

OGDCL AUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED 30 JUNE, 2010

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its financial results for the full year ended 30 June 2010. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

Highlights of the year include:

- OGDCL's net sales increased by 9.0% to Rs 142,572 million from Rs 130,830 million for the last year
- Net profit before tax increased by 9.4% to Rs 88,553 million from Rs 80,928 million compared to the last year
- Net profit after tax stood at Rs 59,177 million resulting in earnings per share of Rs 13.76 as against Rs 55,540 million and earnings per share of Rs 12.91 respectively during the last year.
- Operating profit margin and net profit margin for the year was 60% and 42% respectively.
- Payable final dividend of Rs 1.5 per share
- Net crude oil production of 38,075 barrels per day, net gas production was 976 MMcf per day, net LPG production 202 tons per day and net Sulphur production was 70 tons per day.
- Average net realized price for the natural gas sold was Rs 186.47/Mcf, compared to Rs 174.79/Mcf during the last year
- Average net realized price for the crude oil sold was US\$ 61.37/BBL, compared to US\$ 55.53/BBL during the last year
- The Company spudded 26 wells and made 6 discoveries during the year (namely, Reti-1A, Maru-1, Shah-1, Dakhni-11, Nashpa-1 & Baloch-1).

(Rs in Million)

	1H FY 2009	1H FY 2010	Full Year FY 2009	Full Year FY 2010	% Change
Net Sales	71,940	72,633	130,830	142,572	9.0
Profit before Tax	48,428	45,421	80,928	88,553	9.4
Profit after Tax	31,781	28,493	55,540	59,177	6.5
Earnings per Share	7.39	6.62	12.91	13.76	6.5
Net Cash from Operating activities	23,451	31,624	52,979	61,506	16.1

MD and CEO's Statement

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

"I am glad to report that OGDCL is consistently moving on the road to improved financial performance. The year under review saw an increase in our sales revenue by 9% along with a significant increase in profit after tax by 6.5% when compared to the corresponding period last year. This was despite the prevailing challenges of inter-corporate circular debt, litigation cases and security situation at some of our fields."

"On the exploration front, the Company also saw considerable success by making six new discoveries during the period under review. This is a positive development for our reserves and production base. OGDCL spudded 26 wells, including 15 exploratory/appraisal wells and 11 development wells in FY 2010. We have experienced slight decline in crude and gas production when compared to the last year, primarily because of the natural decline in some of our major fields. However, the Company is fully aware of this trend and is doing its best to maximize recovery through conducting workovers on the producing wells as well as utilizing EOR techniques in our oil fields and installation of compression facilities in some of our gas fields. We have also devised a strategy to fast track some of our major development projects which will result in expeditious production enhancement."

"The Company has been successful in keeping our operational costs under control, thanks to our in-house drilling and allied services departments."

"In the end, I am proud to state that OGDCL is blessed with a motivated and dedicated work force which has aligned its efforts to achieving the strategic and operational goals set by the Company. I am certain that this entails a bright future for OGDCL and all its stakeholders and will result in maximization of shareholder returns."

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For further information:

Investor Relations Contact

Usman M. Bajwa

Investor Relations Officer

Telephone: +92 51 920 9888

Fax: +92 51 920 9858

Email: usman_bajwa@ogdcl.com

Notes to Editors

OGDCL is the largest petroleum exploration and production (E&P) company in the Pakistan's oil and gas sector, with a primary focus on gas. It holds the largest portfolio of the recoverable hydrocarbon reserves of Pakistan, at 35% of gas and 46% of oil, respectively, as at January 2009. It contributed 21% of the country's total natural gas production and 54% of its oil production as at January 2009.

With a portfolio of 35 operated exploration licences, the Company has the largest exploration acreage in Pakistan, covering 23% of the total awarded acreage as of 30 June 2010. While its focus to date has been on onshore exploration, the Company has also begun conducting offshore exploration activities; an area which the Company believes has significant untapped potential.

OGDCL had a net profit after tax of Rs. 59,177 million for the full year ended June 30th, 2010 and currently employs a workforce of over 10,000.

SUMMARY RESULTS

During the year under review, the Company has witnessed improved financial results despite decline in crude oil, gas and LPG production, persistent circular debt situation, and security concerns in some of our areas where the Company carry out operations. 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 into Earnings Per Share (EPS) of Rs 13.76 compared to Rs 12.91 during the preceding year. These results are primarily due to enhanced realized prices of crude oil, gas and LPG and favorable financial impact of Qadirpur gas price revision with effect from January 01, 2008.

