL holds 50% stake. Eleven (11) wells are on production in Adhi field. Currently, the field is producing 3,556 barrels per day of condensate, 28 MMcfd of gas and 79 M.Tons/day of LPG.

TAL Block

MOL Pakistan is the operator of the TAL Block. OGDCL working interest is 27.76%. During the year under review, five (5) wells including three (3) exploratory and two (2) development were drilled. Eight (8) wells were put on commercial production. Currently TAL Joint Venture is producing 6,634 barrels per day of condensate and 286 MMcfd of pipeline quality gas which is being injected into SNGPL gas transmission network. The producing fields of the TAL Block are Manzalai, Makori and Mamikhel.

Pindori Field

Pakistan Oilfields Limited is the operator and OGDCL holds 50% working interest in the field. During the year the field produced 1,316 barrels per day of condensate, 4 MMcfd of gas and 26 M.Tons/day of LPG.

Miano Field

OMV is the operator and OGDCL holds 52% stake in the field. During the year three (3) wells; Miano-11, 13 and Khipro ST were put on production. Currently, the average daily production is 58 barrels of condensate and 69 MMcf of gas. Miano Joint Venture has planned to drill Miano-14 for production enhancement of the field.

Kadanwari, Bhit & Badhra Fields

Kadanwari, Bhit & Badhra fields are being operated by ENI and OGDCL working interest is 50%, 20% & 20% respectively. Two (2) more wells namely K-21 and K-23 were brought on production while K-25 is under drilling. Currently, Badhra is producing 14 barrels per day of condensate and 19 MMcfd of gas whereas production from Bhit is 296 barrels per day of condensate and 377 MMcfd of gas. However, the production of Kadanwari field is 33 barrels per day of condensate and 71 MMcfd of gas.

Dhurnal, Bangali and Ratana Fields

These fields are being operated by M/s OPII and OGDCL working interest is 20%, 50% & 25% respectively. Currently, Dhurnal is producing 149 bopd and 1 MMcfd of gas while Ratana is producing 567 bopd, 14 MMcfd of gas and 7.5 M.Tons/day of LPG. Work-over/deepening activities are being carried out at Bangali field.

Badar Field

PEL is the operator of the field and OGDCL working interest is 50% in it. The current production of the field is 14 MMcfd of gas.

Sara and Suri Fields

Tullow Pakistan is the operator of these fields. OGDCL holds 40% stake in these fields. The gas is being supplied to Wapda Guddu Thermal Power Station (GTPS). Currently, Suri field is producing 1 MMcfd of gas. These fields came on commercial production in 1999.

Badin-II, Badin-II Revised and Badin-III Fields

BP Pakistan is the operator of the Badin-II, Badin II-Revised and Badin-III. OGDCL holds 49%, 24% & 15% stake respectively. Currently, Badin-II is producing 2,310 bopd and 80 MMcfd of gas whereas Badin II-Revised is producing 301 bopd and 1 MMcfd of gas. However, Badin-III is producing 33 bopd and 4.5 MMcfd of gas.

Board of Directors

The Board of Directors comprises eleven (11) Directors including the Chairman and MD & CEO. On resignation of Mr. Zahid Hussain w.e.f. 20 February 2010, Mr. Shah Mahboob Alam, Executive Director (Security) is the officiating MD & CEO from 21 February 2010. During the year under review, composition of the Board has also changed due to appointment of Mr. Fahd Shaikh, Dr. Kaiser Bengali, Syed Masieh-ul-Islam, and Senator Mir Wali Muhammad Badini on 30 December 2009 in place of Mr. Waqar A. Malik, Mr. Rafiq Dawood, Mr. Tariq Iqbal Khan and Mr. Iskandar Mohammed Khan. Further, Syed Amir Ali Shah was appointed on 24 June 2010 in place of Miss Shagufta Jumani. On the sad demise of Mr. Sikandar Hayat Jamali (May Allah bless his soul and grant him eternal peace), Mr. Nasir Mahmood Khosa, Chief Secretary Balochistan (by designation) was appointed as Director on 30 December 2009 and on his transfer, Mr. Ahmad Bakhsh Lehri, Chief Secretary Balochistan became Director on the OGDCL Board w.e.f. 24 February 2010. The Board recorded its appreciation for the contribution and services rendered by the outgoing Directors during their tenure and welcomed the new members. Consequent upon the resignation of Mr. Farooq Rahmatullah, Director/Chairman, on 13 May 2010, Mr. Kamran Lashari has been appointed as Director/Chairman. The Board appreciated the professional acumen, guidance and services rendered by the outgoing Chairman and also extended warm welcome to the newly appointed Chairman.

