

FOR IMMEDIATE RELEASE

“AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE, 2009

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its audited financial results for the year ended 30 June, 2009. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

Highlights of the year include:

- OGDCL's net sales increased by 3.9% to Rs 130,830 million from Rs 125,908 million compared to the last year
- Profit before tax increased by 3.3% to Rs 80,928 million from Rs 78,307 million compared to the last year
- Net profit after tax stood at Rs 55,540 million resulting in earnings per share of Rs 12.91 as against Rs 44,338 million and earnings per share of Rs 10.31 respectively during last year.
- Operating profit margin and net profit margin for the year was 59% and 42% respectively.
- Payable interim dividend of Rs 2.50 per share.
- Net crude oil production of 41,019 barrels per day, net gas production was 1,001 MMcf per day, net LPG production 218 tons per day and net Sulphur production was 64 tons per day.
- Average net realized price for the natural gas sold was Rs 174.78/Mcf, compared to Rs 140.88/Mcf during the last year
- Average net realized price for the crude oil sold was US\$ 55.53/BBL, compared to US\$ 71.29/BBL during the last year
- The Company spudded 30 wells and made two discoveries during the year, (Kunnar South-1 & Pasahki West Deep-1).

(Rs. in Million)

	1H 2007-08	1H 2008-09	2007- 08	2008- 09	% Change
Net Sales	56,822	71,940	125,908	130,830	3.9
Profit before Tax	34,888	48,428	78,307	80,928	3.3
Profit after Tax	24,093	31,781	44,338	55,540	25.3
Earnings per Share	5.60	7.39	10.31	12.91	25.3
Net Cash from Operating activities	23,181	23,451	51,599	52,979	2.7

MD and CEO's Statement

Commenting on OGDCL's Full-Year FY2008-09 results, Mr. Zahid Hussain (MD and CEO of OGDCL) stated:

"It gives me great pleasure to declare that OGDCL is well set on its path of consistent improvement in its financial performance. The year under review saw an increase in our sales revenue of 3.9% along with a significant increase in profit after tax of 25.3% when compared to the corresponding period last year."

"We remain focused on our well thought out strategic and business plans which provide us the necessary guidance to achieve and exceed our targets. Enhancement of our reserves and production base lies at the core of our Strategic plan. We were able to spud 30 wells and made two hydrocarbon discoveries during the year under review. Our net crude oil production from Company's 100% owned fields and share in operated JV fields decreased by 5.6% when compared to the same period last year while the gas production improved slightly. The drop in oil production was caused primarily due to decline in production from Dhodak, Thora, Lashari, Bobi, Sono, Tando Alam and Chanda fields. We are fully cognizant of the slight decline in oil volumes and have chalked out a production enhancing strategy to arrest this trend. The major part of decline in our net crude volumes figure is due to significant decline in some of our non-operated joint venture fields such as Pindori."

"We have been able to keep the operational costs at the bare minimum by utilizing our own services and negotiating competitive service contracts for our drilling and seismic operations."

"Last but not the least; I would like to commend the human resource that this Company is so fortunate to possess. Their professional attitude towards work, their unrelenting pursuit towards excellence and sheer dedication to their job is what actually makes this Company apart from the rest. I am certain that without such a quality human capital, the consistent growth that we have realized could not have been possible. I salute and thank all my employees for their dedication, hard work and commitment to their work. The future is bright and full of opportunities for all our stakeholders."

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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 45% of oil, respectively, as at 31 December 2008. It contributed 24% of the country's total natural gas production and 63% 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 30% of the total awarded acreage as of 30 June 2009. While its focus to date has been on onshore exploration, the Company has also begun conducting offshore exploration activities; an area which the Company believes has significant untapped potential.

OGDCL had a net profit after tax of Rs 44.338 billion for the year ended June 30th, 2008 and Rs 31.782 billion for the six months ended December 31, 2008.

SUMMARY RESULTS

The year 2008-09 was yet another year of sustained progress across key business areas. Despite decline in crude oil and LPG production, Company's operational performance together with high realized prices in rupee term led to the delivery of improved financial results which exceeded the results achieved during last year. This progress was due to the dedicated efforts of employees under the able guidance of the Management and the Board of Directors. Going forward, considering the results achieved during the year under review, we remain confident of Company's sustainable growth in future.

During the year under review, Company's sales and profitability continued to record a rising trend as its sales revenue and profit after taxation increased to Rs 130.830 billion and Rs 55.540 billion respectively resulting into Earnings per Share (EPS) of Rs 12.91 compared to Rs 10.31 of last year.

On the operational front, Company was able to complete 5,129 L. Kms of 2-D and 1,128 Sq. Kms of 3-D Seismic Survey in the various exploration blocks and spudded thirty (30) new exploratory / appraisal and development wells. Company's exploratory efforts resulted into discovery of two gas/condensate fields at Kunnar South-1 and Pasahki West Deep-1. Both the discovered fields are located in Sindh Province. Subsequently, on August 12, 2009 another gas discovery was made by the Company at Reti-1A in Guddu Exploration Licence, District Ghotki, Sindh province.

OGDCL's production on working interest basis averaged 41,019 barrels of oil per day (bopd), 1,001 MMcf of gas, 218 M.Tons/day of LPG and 64 M.Tons/day of sulphur. Seventeen (17) new wells namely Dakhni Deep-2, Dhodak Deep-1, Nandpur-10, Kal-3, Pasahki-5, Pasahki-6, Thora-7, Kunnar-8, Qadirpur-33, Qadirpur-35, Qadirpur-36, Qadirpur-37, Qadirpur-38, Qadirpur/HRL-2, Qadirpur/HRL-3, Qadirpur/HRL-4, and Qadirpur/HRL-5 were brought into production.

MERGER OF SUBSIDIARY COMPANY

Board of Directors of OGDCL and its 100% owned subsidiary, Pirkoh Gas Company (Pvt) Limited (PGCL), in their meetings of August 20, 2008 and August 19, 2008 respectively approved merger of PGCL with OGDCL with effect from July 01, 2008. Consequently, on the directions of the Honorable Islamabad High Court, meetings of the members of both the Companies were held on December 24, 2008 under the chairmanship of Registrar of Companies to consider and approve the scheme of merger. The members of both the Companies approved the scheme of merger which was subject to sanction by the Honorable Islamabad High Court. On January 28, 2009, the Honorable Islamabad High Court approved the scheme of merger with effect from January 01, 2009. Audited financial statements of PGCL for six months ended December 31, 2008 were approved by the Board of Directors of PGCL for merger of the Company with OGDCL and therefore, the process of merger

was completed effective January 01, 2009 and Company's financial statements for the year ended June 30, 2009 have been prepared after implementation of the merger scheme.