It is also pleasing to report that during the year, Company's exploratory efforts resulted into six (6) new oil / condensate and gas discoveries leading to addition of 14.07 MMSTB of oil and 161.10 Bcf of gas to the Company's reserves base. In addition, three new wells namely Nashpa-1, Pakhro-1 and Baloch-1 were also 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. Work-over jobs on another eleven (11) wells has 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 to 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 Company's employees under the able guidance of the Management and the Board of Directors. Considering the achievements made by the Company during the year together with favorable price environment, speedy development of recently discovered fields and aggressive exploration & development program, we stay confident of Company's future growth and success in the years ahead.

AWARDS CONFERRED

KSE Top Twenty Five Companies Award

The Management is 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 pre-requisites laid down by the KSE Board for listed

companies and marks obtained on the basis of dividend payout return on equity, compliance with listing regulations and good corporate governance.

Environment Excellence Award 2010

OGDCL won the Seventh National Forum for Environment and Health (NFEH) Environment Excellence Award 2010 on account of 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 supported by Ministry of Environment, Government of Pakistan, Government of Sindh and Federation of Pakistan Chamber of Commerce and Industry. The seventh annual environment excellence awards have been awarded to the best environment friendly companies of Pakistan.

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 shares/units.

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 174.79/Mcf and Rs 36,935/M.Ton respectively during the last year.

Profit before taxation for the period 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 last year resulting into 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 investment and financing activities of Rs 53.292 billion (cash outflow) and Rs 1.683 billion (cash inflow) respectively, the Company's cash and cash equivalent increased by Rs 9.897 billion to ending balance of Rs 18.837 billion as on 30 June 2010.

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

		<i>Rs in billion</i>
Profit before taxation		88.553
Taxation		<u>(29.376)</u>
Profit for the year		59.177
Unappropriated profit brought forward		<u>79.504</u>
Profit available for appropriations		138.681
Appropriations:		
Transfer to capital reserve		(0.201)
Distribution through Dividends:		
Final dividend 2008-09	@ Re 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	@ Re 1.50 per share (15.00%)	(6.451)
Third interim dividend 2009-10	@ Re 1.50 per share (15.00%)	<u>(6.451)</u>
Unappropriated profit carried forward		<u>110.524</u>

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 @ 40.00% (Rs 4.00 per share) already declared and paid during the year. This makes a total of 55% (Rs 5.5 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 of revenue towards the national exchequer on account of corporate tax, royalties, 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 program and strategies of exploiting exploration opportunities by building the Company's future 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, four exploration licenses namely Thatta, Thatta East, Dhudial and Khiranwala were relinquished / surrendered and operator ship of Offshore Indus-S transferred to M/s BP Alpha.

Presently, OGDCL is operating in 35 exploration blocks (22 blocks with 100% share and 13 blocks as operated Joint Ventures (JV) including 3 offshore blocks covering an area of 63,581.12 Sq. Kms. In addition, OGDCL also holds working interest in another eight (08) 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 Pull EL and working along regional traverses in Potohar area during the year and collected 310 samples for reservoir / source studies.

OGDCL being the only Exploration and Production (E & P) company of Pakistan having its own seismic crews (05 parties) equipped with latest acquisition technologies with the capability of 2D and 3D seismic surveys, having 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, Bitism, 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 (ML).

In-house data processing facilities of the Company provide an edge to OGDCL with the availability of highly skilled professionals to timely process the data and with complete involvement of the exploration professionals under one roof. Through in-house data processing 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 the work to other renowned companies of international repute working in Pakistan.

During the year, 40 wells locations were marked on ground, and 26 wells including 13 exploratory, 02 appraisal and 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 JV partner in 16 wells drilled by other operators. OGDCL is also committed to acquire more potential exploration acreage and to extend its exploration activities overseas wherever a technically and commercially viable potential is available.

DISCOVERIES

Company's exploratory efforts resulted into six new oil / condensate and gas discoveries during the year 2009-10. It is expected that prevailing success level will continue in future as well. Details of newly discovered fields as follow:

Reti Well 1-A

Reti Well 1-A discovery was made on 11 August 2009. The well is located in District Ghotki, Sindh and spudded on 28 June 2009. The well produced 5 MMcfd gas.