The Board is presently comprised of the following Directors:

Mr. Kamran Lashari	Chairman
Mr. Shah Mahboob Alam	Managing Director & CEO
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director
Mr. Ahmad Bakhsh Lehri	Director
Mr. Muhammad Ejaz Chaudhry	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

Nine (9) meetings of the Board of Directors were held between 01 July 2009 to 30 June 2010 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	4	4
3	Senator Mir Wali Muhammad Badini	5	3
4	Syed Amir Ali Shah	1	1
5	Mr. Ahmad Bakhsh Lehri	5	0
6	Mr. Muhammad Ejaz Chaudhry	9	8
7	Dr. Kaiser Bengali	5	3
8	Mr. Wasim A. Zuberi	9	6
9	Mr. Tariq Faruque	9	6
10	Syed Masieh-ul-Islam	5	5
11	Mr. Fahd Shaikh	5	5
12	Mr. Farooq Rahmatullah, (former Chairman)	8	5
13	Mr. Zahid Hussain, (former MD & CEO)	6	6
14	Miss Shagufta Jumani, (former Director)	8	4
15	Mr. Nasir Mehmood Khosa, (former Director)	4	1
16	Mr. Iskander Mohammed Khan, (former Director)	4	1
17	Mr. Rafique Dawood, (former Director)	4	3
18	Mr. Tariq Iqbal Khan, (former Director)	4	3
19	Mr. Waqar A. Malik, (former Director)	4	2

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

The Company is committed to high standards of corporate governance to ensure business integrity and upholding the confidence of all the stakeholders.

Committees of the Board

In order to ensure effective implementation of a sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted various committees. Composition of committees and their terms of reference are shown on pages from 13 to 15 of the Annual Report.

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 and 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 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.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of the last six (6) years in summarized form is annexed.
- Information about outstanding taxes and levies is given in the notes to the financial statements.
- Value of investments, including bank deposits, of various funds based on the latest audited accounts as of 30 June 2009 are as follows:

-	Pension and Gratuity Fund	Rs 11,370.989 million
-	General Provident Fund	Rs 1,680.873 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 2010 and shall retire on the conclusion of Thirteenth 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 2010-11 and the Board of Directors also endorsed the recommendations of the Audit Committee.

Pattern of Shareholding

The pattern of shareholding as on 30 June 2010 is shown on the page 50 of the Annual Report.

Internal Control and Audit

OGDCL 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 is a qualified Chartered Accountant, possessing other international qualifications also. As per corporate legislature, he has been appointed by the Board and has functional reporting directly to the Audit Committee of the Board. The Audit Committee comprises all five (5) Non-Executive Directors.

During the fiscal year 2009-10, significant steps have been taken to revamp the internal audit function of the Company. These efforts are aimed to address the emerging challenges and contemporary issues being countered by the Company. These measures have started to yield encouraging results in the shape of more effective review of accounting and internal control functions and closer monitoring of important operations of the Company. During the year separate devoted sections have been established with focus on IT Audits and corporate legislature compliance audits. Likewise compliance with the accounting standards, listing regulations and other statutory and regulatory requirements are also part of overall audit plan of the Company.