FORMULATION OF STRATEGIC DIRECTION

Pursuant to the resolution passed by the Board of Directors in its meeting held on January 20, 2009, a Strategic Direction Workshop was organized by the Company on March 27-29, 2009 which was attended by the Board Members and Senior Management of OGDCL. The purpose of holding this workshop was to revisit the Strategic Direction of the Company with the objectives of revamping the Vision & Mission Statements, devising initiatives in line with revised Vision & Mission Statements and chalking out action plans to be completed to attain the new goals. During the three-day workshop, the participants reviewed and deliberated upon many aspects of formulating the Strategic Direction of the Company including approval of new Vision & Mission Statements and Financial, Learning & Growth, and Internal Process improvement goals. In order to achieve new goals / targets specific initiatives with responsibilities were identified and action plans were agreed for implementation.

AWARDS CONFERRED

Best Corporate Reports Awards

OGDCL Annual Report for the year 2008 has won the Best Corporate Reports Award evaluated by the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost & Management Accountants of Pakistan (ICMAP). OGDCL has been ranked amongst the list of winners of the Best Corporate Reports Award for the third consecutive year.

Environment Excellence Award 2009

OGDCL has won the Sixth National Forum for Environment and Health (NFEH) Environment Excellence Award 2009 on account of its excellent environmental initiatives and successful implementation of environmental management systems at major sites. The National Forum for Environment and Health (NFEH) organized the Sixth Annual Environment Excellence Awards 2009 in Karachi. The event was held in collaboration with United Nations Environment Programme. Federal Minister for Environment Mr. Hameedullah Jan Afridi was the chief guest on the occasion, and Sindh Minister for Environment and Alternative Energy Mr. Askari Taqvi was the guest of honor.

Corporate Excellence Certificate

OGDCL also received 26th Corporate Excellence Certificate on account of good corporate governance and best management practices. Management Association of Pakistan (MAP) organized the ceremony. MAP is committed to excellence in management through human capital

development, creating awareness and recognizing best management practices to enhance the competitiveness.

Corporate Philanthropy Award

The Pakistan Centre for Philanthropy (PCP) is an independent non-profit support organization with a mission to promote the volume and effectiveness of Philanthropy for social development in Pakistan. The PCP seeks to promote altruistic efforts of national and international philanthropists (individual, corporate and diaspora) and as an acknowledgement of corporate contribution, continues to honor leading endeavors of supporting social causes and community development. Based on yearly rankings, awards are given to the top 25 companies. Awards were presented to 5 top performing companies by volume of donations as well as to 5 best performing companies giving the highest percentage of profit before tax (PBT) as donations for the year 2007, OGDCL was ranked 2nd in the category of donations by volume. The award was presented by Mr. Shoukat Tareen, Advisor to the Prime Minister for Finance, Revenue, Economic Affairs and Statistics. Mr. Zahid Hussain, MD/CEO, OGDCL received the award as an acknowledgement of OGDCL's efforts for this noble cause.

FINANCIAL RESULTS

During the year under review, Company's total sales revenue grew by 3.9% to Rs 130.830 billion compared with Rs 125.908 billion in 2007-08. Increase in product sales revenue is mainly on account of increase in revenue from sale of gas which grew by Rs 13.070 billion on account of increase in realized prices and enhanced sales volume. However, this increase in product sale revenue was partially offset by Rs 8.124 billion due to decline in realized prices and sale volume of crude oil, LPG, naphtha, sulphur and other petroleum products, resulted into a net increase of Rs 4.946 billion in product sales revenue. Net realized prices of crude oil, gas and LPG averaged at US\$ 55.53 / bbl, Rs 174.78 / Mcf and Rs 36,935 / M.Ton respectively compared to US\$ 71.29 / bbl, Rs 140.88 / Mcf and Rs 36,567 / M.Ton respectively during last year.

Profit before taxation for the year under review was Rs 80.928 billion compared to Rs 78.307 billion during last year. Compared with increase in profit before taxation by 3.3%, profit after taxation increased by 25.3% to Rs 55.540 billion compared to Rs 44.338 billion in 2007-08. Increase in profit after taxation is mainly due to decrease in provision for taxation by Rs 8.581 billion and decrease in royalty by Rs 2.165 billion. During 2007-08, tax charge of contentious issues for prior years was incorporated after Board's approval and royalty levied on condensate and LPG from Dhodak & Dakhni fields and royalty levied on gross proceeds from Uch gas from date of inception was

recorded. Increase in profit after taxation resulted into Earnings per Share (EPS) of Rs 12.91 compared to Rs 10.31 in 2007-08.

During the year, net cash from operations after working capital changes and payments of royalty and corporate tax of Rs 39.003 billion, was Rs 52.979 billion, an increase of Rs 1.380 billion over 2007-08. Payment of Rs 25.072 billion as capital expenditure and receipt of Rs 2.161 billion as interest and dividend income resulted into net cash utilized in investing activities of Rs 22.910 billion against Rs 15.587 billion during last year. Net cash used in payment of dividends was Rs 39.406 billion as against Rs 41.473 billion. Cash flow from operating activities and net cash utilized in investing and financing activities resulted in a net cash decrease of Rs 9.337 billion to ending cash balance of Rs 8.940 billion.

Financial results for the year ended June 30, 2009 are summarized below:

		Rs in billion
Profit before taxation		80.928
Taxation		<u>(25.388)</u>
Profit for the year		55.540
Un-appropriated profit brought forward		<u>63.903</u>
Profit available for appropriations		119.443
Appropriations:		
Transfer to capital reserve		(0.155)
Distribution through Dividends:		
Final dividend 2007-08	@ Rs 3.50 per share (35.00%)	(15.053)
First interim dividend 2008-09	@ Rs 2.00 per share (20.00%)	(8.602)
Second interim dividend 2008-09	@ Rs 1.75 per share (17.50%)	(7.527)
Third interim dividend 2008-09	@ Rs 2.00 per share (20.00%)	<u>(8.602)</u>
Un-appropriated profit carried forward		<u>79.504</u>

DIVIDEND

The Board of Directors is pleased to announce final cash dividend of 25% (Rs 2.50 per share). This is in addition to three interim cash dividends at 57.50% (Rs 5.75 per share) already declared during the year. This makes a total of 82.50% (Rs 8.25 per share) for the year ended June 30, 2009.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year 2008-09, OGDCL contributed Rs 86.45 billion (2007-08: Rs 99.75 billion) to the national exchequer in the form of royalty, dividend, corporate tax, general sales tax, excise duty and development surcharge. This is in addition to Company's contribution towards savings in foreign exchange through import substitution.