Baloch Well-1

Baloch Well-1 discovery was made on 17 August 2009. The well is located in District Sanghar, Sindh and was spudded on 25 March 2009. The well produced 780 bopd of volatile oil and 3.5 MMcfd of gas.

Nashpa Well-1

Nashpa Well-1 discovery was made on September 9, 2009. The well is located in District Karak, KPK and was spudded on 29 June 2008. The well produced 4,300 bopd oil and 15 MMcfd of gas.

Dakhni Well-11

Dakhni Well-11 (Samanasuk and Shinawari Formation) discovery was made on 27 October 2009. The well is located in District Attock, Punjab and was spudded on 18 July 2008. The well produced 1,300 bopd of condensate and 9.34 MMcfd gas.

Maru Well-1

Maru Well-1 discovery was made on 25 January 2010. The well is located in district Ghotki, Sindh. The initial testing result has produced 3.5 MMcfd of gas.

Shah Well-1

Shah Well-1 is located in Hyderabad, Sindh Province. The well was spudded on 28 October 2009. The initial testing has produced 165 bopd condensate and 15.40 MMcfd of gas.

OIL AND GAS RESERVES

The 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 of Sari Gas Field and Dhamraki Gas/Condensate field were also re-assessed upwards due to better production performance of these fields during the same period. The Probable Reserves of Mithrao (Chak5Dim), Chak5dim South, Kunnar, Pasahki NE & Pasahki fields are shifted to the Proved Reserves category. There is no downward revision in the reserves during the same period. 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

OGDCL is operating 45 own and operated JV development / production and mining leases. 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 the shortest possible time frame. OGDCL has been successful in keeping the natural decline to a minimum through rig-less and with rig workover. Stimulation and other innovative techniques are used as most of the wells in southern region are on artificial lift. On the development front, OGDCL has been successful to develop some of newly discovered fields on 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 (EWT) fields using indigenous sources.

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. At Nashpa, using indigenous resources, the Company managed to put the field on Extended Well Testing (EWT) one month earlier than the targeted date, resulting in enhancement of production for the Company by 4,500 bopd and 15 MMdfd gas. The gas is being supplied to SNGPL and crude oil is being transported through bouzers 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 through 24/64" choke and 0.8 MMcfd gas.

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 carried out Annual Turn Around (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 well head for four dormant gas fields namely Nur, Bagla, Jandaran 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 is expected from newly discovered / development wells like Nashpa-1, Mela-3 and Baloch-1. Similarly, 147 MMcfd gas additions are 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	Own 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.

PRODUCTION FROM NON-OPERATED JOINT VENTURES

Tal Block

MOL Pakistan is the operator of Tal Block. OGDCL pre and post discovery share is 30% & 27.76% respectively. During 2009-10, 05 wells have been drilled and 7 wells were put on commercial production. Commerciality of Makori field was declared during the year 2009-10. Currently 252 MMcfd of pipeline quality gas is being injected into SNGPL gas transmission network. In addition 4,489 bopd of oil / condensate is being produced from Manzalai field. Makori field is also producing 510 bopd and 5.7 MMcfd of gas.

Pindori Field

POL is the operator while OGDCL holds 50% working interest in the block. Pindori well 8 was drilled during the period under review and was not found to be a producer and subsequently abandoned. Current field production is 1,357 bopd, 4 MMcfd of gas and 27 M.Tons / day of LPG.

Miano Field

OMV is the operator of Miano Field and OGDCL holds 52% shares. Miano 11, 13 and Khipro ST wells were put on production whereas Miano well 12 has been completed and shut-in. Miano well 9 (P & S) is plugged. Currently the field is producing of 65 MMcfd of gas and Miano well 14 is planned to be drilled for production enhancement.

Kadanwari, Bhit & Badhra Fields

Kadanwari, Bhit & Badhra fields are being operated by ENI Pakistan, however OGDCL working interest is 50, 20 and 20% respectively in these fields. Currently, Badhra field is producing 19 MMcfd of gas and 14 bopd. Production from Bhit field is 286 bopd of crude and 322 MMcfd of gas. In Kadanwari two more wells K-21 & K-23 were brought on production while Well K 25 is currently under drilling. Current Production is 59 MMcfd of gas.

Dhurnal, Bhangali & Ratana Fields

These fields are operated by M/s OPII. OGDCL's share is 20%, 50% and 25% respectively. Current production from Ratana is 575 bopd, 15 MMcfd of gas, 7 M.Tons/day of LPG. Dhurnal is currently producing 158 bopd and 1 MMcfd of Gas.