The Internal Audit function is also serving as an effective appraisal of internal controls which are meant to have methods and measures in place to safeguard the assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to the prescribed managerial policies. The internal controls are characterized as either administrative or accounting. Administrative controls relate to the internal control objectives of efficient operations and adherence to managerial policies. Accounting controls, on the other hand, relate to safeguarding of assets and reliability of financial information.

The function of Internal Audit Department includes independent assurance that controllable business risks are effectively managed to ensure that adequate controls exist within the Company's systems and activities by having continuous reviews, bringing deficiencies and weaknesses in the system and procedures to the notice of the Management and the Audit Committee and suggest remedial steps to address those weaknesses, recommend changes in the policies, systems and procedures in order to ensure systems and activities achieve their objectives. Follow up the implementation of agreed actions, advise management regarding cost effective controls and highlight opportunities to reduce cost through greater economy and efficiency within systems and activities. Facilitate the annual risk analysis and assist management in the corporate governance reporting process, carry out special audit and investigations advised as and when required by the Audit Committee and the Management.

In addition to the Audit Committee there is another oversight mechanism over the Company's operation through Government Audit. Internal Audit has been entrusted by the Management with the responsibility of coordination and liaison with the Government Audit functionaries. A complete section exists in the Internal Audit Department to coordinate and facilitate this process. Periodic meetings of Public Accounts Committee (PAC) and Departmental Accounts Committee (DAC) are also coordinated and duly represented by Audit Department along with Finance Department of the Company.

Considerable aspects of exploration and production activities of OGDCL are carried out under joint ventures with other local and multinational companies operative in Pakistan. These operations have a significant impact on the overall financial results of the Company. The audit collaborations and assessment of common goals and targets with Joint Venture

The Internal Audit function is also serving as an effective appraisal of internal controls which are meant to have methods and measures in place to safeguard the assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to the prescribed managerial policies.

partners is an area which is now being given due consideration it deserves. Strategic alliances are being sought on developing standardized periodic audit operations and hopefully stakeholders' expectations shall be met through joint assessment of common goals and targets under Joint Venture operations.

HR function is committed to implement a corporate human resource strategy which supports the Company's Business Plan by effectively and efficiently serving the needs and interests of the Company's line departments in a transparent, fair and consistent manner through the development and implementation of appropriate policies, procedures and programmes.

Human Resource (HR)

OGDCL with human strength of over 10,000 employees is involved in translating its strength into tangible results. The workforce is spread all across the Country and playing crucial role to achieve its targets.



Human Resource (HR) function in OGDCL is playing a proactive role to ensure the efficiency of available human resources, manages the organizational structure, selection and placement of competent personnel, cultivates a culture of learning, designs and develops jobs and careers. These services are provided by creating an organization-wide consensus about positive values and attitudes demonstrated through a system whereby trust and openness and commitment to innovation are encouraged. HR function is also committed to implement a corporate human resource strategy which supports the Company's Business Plan by effectively and efficiently serving the needs and interests of the Company's line departments in a transparent, fair and consistent manner through the development and implementation of appropriate policies, procedures and programmes. The ultimate objective is to have the right people in the right place, at the right time with the right pay and the working environment to enhance creativity and productivity in the workplace. In any company, the performance management system is the cornerstone of an integrated, coherent human resource system. Result based management culture in the Company has undergone extensive improvement in order to address executive and staff development

and career advancement in the light of performance. Long term career advancement and succession planning for employees is carried out, keeping in view a number of parameters such as vacancies, competence, relevant experience etc.

During the year, human resource development remained the main focus of the Company in order to motivate its employees through recognition, effective appraisal, proper placement and promoting employees skill development programme. Various human resource policies have been reviewed and rationalized to bring about effective change and to meet future challenges. Management's relations with CBA remained friendly and industrial peace prevailed at all the locations during the year. The Management successfully concluded 20th Memorandum of Settlement (MOS) with CBA for period of two years from 07 February 2009 to 06 February 2011.