EXPLORATION AND DEVELOPMENT

OGDCL is dynamically engaged in exploring sedimentary basins including offshore areas of Pakistan. As a leading E&P Company, OGDCL is endeavoring to keep a healthy portfolio. In the beginning of the year 2008-09, Company's portfolio consisted of 44 exploration licences, however, during the year few of the OGDCL's operated blocks were relinquished due to non availability of economically viable prospects, although extensive seismic data was acquired, processed and interpreted and extensive studies were carried out to firm up the identified leads. Exploration blocks relinquished during the year included Dhermund, Bagh-o-Bahar, Pakhiwala, Dhok Sultan, Offshore Indus Delta-A, Chakral, Zamurdan, Dhudial, Multan South and Kotra. As of June 30, 2009, OGDCL was operating in 35 Exploration Blocks (22 blocks with 100% share and 13 blocks as operated Joint Ventures) including 4 Offshore Blocks covering an area of 68,310.92 Sq. Kms. OGDCL is also working in old Development & Production Lease (D&PL) areas and efforts are ongoing on various leads, which could mature as prospects in near future.

OGDCL has submitted 11 new exploration Licences as 1st applicant to DGPC for grant of Petroleum Exploration Rights namely Rajdhani, Chotiali, Jandran West, Khuzdar North, Thar West, Dera Ismail Khan, Parkini Block-A, Parkini Block-B, Rasmalan, Rasmalan West and Dhok Sultan.

Recently DGPC has advertised 53 new blocks. OGDCL is doing its utmost efforts to enhance its concession portfolio by participating in the current bidding round.

During the year, OGDCL achieved 5,129 L. Kms of 2-D seismic data acquisition in Bagh South, Hundi D&PL, Khewari, Nashpa South, Sinjhor, Multan North, Bitrism, Kalchas, Rachna, Jhampir, Thano Beg concessions and Offshore Blocks A & R and 1,128 Sq. Kms of 3-D seismic data acquisition in Soghri, Thal South concessions and Offshore Block-S. Company could not start exploration activities in ten (10) Concessions due to non availability of security clearance from the concerned authorities, which constitute 33.57% of total acreage held by OGDCL. However, Government of Baluchistan has granted security clearance for start of activities in Shahana, Samandar and Shaan Concessions. While seismic data acquisition in Kalchas E.L was completed in June 2009. Geological field party covered 300 linear kilometers geological traverses in Shaan Exploration Licence Area. In addition to field work, the party also completed geological report of Kalchas area.

OGDCL carried out drilling operations on number of Exploratory, Appraisal and Development wells. During the year, Company spudded 30 new wells including 14 Exploratory/Appraisal and 16 Development wells. Exploratory / appraisal wells were spudded at Dakhni North-1, Wahid Bux-1,

Thatta East-1, Allah Waria-1, Dhodak Deep-2, Pasahki West Deep-1, Qaim-1, Baloch-1, Sahib Gul-1, Dhodak Rubbly-1, Rind Baluch-1, Reti-1A, Tando Jam-1 and Dakhni Deep-4. Development wells have been spudded at Chak Naurang 5 & 5A, Dakhni-11, Qadirpur 34, 35, 36, 37, 38 & 39, Qadirpur/HRL 3, 4 & 5, Pasahki Deep-2, Pasahki-6, Toot-20 and Uch-21. Workover jobs on additional 14 wells were also carried out.

Pakistan Basin Study Project has been successfully completed on April 30, 2009, which was commenced in October, 2005 by consultant, M/s Fugro Robertson (FRL) of UK. On successful completion of Pakistan Basin Study Project, M/s FRL consultant gave detail presentation on the synopsis and out come of the study to the Government, Ministry of Petroleum & Natural Resources, DGPC and Senior Management of OGDCL. A brochure on the Basin Study Project was prepared and presented at the Pakistan Exploration Promotion Conference (PEPC), which was held from July 23 to July 31 2009, at London (UK), Houston (USA) and Calgary (Canada) respectively.

OGDCL is actively involved in exploring possible overseas Joint Ventures (JVs) and in this connection OGDCL visited data room for evaluation of ENI offered Yemen Blocks 06 & 17 for farm in. In addition, Company also evaluated prospectivity of the ENI offered West Timor Indonesia Block and Vietnam Offshore Block of Premier Oil for farm in. OGDCL also evaluated Louga Block of Senegal offered by M/s. Blackstairs Energy. Presently, OGDCL is evaluating an oil field (heavy oil) in Sakhlín Island, Russia.

NON-OPERATED JOINT VENTURES

Tal Block

MOL Pakistan Oil and Gas is the Operator of Tal Block, OGDCL's share is 30% in exploration and 27.76% in production phase. The Operator has drilled 07 wells in Manzalai Field, 02 wells on Makori and 01 well on Mami Khel structure, while 02 exploratory wells i.e. Kahi Deep & Sumari Deep were drilled in the block which were unsuccessful, another exploratory well is under drilling. Manzalai Field is on commercial production since March 2006. Makori discovery is currently in appraisal phase and its commerciality declaration is expected before September 30, 2009. Currently, MOL Pakistan is supplying around 38 MMcfd gas and 441 bpd of condensate from Manzalai field and 26 MMcfd associated gas and 1,867 bpd of condensate from Makori Field, through EWT. The Manzalai central processing facility is expected to be completed by end of September, 2009, capable of processing 300 MMcfd gas supply to SNGPL. The field will also produce 8,000 bpd of oil/condensate.