Badar Field

PEL is the operator of Badar gas field and OGDCL share is 50%. The current production from this field is 14 MMcfd.

Sara / Suri Fields

Sara / Suri gas fields are operated by Tullow Pakistan with 38.18% and OGDCL's working interest is 40% in the block. These fields came on commercial production in 1999. The gas is being supplied to WAPDA Guddu Thermal Power Station (GTPS). The field is currently producing 1 MMcfd of gas.

Adhi Field

Pakistan Petroleum Limited is the operator of the Adhi Field and OGDCL holds 50% shares in the block. 11 wells are on production in Adhi field. Current production from the field is 5,641 bopd, 42 MMcfd of gas and 141 M.Tons/ day of LPG.

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 14 reciprocating compressors and later relocation of 3 more compressors from Pirkoh gas field. All the 14 compressors were to be installed and commissioned at the field for planned commissioning during ATA in June-July, 2010. However, keeping in view the overall energy demand in the Country, Government of Pakistan (GOP) decided to shift 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 will be 650 MMcfd of raw gas.

UCH-II Development Project

The Uch gas field is located about 67 Km South-East of Dera Bugti in Balochistan province. OGDCL has drilled 15 wells and is supplying 72,000 million Btu gas per day to Uch Power Plant (UPL). After carrying out detailed study of Uch gas field, it is envisaged that OGDCL is in a position to commit around additional 160 MMcfd for 25 years to a power producer. Hence Uch-II Development Project is planned by the Company. Basic Engineering and tender documents to engage Engineering, Procurement, Construction and Commissioning (EPCC) Contractor has 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. 5 development wells have already been drilled out of total 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 of OGDCL and will soon be press tendered. Project is expected to be completed by October 2011. The incremental production after expansion will be sales gas: 12 MMcfd, condensate: 720 barrels/day, sulphur: 80 M. Tons / day and LPG: 12 M. Tons/day.

Sinjhoro Development Project

The Project is located in district Sanghar, Sindh. The surface facilities to be installed by the Company include gas gathering system for 14 wells, sales gas line from Sinjhoro 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 Sinjhor. The Consultant after carrying out preliminary study for compatibility of Dhodak plant with Sinjhor 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 & Pasakhi 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 & Pasakhi 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 approach 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 gas production will be: 284 MMcfd, oil: 4,400 bopd and LPG: 387 M.Ton / Day.

Jhal Magsi Project

Jhal Magsi field located in Dera Murad Jamali was discovered in 2003. It is a JV between OGDCL, GHPL and POL. Three wells have been drilled out of which two (02) 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) document. The Consultant has prepared the tender documents for hiring services of EPCC contractor. OGDCL invited parties to participate in the tender of EPCC contractor for the development of Jhal Magsi field. 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.

BOARD OF DIRECTORS

The Board of Directors comprises of eleven 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

Mohammad 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 Khan 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, 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 presently comprises of the following Directors:

Mr. Kamran Lashari	Chairman
Mr. Shah Mahboob Alam	Managing Director & CEO
Mr. Muhammad Ejaz Chaudhry	Director
Mr. Ahmad Bakhsh Lehri	Director
Dr. Kaiser Bengali	Director
Mr. Tariq Faruque	Director
Mr. Wasim A. Zuberi	Director
Syed Masieh-ul-Islam	Director
Mr. Fahd Shaikh	Director
Senator Mir Wali Muhammad Badini	Director
Syed Amir Ali Shah	Director

MEETINGS OF THE BOARD

Nine 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. Farooq Rahmatullah, (former Chairman)	8	5
2	Mr. Zahid Hussain, (former MD & CEO)	6	6
3	Miss Shagufta Jumani, (former Director)	8	4
4	Mr. Muhammad Ejaz Chaudhry	9	8
5	Mr. Tariq Faruque	9	6
6	Mr. Wasim A. Zuberi	9	6
7	Mr. Iskander Mohammed Khan, (former Director)	4	1
8	Mr. Rafique Dawood, (former Director)	4	3
9	Mr. Tariq Iqbal Khan, (former Director)	4	3
10	Mr. Waqar A. Malik, (former Director)	4	2
11	Mr. Fahd Shaikh	5	5
12	Dr. Kaiser Bengali	5	3
13	Mr. Nasir Mehmood Khosa, (former Director)	4	1
14	Senator Mir Wali Muhammad Badini	5	3