Training and Development

As a leading Exploration & Production Company of Pakistan, OGDCL is committed towards professional grooming of its human resource. The objective of continuous training and development of these professionals is achieved through Oil and Gas Training Institute (OGTI). OGTI works closely with various departments of OGDCL and other E & P companies to help meet their training requirements. The training programs are developed and delivered by renowned trainers from within OGDCL as well as experts from the local and foreign petroleum industry. In addition to technical training, the Institute is now imparting education and training in Health, Safety & Environment, Information Technology and Petroleum Management as well.

During the year 2009-10, a total of 92 training programmes were conducted at OGTI. 937 professionals from OGDCL and 123 from other E & P companies benefited from these programmes. These programmes included courses on technical subjects, Health, Safety & Environment, Information Technology and Petroleum Management.

OGTI arranged many tailor-made training programs for professionals of E & P companies/ organizations working in Pakistan. These included "Safe Practices in Mid & Downstream Petroleum Sector" for OGRA, "Flowing Well Performance" and "Process Instrumentation" for OMV and "Natural Gas Treatment & Monitoring" for ESBI.

OGDCL is committed towards professional grooming of its human resource. The objective of continuous training and development of these professionals is achieved through Oil and Gas Training Institute (OGTI).



A group of officers including senior management pose for a photo with Mr. William Hasket, instructor for the Corporate Strategic Planning master class held at OGTI, Islamabad

Mr. William Hasket of Marcus Evans, USA, delivered a course titled “Corporate Strategy, Business Planning & Implementation” to a group of 25 officers including senior management of OGDCL.

A seminar on “Coal Bed Methane and Underground Coal Gasification” was arranged at OGTI in collaboration with M/s Weatherford. Mr. Robert H. Gales, VP Geosciences, Weatherford presented the seminar. The seminar was attended by more than 100 participants from OGDCL and other E & P companies.

Information Technology (IT)

Company’s central data centre has completely been re-vamped in terms of infrastructure, environment & technologies.

As part of Company’s continued efforts to enhance and improve in-house Financial Management Systems, additional application modules were inducted. Implementation of Budget Preparation and Control module was completed that has automated the process of preparation of Company’s annual Business Plan. The module has also facilitated the enforcement of necessary controls on utilization of the allocated budgets. Requirement for automation of Joint Venture Accounting was also identified and an acquisition process has been started. This project is expected to be completed within next year.

The Company’s central data centre has completely been re-vamped in terms of infrastructure, environment and technologies. The new state-of-the-art data centre has provided a reliable infrastructure foundation for existing IT Systems and services as well as planned future expansions. The project completed by M/s IBM consists of new technologies in terms of Blade Servers, Storage Area Network (SAN), Network Infrastructure including Network Security firewalls and equipment related to surveillance & environmental controls.

Network connectivity (LAN/WAN) was expanded to cover various Company offices situated in Karachi. The exercise has provided Local Area Network (LAN) facility to these offices and also a faster WAN (Wide Area Network) link with the Head Office facilitating efficient and timely exchange of operational information.



A consultancy project has been started for developing and implementing an Information Security Management System (ISMS) for the Company. The objective is to ensure security of the Company’s Information Assets. The project has been awarded to a local expert consultant firm through competitive bidding and will be completed in about six months time. The exercise will facilitate the Company to align itself with international best practices related to Information Security and achieve compliance on prevailing Information Security Standard (ISO- 27001).

Health, Safety, Environment & Quality (HSEQ)

OGDCL has always contributed to the environment where it works in and contributed to the welfare of the people of the area also. We ensure that our products are supplied to the market, consumers and other stakeholders only after having properly processed i.e. with minimum (allowable) potential for pollution. In addition to the contemporary solutions, modern processes are being carried out as company policy which shows sustainability towards protection of the environment, our workforce and assets. On the more visible side, plantation of trees in our operating fields and plants is a routine measure to compensate the emissions from different activities carried out in the fields.