Miano Field

OMV is the Operator of Miano Field with 17.68% share, while OGDCL holds 52%. During the year, G&G activities continued and updating of 3D Reservoir Model was completed. During the year, Miano-13, Khipro-1ST, Miano-12 & Miano-9 (P&S) were drilled and completed. Miano-13 and Khipro 1ST are producing whereas Miano-12 is completed and shut in and Miano-9 (P&S) is plugged. A total of 33.85 Bcf gas, with an average daily production of 92.71 MMcfd has been produced from Miano Gas Field during the year. Miano faced tough challenges to maintain the committed gas supply during the year, however, commissioning of two new wells with innovative rigless technology made it possible.

Pindori Field

Pakistan Oilfield Limited (POL) is the Operator of this field with 35% share, OGDCL holds 50%. The Reservoir Simulation Study of Pindori field has been completed. Pindori-7 well was plugged and abandoned. Pindori-3 well work over has been completed whereas, Pindori-4 well (work over), is under testing. During the year the field produced 296,248 bbls of oil, 914 MMscf of gas and 3,154 M.Tons of LPG.

Kadanwari, Bhit & Badhra Fields

Eni Pakistan Ltd. (ENI) is the Operator of these three fields and holds 18.42% share in Kadanwari and 40% in other two fields. OGDCL holds 50%, 20%, and 20% respectively in the three fields. Bado Jabal-1 (exploratory well) was spudded on March 24, 2009, drilling of which is on going. 3D seismic interpretation is also continued. Two wells i.e. Bhit-10 & Bhit-12 were successfully spudded, tied-in and commissioned on April 16, 2009 and December 29, 2008, respectively. Gross production from Bhit and Badhra Fields during the year was 120.2 Bcf gas and 133,698 bbls of condensate. In Kadanwari D&PL, gas discovery was made in K-17. 3D seismic processing to PSDM is on-going while the location of K-19 well has been approved by the Joint Venture partners. K-14 ST and K-20 wells were successfully drilled. After tie-in job of K-14 ST on December 29, 2008 the production has started from this well effective December 30, 2008, while K-20 remained suspended. Gross production from Kadanwari Field during the year was 16.1 Bcf of gas and 5,563 bbls of condensate.

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

BP Pakistan Exploration and Production Inc., (BP) is the Operator of Badin fields under Badin-II, Badin-IIR and Badin-III concessions with 51%, 76% and 60% share respectively. OGDCL holds 49%, 24% and 15% share respectively. A total of seven wells were drilled during the year, out of which one well was Salt Water Disposal (SWT) and the remaining six were development wells (two wells were oil producing and four were gas producing). Total production during the year was 1.153 million bbls of oil and 33.335 Bcf of gas with a production of 3,158 bopd and 91.3 MMcfd of gas.

Dhurnal, Bhangali & Ratana Fields

These fields are operated by M/s OPII and OGDCL share is 20%, 50% and 25% respectively. In Dhurnal Mining Lease, 105 Sq. Kms 3D data seismic was acquired during the year which is under processing. In Bhangali D&PL, the Joint Venture partners have decided to deepen Bhangali-1 to test deeper potential. Deepening operations are planned to take place during the year 2009-10. In Ratana D&PL, deepening of Ratana-2 started during June 2009 to test the potential of Datta / Kingriali formation. During the year, the three fields produced 149,935 bbls of oil and 1,091 MMscf of gas.

Sari South E.L.

Saif Energy Pvt. Ltd. (SEL) is the Operator of Sari South Block with 30% share while OGDCL holds 50%. During the year, additional 157 L. Kms 2D seismic in the Northern and Southern parts of the block was acquired to delineate structure to fulfil outstanding drilling obligations. Based on the results of the mapping the Operator has proposed a structure which the JV partners i.e. OGDCL and OMV have not agreed and suggested to the Operator to let the Licence lapse. OGDCL has requested DGPC for transfer of its share of minimum work obligation to another block or pay the same to the Government as per the provision of the PCA. The matter is still to be resolved.

Badar Field

Pakistan Exploration Pvt. Ltd. (PEL) is the Operator of Badar gas field with 26.32 %, OGDCL share is 50%. During the year, Seismic Inversion Study on acquired seismic data was conducted by M/s Fugro Jason. Drilling of another well is to be finalized after completion of mapping and pressure survey on the existing well i.e. Badar X-1. The total gas production from Badar gas field during the year remained 5.513 Bcf with an average production of 15.061 MMcfd.

Sara and Suri Fields

Sara and Suri gas fields are operated by Tullow Pakistan (Development) Ltd. with 38.1818%. OGDCL's share is 30%. These fields came on production in 1999. The gas is being supplied to Wapda's Guddu Thermal Power Station (GTPS). The field is currently producing 2 MMcfd of gas at Well Head Flow Pressure (WHFP) of 115 Psig.

Adhi Mining Lease

Pakistan Petroleum Limited (PPL) is the Operator of Adhi Mining Lease with 39% share, OGDCL holds 50% stake in it. Eleven wells are in production at Adhi Field out of which two wells are

producing crude oil from Sakesar formation and the remaining Tobra / Khewra wells are producing oil, NGL and gas. Currently, production rates are around 3,000 bpd of NGL, 1,800 bopd, 42 MMcfd of gas and 145 M. Tons/day of LPG. Based on encouraging results of hydraulic fracturing at Adhi-18 (T/K) which increased the productivity more than two-fold in 2007, three additional wells are planned to be hydraulically fractured back to back starting in October 2009 to increase oil recovery and provide additional gas to the plant.

DISCOVERIES

OGDCL's exploratory efforts resulted into the following two gas/condensate discoveries during the year ended June 30, 2009.

Kunnar South-1

Kunnar South-1 was discovered on July 23, 2008, in Tando Allah Yar E.L. which is located in district Hyderabad of Sindh Province. The short duration initial testing results of Zone-1 of the well produced 200 bpd of condensate and 11 MMcfd of gas at well head flowing pressure of 2,125 psi through 32/64" choke size. Similarly Zone-2 of the well produced 250 bpd of condensate and 14.7 MMcfd of gas at well head flowing pressure of 3,000 psi through 32/64" choke size.

Pasahki West Deep-1

Pasahki West Deep-1 was discovered on May 14, 2009 which is located in district Hyderabad of Sindh Province. The short duration initial testing results of Zone-2 of the well produced 80 bpd of condensate and 6.70 MMcfd of gas at well head flowing pressure of 1,400 psi through 32/64" choke size.