15	Syed Masieh-ul-Islam	5	5
16	Mr. Ahmad Bakhsh Lehri	5	0
17	Mr. Shah Mahboob Alam, MD & CEO	4	4
18	Mr. Kamran Lashari, Chairman	1	1
19	Syed Amir Ali Shah	1	1

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

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee consists of five (5) non- Executive Directors for assisting the Board in implementation of the Code of Corporate Governance. Terms of Reference of Audit Committee are approved by the Board of Directors. During the year under review, four meetings of the Audit Committee were held and attendance by its members was as follows:-

Sl. #	Name of the Directors	Total No. of meetings*	Meetings attended
1.	Mr. Tariq Iqbal Khan, (former Chairman)	02	01
2.	Mr. Rafique Dawood, (former Member)	02	02
3.	Mr. Iskander Mohammed Khan, (former Member)	02	01
4.	Dr. Kaiser Bengali, Chairman	02	02
5.	Mr. Muhammad Ejaz Chaudhry, Member	04	04
6.	Syed Masieh-ul-Islam, Member	02	02
7.	Senator Mir Wali Muhammad Badini, (Member)	02	01
8.	Mr. Fahd Shaikh, (Member)	02	01

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

Operations and Finance Committee

Operations and Finance Committee (O&FC) of the Board comprises of seven (7) Directors including MD & CEO. Terms of Reference of the O&FC are approved by the Board of Directors. During the year under review, seven (07) meetings of the Committee were held and attendance by its members was as follows:-

S.No.	Name of the Directors	Total No. of meetings*	Meetings attended
1.	Mr. Wasim A. Zuberi, Chairman	07	07
2.	Miss Shagufta Jumani, (former Member)	07	05
3.	Mr. Zahid Hussain, (former Member)	03	03
4.	Mr. Muhammad Ejaz Chaudhry, (Member)	07	05
5.	Mr. Tariq Faruque, (Member)	07	04
6.	Mr. Tariq Iqbal Khan, (former Director)	03	00
7.	Mr. Fahd Shaikh, (Member)	04	04

8.	Mr. Ahmad Bakhsh Lehri, (Member)	04	03
9.	Mr. Shah Mahboob Alam, (Member)	04	04

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

Human Resource Committee

Human Resource Committee of the Board comprises five (5) Directors including MD & CEO. Terms of Reference of Human Resource Committee are approved by the Board of Directors. During the year under review, ten (10) meetings of the Committee were held and attendance by its members was as follows:-

S.No.	Name of Director	Total No. of meetings*	Meetings attended
1.	Miss Shagufta Jumani, (former Member)	09	08
2.	Mr. Muhammad Ejaz Chaudhry, (Member)	10	09
3.	Mr. Farooq Rahmatullah, (former Chairman)	06	03
4.	Mr. Iskander Mohammed Khan, (former Member)	05	04
5.	Mr. Waqar A. Malik, (former Member)	04	01
6.	Mr. Zahid Hussain, (former Member)	05	03
7.	Syed Masieh-ul-Islam, (Chairman)	04	04
8.	Mr. Shah Mahboob Alam, (Member)	04	03

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

Corporate Social Responsibility (CSR) Committee

Corporate Social Responsibility (CSR) Committee of the Board comprises seven (7) Directors including the Chairman and MD & CEO. Terms of Reference of Corporate Social Responsibility (CSR) Committee are approved by the Board of Directors. During the year, two (02) meetings of the Committee were held and attendance by its members was as follows:-

S.No.	Name of Director	Total No. of meetings*	Meetings attended
1.	Mr. Farooq Rahmatullah, (former Chairman)	02	02
2.	Mr. Shah Mahboob Alam, (Member)	02	02
3.	Mr. Muhammad Ejaz Chaudhry, (Member)	02	02
4.	Mr. Wasim A. Zuberi, (Member)	02	01

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

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 judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from 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

HEALTH, SAFETY, ENVIRONMENT & QUALITY

OGDCL contributes to the environment wherever it works in and also contributes to the welfare of the people of the area. The Company ensures that our products are supplied to the market, consumers and other stakeholders only after having been properly processed i.e. with minimum (allowable) potential for pollution. 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. Due to our sustainable mechanisms pertaining to safeguard of environment and society, the summary of the recent developments and achievements across the company is given below:

It is a feast 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. We are also very happy to report that Business Assurance Wing of M/S DNV, conducted its first Audit of Dhodak and Qadirpur Operating Fields against ISO 14001:2004 and OHSAS 18001:2007 standards from 13 to 17 July 2009, and pronounced that the HSE System Health, Safety, Environment and Quality Function of the company at these two key locations is at par with the requirements of HSEQ 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.