It is a feat to mark that for the third time OGDCL won the Seventh National Forum for Environment and Health (NFEH) Excellence Award 2010 on account of its excellent environmental initiatives and successful implementation of environmental management systems at major sites. There is another feather in Health, Safety, Environment and Quality Control function of the Company that its first Certificate Audit of Dhodak and Qadirpur operating fields against ISO 14001:2004 and OHSAS 18001:2007 standards conducted from 13 to 17 July 2009. Business Assurance Wing of M/s DNV has pronounced that the HSE System at these two key locations is at par with the requirements of HSE management standards.

In compliance to legislative requirements, OGDCL was granted No Objection Certificates (NOCs) by EPA to carry out E & P activities in Samandar E.L. (which fall in the south-eastern corner of Hingol National Park) and Dakhni Expansion Project. Prior to start of the project activities, OGDCL engaged the services of an independent consultant to conduct an Environmental Impact Assessment (EIA). The public hearings were held on 03 March 2010 at Hub Balochistan and on 25 July 2009 at Dakhni Punjab. The environmental studies of new seismic and drilling projects were also conducted utilizing the internal resources and the reports were timely submitted to the relevant Environment Protection Agencies for acquisition of NOC to formally commence the project activities.



HSE awareness event held at Qadirpur gas field



In order to promote best HSE practices and acknowledge existing ones; to reinforce HSE messages and increase awareness; to promote a healthy work-style; to provide better communication opportunities on the issues of work and safety; and to enable learning through fun among the employees, HSE Awareness Events are being arranged as a regular corporate feature now in the Company.

During 2010, these events were organized with zeal and fervor at Qadirpur gas field (13 to 15 March 2010), Dakhni gas field (01 to 02 May 2010), Kunnar LPG plant (17 to 18 June 2010) and Bobi oil complex (19 to 20 June 2010).

In addition, workshops on health, safety, environment, and quality related issues were also custom designed and conducted utilizing the platform of Oil & Gas Training Institute (OGTI), Islamabad. An important five-day workshop on Safe Practices in Mid & Downstream Petroleum Sector was held from 26 to 30 October 2009 on the scope and objectives orchestrated by OGRA and an in-house advance (certificate) level training on “Auditing Process for Occupational Health, Safety and Environment Management System” was arranged at Qadirpur gas processing plant from 28 to 30 June 2010.

OGDCL is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large.

Corporate Social Responsibility (CSR)

Being socially responsible corporate entity of E & P community, OGDCL is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large. In this regard, OGDCL is fully aware of its obligations and is continuing to proactively promote, develop and maintain social welfare schemes for the benefit of the local communities in and around the areas of its operations.

In implementing the social welfare programme, we at OGDCL, strive to ensure that we:

- Promote an enabling environment, by engaging regularly, openly and honestly with the communities affected by our operations and take their opinions and concerns into account before implementing a community development project.
- Execute and implement projects that contribute towards alleviation of poverty and foster economic benefits.
- Continue to execute, develop, implement and wherever required, maintain systems for health, infrastructure, education and water supply.
- While executing our social welfare projects, abide by and observe traditional and ethnic customs & practices, out of mutual respect for social and cultural differences.
- Support good social causes and charities.
- Maintain in good order, the property we are privileged to use, taking care to protect the environment and natural resources.
- Contributing to society through our business by allocating funds for all Petroleum

Concession Agreement (PCA) obligations as well as all other external and internal CSR activities.

- Encourage civic improvement and better health and education.
- Vigorously pursue our objective of being a responsible corporate citizen, by funding and promoting projects which will include, but not be limited to;

Health Care

In health care, in addition to the free services of doctors, free medicines in dispensaries and ambulance services, OGDCL is operating thirteen (13) social welfare dispensaries, organizing free eye camps, where free cataract operations are performed and free vision glasses are given. Our annual expenditure exceeds Rs 57 million under this head. Besides these OGDCL has also developed a Trauma Centre at Ghotki, presently at furnishing stage.