DEVELOPMENT PROJECTS

ONGOING PROJECTS

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 106,000 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 was undertaken by the Company. After the completion of the project, the sale gas from UCH gas field will be enhanced from 250 MMcfd to 410 MMcfd. Basic Engineering and tender documents to engage Engineering, Procurement, Construction and Commissioning (EPCC) Contractor has been completed and Gas Sale Agreement (GSA) is being negotiated between

OGDCL and UPL. Bidding process in connection with hiring of EPCC Contractor is in process. Locations for six wells have been marked on ground and drilling at Well No. 21 is in progress.

Qadirpur Compression Project

Qadirpur field is expected to start depleting in near future and in order to maintain the plateau, compression facilities are required to be installed which will help maintain the production plateau to 650 MMcfd of gas supply up to 2013. The Contract for Engineering, Procurement & Construction on lump sum turnkey basis was awarded to M/s China Petroleum Engineering & Construction Corporation (CPECC) in November 2006. The activities were held up due to litigation however, an alternate arrangement (Reciprocating Compressors) for a period of 3 years is being worked out. The Reciprocating Compressors are expected to start work by first quarter 2010.

Dhakni Expansion Project

Dakhni gas processing plant started commercial production in early 1990 with a design capacity of 30 MMcfd. 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 18-20 MMcfd of sour feed gas. The incremental production after expansion will be sales gas: 12 MMcfd, condensate: 720 bpd, sulphur: 80 M. Tons/day and LPG: 12 M. Tons/day. Contract for the supply of Sulphur Recovery Unit (SRU) was signed in May 2008. Delivery of the unit is expected in September 2009. Most of the material / equipments were received at site except for Power Generation, Refrigeration Package & Instrument Cable which is in the pipeline. Technical / Financial evaluation of Refrigeration Package has been completed and the case is under process for award of the Contract. The Tender document for PCC Contractor has been advertised and the Bid will be opened on August 31, 2009. The project is expected to be completed by August 2010.

Sinjhor Development Project

The Project is located at district Sanghar, Sindh. The surface facilities to be installed by the Company include gas gathering system for 14 wells, trunk line from Sinjhor to Bobi field, gas treatment plant, LPG recovery and compression system etc. The project will enhance OGDCL production capacity by 2,100 bopd, 31 MMcfd of gas and about 138 M.Tons/day of LPG. Tenders for development of the field were advertised on February 20, 2009 however, the bidding process is held up under the Sindh High Court directive till next hearing.

Kunnar & Pasakhi Deep/TAY Integrated Development Project

The Company intends to undertake KPD-TAY Integrated Development Project. The objective of the Project is to install a 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). Fields are located about 25 Kms from Hyderabad city, Sindh Province, Pakistan. The Gas Processing Plant will be installed adjacent to the Company's existing Kunnar LPG Plant.

The expected production will be 278 MMcfd of gas, 4,700 bopd and 361 M.Tons/day of LPG. Tender for development of the fields were advertised on February 20, 2009, however the bidding process is held up since March 19, 2009 due to litigation.

UPCOMING PROJECTS

Sara West Development Project

The Sara West field is located in district Khairpur, Sindh Province and was discovered in 1996. So far three wells have been drilled at the field. The field has gas of low hydrocarbon contents and can be used for power generation only. The Company intends to develop the field for supply of gas to a power generation company. The field Development Plan is under consideration and development of the field is dependent upon negotiating a suitable gas price.

Jhal Magsi Project

Jhal Magsi field is located in Dera Murad Jamali and was discovered in 2003. It is a JV between the OGDCL, GHPL and POL. Three wells have been drilled out of which two (02) are producers. The field has high contents of H₂S which would require removal before the gas is injected into the transmission network. DGPC approved the development plan on July 25, 2009. OGDCL Management and JV partners have approved the engagement of Engineering Consultant for preparation of Basic Design Engineering Package and Invitation to Bid (ITB). OGDCL has given go ahead to M/s Enar Engineering consultant to start work on preparation of bid documents. Upon completion of the project 15 MMcfd gas will be produced.

Bahu Field Development Project

Bahu Gas field is located about 75 Kms North-East of Multan city in Punjab province. The first well Bahu-1 was drilled in February 2006, targeting Cretaceous Lumshiwai and Jurrassic Samanasuk formations which produced commercial quantity of hydrocarbon. The field has total of 04 gas producers. Based upon the facilities to be installed and development cost involved, development of

this field is economically viable, therefore OGDCL has planned to develop the field with total production profile of fifteen (15) years. Total gas of four wells will be transported to Nandpur plant through pipeline where the gas will be dehydrated and delivered to M/s FKPCCL. The field will produce 24 MMcfd raw gas and with expected start-up from 4th quarter of 2010.

OIL AND GAS RESERVES

The gas reserves of Chak-5 Dim South field were revised upward from 3.688 Bcf to 8.938 Bcf with its condensate yield increasing from 0.55 MMstb to 1.075 MMstb to cater its production profile for the remaining years. The probable gas reserves of Hundi and Nandpur were shifted towards proved reserves category and half of the probable oil reserves of Mela were also shifted towards proved reserves category due to better production performance of these fields during the year.

Kunnar reserves were also revised upward based on the production history performance of the field. The in-place oil of the Kunnar oil field has been revised based on the reservoir simulation study of the Kunnar field carried out by M/s Furgo Robertson. There is no downward revision in the reserves during the same period. During the year 2008-09, cumulative oil and gas production recorded was 14.695987 MMstb and 393.97895 Bcf respectively at an average rate of 40,263 bopd and 1,074 MMcfd. OGDCL's remaining recoverable reserves as of June 30, 2009 stood at 145.427 MMstb of oil and 10,211.76 Bcf of gas.

PRODUCTION

OGDCL's production activities are focused towards oil and gas enhancement and to implement innovative techniques to achieve the production targets. Most of the Company's wells in Southern region are on Enhance Oil Recovery (EOR). OGDCL has been successful in minimizing the down time of the rotary equipment. Moreover, the natural decline in oil production has been arrested to minimum through rig/rig-less workovers, stimulation and other innovative techniques.

Crude Oil Production

During the year under review, crude oil production from Company's 100% owned fields and share in operated JV fields decreased by 3.3% (1,236 bopd) compared with last year. This decrease is mainly due to decline in production from Dhodak, Thora, Lashari, Bobi, Sono, Tando Alam and Chanda fields partially offset by increase in production from Kunnar, Mela, Pasahki and start of production from Moolan North and Chak-66 NE fields. Share of crude oil production from non-operated JV fields also decreased by 19.4% (1,179 bopd) which resulted into net decrease in crude oil production by 5.6% (2,415 bopd).