In order to promote best HSE practices and acknowledge existing ones; to reinforce HSE messages & 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 by HSEQ Department utilizing the platform of Petro Research and Training Institute (PR&TI), Islamabad. An important five-day workshop on Safe Practices in Mid & Downstream Petroleum Sector was also 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.

CORPORATE SOCIAL RESPONSIBILITY

The dream of seeing a prosperous Pakistan, OGDCL has been extending a helping hand to those communities lagging behind in development. We firmly believe that efficient and profitable operations and due concern for people and the environment are by no means mutually exclusive.

OGDCL believes that proving ourselves as responsible, efficient and conscientious operators, we have become the partners of choice in the area of Company's operations. The Company endeavours to be a responsible corporate citizen, being aware of its social obligations, it continues to proactively promote, develop and maintain medical, social and welfare facilities and schemes for the benefit of the local communities in and around the areas of its operations.

To promote an enabling environment between local communities and OGDCL that fulfil its obligations by way of investment in the areas of education, health, water supply, infrastructure, financial sharing for gas supply, sanitation, sports, forestation, and donations in collaboration with local communities to undertake poverty alleviation efforts among marginalized communities for improving their quality of life. OGDCL not only paves the way for progress and prosperity of the communities affected by its work and presence, but while doing so, is also aware of, and observes local traditions and ethnic practices out of mutual respect for social and cultural differences.

We believe that investing in community development is our social, moral and ethical duty. Our first responsibility is to our stakeholders which includes the government, our shareholders, suppliers, contractors, employees, customers, communities, and business partners. It is our vision to be recognized as a company known for its "people, partnerships and performance":

We are fully focused on doing the following:

- 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.
- Regularly review our performance and report progress to the Company's Social Welfare Committee and to the shareholders through and Annual CSR Report.
- 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 up to 1% of net after tax profit for all Petroleum Concession Agreement (PCA) obligations.
- 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 free services of doctors, free medicines in dispensaries and ambulance services, OGDCL is operating thirteen social welfare dispensaries, routinely conducts free eye camps, where free cataract operations are performed, free vision glasses are given. Our annual expenditure exceeds Rs 57.00 million. Besides these, OGDCL has built a Trauma Centre at Ghotki, presently at furnishing stage.

Water Supply

OGDCL is spending Rs 30.00 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 Sheikhan and Gurgalot concessions are underway.

Education

In education, OGDCL has two technical training institutes at Karak and in Quetta, where local boys are being provided training in field of the petroleum industry, with an annual expenditure of about Rs 10.0 million. In these Institutions, about 200 students are annually trained in various fields of oil & gas industry and providing assistance to them for getting jobs in oil industry as well as other related institutions. Construction of new schools & supporting government schools in our concession areas by construction of additional class rooms, building of toilets, boundary walls and provisioning of furniture and books for libraries is also a part of our CSR activity.

Infrastructure

In infrastructure, OGDCL is assisting local governments in building new roads, repairing old roads, provisioning of funds for installation of gas supply to locals where gas is produced. A payment of Rs. 252 Million (OGDCL's share) was transferred to Government of Balochistan for rehabilitation work of Kot Magsi to Jhal Magsi road (52 kms).

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 safe guard 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 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 understands 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. 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 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 have a negative impact on the Company's earning performance. However, the gas sales which amount around 50% of Company's revenue are 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.

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 based on 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 targets. 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 1/3rd of oil of the original reserves in place which can be further improved through EOR to around 2/3rd of total recoverable reserves over the reserve life. Some of the major oil and gas assets of OGDCL are mature structures which bear the risk of depletion. 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 and are revised / updated as required.

Legislation

OGDCL's revenues are subject to change in Petroleum Policies, which are usually promulgated after every five years. These generally offer incentives to local & 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' revenues and profitability. These risks are addressed by the Management while making the 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 country is not supportive to smooth running of Company operations particularly in the provinces of KPK and Balochistan. This is potentially detrimental to OGDCL's exploration, drilling and development activities causing hurdle to Company's sustainable growth. 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 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 companies in Algeria, China, Egypt, Libya, Mauritania, Mali, Mozambique, Oman, Turkey and Yemen.

With technical prowess in on-shore 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 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 to 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.