Free eye camp organized by OGDCL

Education

In education, OGDCL has two technical training institutes at Karak, KPK province and at Quetta, Balochistan province where local boys are being provided training in the field of petroleum industry, with an annual expenditure of about Rs 10 million. In these institutions, about 200 students are being annually trained in the various fields of oil and gas industry and subsequently they are being provided assistance for getting jobs in oil and gas related industry. Construction of new schools and providing support to government schools in our concession areas is also a part of our CSR activity.



The Management is committed to cope with the business risks & challenges within its ambit of controls with its strong core of trained and experienced professionals, sound equipment base and sound financial position.

Water Supply

OGDCL is spending around Rs 30 million per annum in its locations in KPK, Balochistan, Sindh and Punjab where water is being supplied through bouzers, tractor trolleys to the locals to meet their water supply needs. Projects like installation of hand pumps in Kohat and Gurgalot concessions are also underway.

Infrastructure

In infrastructure, OGDCL is assisting local governments in building new roads, repairing old roads, providing funds for installation of gas supply to locals where gas is produced.

This is the beginning of a new chapter in CSR of OGDCL, where we have plans for building and operating new hospitals, dispensaries, mother child care centres, blood banks, Thalassemia centres, holding free medical surgical camps, donations for life threatening diseases, establishing and operating model schools, establishment of chair at different universities for talented students, national level funding for sports through creation of OGDCL's sports wing, forestation and habitat sanctuary protection.

Business Risks and Challenges

Being an exploration and production company, OGDCL is exposed to operational and non-operational risks associated with E & P business which may unfavourably affect its operations and financial performance. The Management and the Board of Directors are well aware of their responsibilities in this regard and ensure that an appropriate system exists in the Company for the identification and management of the business risks.

Internal Audit function also exists in the Company serving as an effective appraisal of internal controls which are meant to have methods and measures in place to safeguard the assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to the prescribed managerial policies.

Audit Committee of the Board in accordance with its terms of reference also ascertain that the internal control system including financial & operational controls and accounting system are adequate, effective and comply with applicable laws and regulations and professional best practices.

The Management of the Company also understand its role and responsibilities as leading national E & P Company with largest oil and gas reserves, strong production base and largest exploration acreage spread over all four provinces and off-shore. The Management is committed to cope with the given challenges within its ambit of controls with its strong core of trained and experienced professionals, sound equipment base and sound financial position.

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

Crude Oil Price

Crude oil pricing in Pakistan is based on a basket of Arabian crude oil prices adjusted for yield differential and freight adjustment. Change in international oil prices is largely uncontrollable and OGDCL is vulnerable to increase/decrease in such prices. Decline in prices of crude oil has a negative impact on the Company's earning performance. However, the gas sales which amount around 50% of the Company's revenue is less prone to this risk. In addition, gas prices of certain fields are capped at fixed crude oil/HSFO prices and are affected only in case the international crude oil price falls below the capped price.



Qadirpur gas processing plant

Exchange Rate Risk

Rs/US\$ parity decline has a positive impact on OGDCL's earnings, as crude revenue is tied to US\$ based pricing mechanism derived from international crude prices with suitable yield differential and number of gas fields have wellhead pricing in US\$ terms. Rs/US\$ parity decline has a negative impact on the Company's earnings since most of the material including drilling material, plant & equipment used in oil and gas industry are imported to meet operational requirements.

Exploration and Drilling Risks

The different sedimentary basins in Pakistan represent very complex tectonics and deformation styles. The in-depth knowledge of petroleum systems present in these basins is imperative. The selection of potential exploration blocks, acquisition of geological and geophysical data, delineation of drillable prospects and their drilling are all important aspects in hydrocarbon exploration. To maintain a good success ratio is also a vital element which can only be achieved with efficient professional teams and systematic working. As easy-to-drill structures are vanishing, the drilling operations are also facing many challenges such as deep wells, lateral wells and drilling in complex geological settings.