Compared with Business Plan targets, crude oil production from 100% owned fields and share in operated JV fields was on the lower side by 5.2% (1,989 bopd) mainly due to lower than forecasted production from Bobi, Qadirpur and Mela fields on account of mechanical problems, natural decline in production at Dhodak and Kal fields and abandonment of Chanda-3 development well due to mechanical problem during drilling phase. However, production from Sono, Pasahki, Rajian, Kunnar, Moolan North and Chak-66 NE fields was higher than the Business Plan targets. Company could not achieve targeted share of crude oil production from non-operated JV fields which was lower by 1,524 bopd as against business plan target primarily due to decline in production from Pindori Field.

Gas Production

Company's Gas production during the year was slightly higher than the Business Plan targets and actual gas produced during last year. Yield improvements resulted into increase in gas production from Nandpur-10, Dakhni Deep-2 and Mela-1. However, gas production targets from Pirkoh and Chanda could not be achieved because of natural decline and security issues at Pirkoh and abandonment of Chanda-3 development well during drilling phase due to mechanical complications.

LPG Production

Compared with actual numbers of last year and Business Plan targets of year under review, LPG production decreased by 35.6% and 32.5% respectively mainly due to water break through at Dhodak field and operational problems at Bobi plant. Share of LPG production from non-operated JV fields was also on the lower side than anticipated.

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)	27,976	8,141	4,902	41,019
Gas (MMcfd)	360	426	215	1,001
LPG (M. Tons/day)	129	14	75	218
Sulphur (M. Tons/day)	64	-	-	64

- Daily production for the year 2008-09 has been worked out at 365 days per annum (2007-08: 366 days per annum)

BOARD OF DIRECTORS

The Board comprises of eleven Directors including the Chairman and MD / CEO. During the year under review, Mr. Zahid Hussain was appointed as Managing Director of OGDCL in place of Mr. Arshad Nasar, who relinquished the charge of Chief Executive Officer on July 11, 2008. The Board records its appreciation for the valuable contributions and services rendered by Mr. Arshad Nasar. The present Board was elected in the Annual General Meeting held on September 29, 2008 for a term of three years. Mr. Zahid Hussain, MD / CEO welcomed the new Board. The Board wished to

record its appreciation for the contribution and services rendered by the outgoing Directors during their tenure.

The Board presently comprises of the following Directors:

Mr. Farooq Rahmatullah	Chairman
Mr. Zahid Hussain	Managing Director & CEO
Mr. Muhammad Ejaz Chaudhry	Director
Mr. Sikandar Hayat Jamali (late)	Director (expired on July 25, 2009)
Mr. Tariq Iqbal Khan	Director
Mr. Waqar A. Malik	Director
Mr. Rafique Dawood	Director
Mr. Tariq Faruque	Director
Miss Shagufta Jumani	Director
Mr. Iskander Mohammed Khan	Director
Mr. Wasim A. Zuberi	Director

We state with sorrow and grief that Mr. Sikandar Hayat Jamali, Director, OGDCL Board, passed away on Saturday, July 25, 2009. May Allah bless his soul, provide eternal peace and give courage to the members of bereaved family to bear this loss (Ameen). The Board of Directors wishes to record its appreciation for the contributions and services rendered by late Mr. Sikandar Hayat Jamali.

MEETINGS OF THE BOARD

Fourteen meetings of the Board of Directors were held between July 01, 2008 to June 30, 2009 and the attendance of each Director is given below:

S.No.	Name of the Directors	Total No. of meetings*	Meetings attended
1.	Mr. Arshad Nasar, (former Chairman & CEO)	4	3
2.	Mr. Alman Aslam, (former Director)	4	1
3.	Mr. Asad Umar, (former Director)	4	4
4.	Al-Syed Abdul Qadir Jamaluddin Al-Gillani, (former Director)	4	1
5.	Mr. Aslam Khaliq, (former Director)	4	2
6.	Mr. Azam Faruque, (former Director)	4	3
7.	Mr. Irshad Ahmed Kaleemi, (former Director)	4	3
8.	Mr. Khalid Rafi, (former Director)	4	4
9.	Mr. M. Naeem Malik, (former Director)	4	4
10.	Mr. Sikandar Hayat Jamali, (former Director – also included in the current Board)	14	10
11.	Mr. Zahid Majid, (former Director)	4	1
12.	Mr. Zahid Hussain, MD / CEO	13	13
13.	Mr. Farooq Rahmatullah, Chairman	10	10
14.	Mr. Iskander Mohammed Khan, Director	10	9
15.	Miss Shagufta Jumani, Director	10	7
16.	Mr. Muhammad Ejaz Chaudhry, Director	10	8
17.	Mr. Rafique Dawood, Director	10	6
18.	Mr. Tariq Faruque, Director	10	7
19.	Mr. Tariq Iqbal Khan, Director	10	6
20.	Mr. Waqar A. Malik, Director	10	3
21.	Mr. Wasim A. Zuberi, Director	10	9

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

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee consists of the following 4 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
Ex-Audit Committee			
1.	Mr. Khalid Rafi, (Former Chairman)	01	01
2.	Mr. Aslam Khaliq, (Former Member)	01	01
3.	Mr. Irshad Ahmed Kaleemi, (Former Member)	01	01
Present Audit Committee			
4.	Mr. Tariq Iqbal Khan, Chairman	03	03
5.	Mr. Iskander Mohammed Khan, Member	03	02
6.	Mr. Rafique Dawood, Member	03	03
7.	Mr. Waqar A. Malik, (Former Member)	02	01
8.	Mr. Muhammad Ejaz Chaudhry, Member	02	Nil

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

Operations and Finance Committee

Operations and Finance Committee of the Board comprises of six (6) Directors including the Chairman and MD/CEO. Terms of Reference of the Finance Committee are approved by the Board of Directors. During the year under review, three (3) meetings of the Operations and Finance 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	03	03
2.	Miss Shagufta Jumani	03	03
3.	Mr. Zahid Hussain, MD / CEO	03	01
4.	Mr. Muhammad Ejaz Chaudhry	03	02
5.	Mr. Tariq Faruque	03	02
6.	Mr. Tariq Iqbal Khan	03	02

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

Human Resource Committee

Human Resource Committee of the Board comprises seven (7) Directors including the Chairman and MD / CEO. Terms of Reference of Human Resource Committee are approved by the Board of Directors. During the year under review, seven (7) meetings of the Human Resource Committee were held and attendance by its members was as follows:-

S.No.	Name of Director	Total No. of meetings*	Meetings attended
1.	Mr. Iskander Mohammed Khan, Chairman	07	06
2.	Miss Shagufta Jumani	07	04
3.	Mr. Farooq Rahmatullah,	07	05
4.	Mr. Muhammad Ejaz Chaudhry	07	06
5.	Mr. Sikandar Hayat Jamali	07	02
6.	Mr. Waqar A. Malik	07	02
7.	Mr. Zahid Hussain, MD / CEO	07	07

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

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and the Board of Directors is accountable to the shareholders for good corporate governance. Management 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 Management. Vision & Mission statements have been redefined in the light of Company's present standing and future outlook which was approved by the Board. Core values and Statement of Ethics and Business Practices have already been prepared and approved by the Board. Significant policies as required under the Code of Corporate Governance have been framed and submitted for the 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.
- 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 significant 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.
- Value of investments, including bank deposits, of various funds as at June 30, 2008, based on their respective audited accounts, is as under:
 - Pension and Gratuity Fund Rs 9,875.840 million
 - General Provident Fund Rs 1,581.740 million

INTERNAL CONTROL AND AUDIT

OGDCL has implemented a system of internal control which is sound in design and has effectively been implemented and monitored with ongoing efforts to improve it further. This system is based on the plan of the Company and all of the methods and measures adopted within its business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The controls within Company's system of internal control 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.

Company's administrative controls include the plan of OGDCL and procedures and records that are concerned with the decision processes leading to management's authorization of transactions with the responsibility for achieving the objectives of the Company. Accounting controls comprise the plan of OGDCL and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that the transactions are executed in accordance with management's authorization, as per existing policies and procedures, transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, access to assets is permitted only in accordance with management's authorization and the accounting record of assets is compared with physically available assets at reasonable intervals and appropriate action is taken with respect to any differences.

The function of Internal Audit in OGDCL is catered through an independent in-house Internal Audit Department to assist the Board of Directors and the Management in maintaining and constantly improving internal controls in accordance with business risks assessment. Internal Audit Department is headed by a full time employee of the Company functionally reporting to Chairman Audit Committee. The performance of the Internal Audit Department is monitored through Audit Committee of the Board of Directors. The scope of the Department has been defined by the Board

as recommended by the Audit Committee and the Department's head has free and unfettered access to management information needed to carryout its work on behalf of Audit Committee besides the Chairman of the Audit Committee, members of Board/employee and other persons.

The function of the Internal Audit Department includes independent assurance that controllable business risks are being managed with effective control 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 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, carryout review work, special audit and investigations advised as and when required by the Audit Committee and Management and liaise and coordinate with external auditors and Government Auditors to ensure that assurance from both internal and external resources is provided effectively.

HUMAN RESOURCE

OGDCL fully recognizes its committed and capable workforce of around 11,000 as the primary asset in providing value addition to the Company and all its stakeholders. The Company is committed in ensuring employee satisfaction and motivation and is consistently improving all HR policies in line with the best practices being employed in the industry. The core activities of HR include re-structuring OGDCL's Organogram, introduction of performance driven evaluation system based on management by objectives. Integration of Oracle HRMS and Oracle payroll modules have been put in place to streamline and monitor the HR function. Trainings are being regularly conducted based on the assessed training needs of our professionals and their motivational needs are also being looked after on a continuous basis. In house training courses are being conducted mostly at the Company's training Institute. Management relations with CBA remained friendly and industrial peace prevailed at all locations during the year.

TRAINING AND DEVELOPMENT

Oil & Gas Training Institute (OGTI) provides wide range of upstream training programs to meet the training needs of OGDCL and other E&P Companies working in Pakistan. The Institute is imparting education and training in various disciplines of petroleum sector including Exploration, Drilling Engineering, Mechanical Engineering, Reservoir Engineering, Production Engineering, Process Engineering, Instrumentation & Process Control, Health, Safety & Environment and Petroleum

Management. OGTI provides basic training to the petroleum industry graduates and technicians enabling their career induction, as well as refresher and advanced training to experienced professionals.

Basic Training at OGTI

201 Geoscientists and Engineers belonging to 18 different groups completed their 11 months training at OGTI during this period. A total 77 courses (Technical, I.T, HSE and Management) were conducted for these trainees. In addition, they were placed with their respective departments including rigs, production fields, geological & seismic parties for on job training.

Refresher Courses at OGTI

During the year, 60 courses were conducted for oil industry professional. 834 participants from OGDC and 51 from other oil companies participated in these courses. These include courses in Technical, Managerial, HSE and IT Skills.

Special Trainees from Dera Bugti

A group of 22 DAE/Engrs. from Dera Bugti belonging to different companies including OGDCL are currently undergoing two-year training program at OGTI. A total 19 courses were conducted for these trainees. They also perform on job training with the respective companies.

Technical Schools at Quetta & Karak

One year training program at Technical Training Center, Karak and Technical Training Center, Quetta is in progress. 100 students are undergoing training at each of these centers.

INFORMATION TECHNOLOGY (IT)

The Company continued its efforts towards improving in-house Financial Information and Control Systems to bring more efficiency, transparency and controls. In this regard existing Oracle ERP Systems were further enhanced and additional modules were acquired that include Budgeting and Control, Internal Control Manager, Treasury and Business Intelligence. The Budgeting and Control solution will facilitate efficient preparation of annual budgets and will help enforcing necessary controls and have gone live in July 2009 while the rest of the new modules will be operational in a few months time.

As part of the exercise to acquire new technologies in core area of Seismic Data Processing, a project has been initiated to replace the existing old System through competitive bidding.

On the Network side, steps were taken towards expanding LAN/WAN to Company operation sites situated at remote locations. The initiative for networking and broad band data connectivity with the

major production fields using country-wide fiber optics facility of PTCL was followed up this year as well and during the period under review a total of ten major production fields were covered. The exercise has provided local network connectivity and also a faster WAN (Wide Area Network) link between the HO and these fields facilitating efficient and timely exchange of operational information within the fields and also with the Head Office.