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 blow out, 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 plans. The Company is also utilizing experienced professionals and latest technologies in selection of acreage, acquisition and processing of seismic data etc.

Reserves Depletion and Under Performance of Oil & Gas Fields

Oil & 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 OGDCL are mature fields which bear the risk of depletion at a faster than a predicted rate. In addition, OGDCL's investment decisions on development of newly discovered fields are made after extensive technical studies and assessment of reservoir. Reserve estimates of these fields are worked out in-house as well as are certified by reputable international consultants.

OGDCL has a strong vision and passion to contribute to the E & P sector to help enhance energy security of Pakistan.

Legislation

OGDCL's revenues are subject to change in Petroleum Policies, which are usually issued for a period of 5 years. These generally offer incentives to local and foreign E & P companies to increase exploration efforts. Petroleum Policy in effect at the time of a particular discovery determines the underlying revenues from such field. Changes in legislation, taxation, regulations, royalty and pricing mechanism may affect the Company's operational and financial performance.

Environmental Risks

OGDCL is vulnerable to environmental changes including earth quakes, heavy rains, floods etc. that may materially impact production at various fields resulting into adverse impact on Company's revenues and profitability. These risks are being addressed by the Management while making investment decisions, planning and executing Company's exploration and development plans. As the Company is committed to adhere to the best Health, Safety and Environment (HSE) practices, the compliance to changes in environmental regulations relating to HSE could result into higher cost to the Company.

Law and Order

Overall law and order situation in the country is not supportive to smooth running of the Company's operations particularly in the provinces of KPK and Balochistan. This is potentially detrimental to OGDCL's exploration, drilling and development activities causing hurdle to 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 places of the Company's operations. In this regard, close contacts are being maintained with all the stakeholders at the existing work places as well as in the new areas of exploration, development and production activities.

Future Outlook

OGDCL has a strong vision and passion to contribute to the E & P sector to help enhance energy security of Pakistan. With a formidable presence in the length and breadth of the Country, OGDCL is looking beyond geographical boundaries for E & P opportunity. It plans to actively pursue overseas joint ventures.

With technical prowess in onshore exploration and production it has changed focus to a more challenging area i.e. offshore exploration. OGDCL is actively participating in 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. OGDCL also intends to enhance its reserves and to focus on and strengthen core business (E & P) functions by incorporating international best practices and innovative thinking in Company culture.

The Company plans to optimize its concessions portfolio to support aggressive exploration activities, which in turn will ensure continuous reserves additions. OGDCL is also looking at seamless development of new discoveries in shortest possible time which will add substantially to the production base of the Company. Efforts are continuing towards formulation of joint ventures with leading E & P companies both within the country and abroad.

Review and improvement of internal policies and processes is also on the agenda in addition to further enhancing corporate goodwill through focused CSR activities for the benefit of the communities that OGDCL interacts with.

Acknowledgments

The Company has come a long way from its beginning as a public sector corporation to a leading exploration and production company with its presence in all the provinces of the Country. OGDCL is now listed on all the three stock exchanges of Pakistan as well as on the London Stock Exchange. The success we achieved would not have been possible without unwavering support of our shareholders and all the stakeholders particularly the Ministry of Petroleum and Natural Resources, our business partners, customers, local communities and our dedicated and hardworking employees. I would like to record my heartfelt appreciation to the entire OGDCL family around the Country for their significant contributions to the Company. I would also like to express my sincere gratitude to the federal and provincial government departments and local communities for their support, our business partners, customers, suppliers/contractors for their cooperation and the Management & Members of the Board of Directors for their invaluable counsel and guidance. I look forward to their continuous support to ensure our future growth and success.

On behalf of the Board



(Kamran Lashari)
Chairman

12 August 2010