Under a technology upgrade plan, about 500 old Personal Computers were replaced with latest machines.

M/s IBM has been selected through a competitive bidding process for carrying out a revamping exercise for existing OGDCL data center at the Head Office. The project includes data center revamp and induction of new technologies in terms of Blade Servers, Storage Area Network (SAN) and network infrastructure including network security equipment. The work on the project has started in July 2009 and will take about 3-4 months to complete.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY (HSEQ)

Being the leading E&P Company in Pakistan, OGDCL strives to provide a healthy, cleaner and safe environment to the employees and has taken numerous steps to move Company a step forward in the field of HSEQ. In this respect, the Company has adopted a proactive approach to fulfil the legal requirements along with the efforts carried out to emerge as an entity having high HSE values.

National Forum for Environment and Health (NFEH) affiliated with United Nation Environment Program (UNEP) unanimously decided to award Environment Excellence Award 2009 to OGDCL. The Company strives for achieving the highest standards in HSEQ.

Initial Environmental Examination (IEE) studies of current seismic projects and exploratory & development wells were carried out utilizing internal resources. IEE studies for 2-D seismic survey in Offshore Block-R & A were carried out by the renowned consultant M/s Hagler Bailly Pakistan and submitted to the concerned EPAs for issuance of NOCs. Similarly EIA study for Extension of Facilities Project in River Indus was carried out by M/s NESPAK and submitted to the concerned EPA for issuance of NOC.

To be in line with the leading E&P companies on the international horizon M/s DNV is conducting ISO 14001 and OHSAS 18001 certification audits at our two major fields i.e. Qadirpur and Dhodak. Consequently, all major fields and plants will be ISO certified.

Considering the trainings as a first line of defence against accidents HSEQ Department arranged trainings programs for the employees using in-house resource persons as well as from abroad. The trainings carried out include Integrated Waste Management, Environmental Pollution and Mitigation Measures, Risk Assessment, Accident Investigation, Fire Prevention and Safety, Air & Noise Pollution etc.

A new HSE Policy Statement and Commitment has been formulated, approved by MD & CEO and circulated throughout the Company for implementation. This HSE Policy provides a framework by which HSE System will be implemented throughout the Company fulfilling the requirements of ISO 14001 and OHSAS 18001 international standards

CORPORATE SOCIAL RESPONSIBILITY

OGDCL being a socially responsible corporate entity is always committed to go beyond what is required by law to make a positive impact on society and the environment through management and operations and through their engagement with stakeholders including employees, investors and communities. The quality of our management in terms of people and processes and the nature and quantity of our Corporate Social Responsibility (CSR) activities has a positive impact on communities in the areas. OGDCL's CSR is a continuing commitment 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.

Healthcare

OGDCL firmly believes that healthcare is a pre requisite for a healthy society and a base for economic development. Our dedication to this is emphasized through the fact that at present OGDCL has 17 welfare dispensaries and two mobile dispensaries providing free health care to the people of those areas. We intend to enhance our base and provide the same to other concession areas where we have not reached.

Water Supply

OGDCL is playing a positive role in providing clean drinking water to especially those areas where there is shortage of water and subsurface water is not available. Water is being supplied to these areas through hired water tankers with local community involvement; OGDCL is also involved in developing permanent water supply for these areas.

Education

OGDCL endeavors to bring changes in the lives of people associated with us and for this we are already operating two training institutes in NWFP at Karak and at Quetta in Baluchistan. Training in these institutes is being provided in petroleum technologies to students living in the area by

providing a monthly stipend. Similarly we have opened a vocational training school in Tando Muree area for girls, where they are trained in the art of stitching and embroidery. Improvement in government schools by building new classrooms, providing scholarships to students of remote areas, provision of transport to students and faculty members are apart of our CSR policy.

Infrastructure

OGDCL spends a major portion of its CSR funds on development of infrastructure in the areas of its operations; mainly the expenditure is on construction of roads and bridges. These works have been done in all four provinces making farm to market roads, bridges and culverts for the convenience of the locals of the area. Provision of street lights and construction of drains have also been done as per requirement of the people.

BUSINESS RISKS AND CHALLENGES

OGDCL as an E&P Company is exposed to operational and non-operational risks. Management of the Company appreciates its 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.

Exchange Rate Risk

Rs/US\$ parity decline has a positive impact on OGDCL's earnings as a number of gas fields have wellhead pricing in US\$ terms. Besides, crude revenue is also tied to US\$ based pricing mechanism based on international crude prices with suitable yield differential. On the other hand, 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. To avoid other exploration risks, OGDCL is utilizing experienced professionals and latest technologies in selection of acreage, acquisition and processing of seismic data etc.

Reserves Depletion

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 oil around 1/3rd 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. OGDCL utilizes its core competence to maintain production levels.

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 & 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 business.

Environmental risks

OGDCL is vulnerable to environmental changes including earth quakes, heavy rains, floods etc. that may materially impact production at various fields. Compliance to changes in environmental regulations relating to HSE could result into higher cost to the Company.

Law & Order

Security concerns have increased since the start of escalation in adjoining border areas to few of our exploration blocks. This is potentially detrimental to OGDCL's exploration efforts. Due to uncertain and uncontrollable situation, OGDCL's operations may be curtailed.

FUTURE OUTLOOK

OGDCL as a leading exploration and production Company has set very aggressive targets in its strategic plan for the next five years (2009-10 to 2013-2014).

In order to achieve its strategic plan targets which are in line with the redefined vision, mission and goals, Company is following the strategies of continuous reserve additions through design and maintenance of a balanced exploration portfolio of all blocks ranked according to size of reserves, profitability and associated risks, optimizing company's portfolio through aggressive exploration activities, formation of joint ventures with leading E&P Companies inside and outside the Country and continuous review and improvement of policies & internal processes. In addition, Company is enduring to further enhance corporate goodwill through focused social welfare activities for the benefit of the local communities.

OGDCL is also pursuing selective international expansion while domestic expansion remains OGDCL's core focus, the Company intends to grow and diversify its portfolio through selective international expansion in the medium to long-term. In order to achieve its strategies, the Company is implementing international best practice by ensuring an efficient organizational structure and business processes that are focused on enhancing its production and reserves base.

OGDCL's primary objective is to enhance its reserves and production profile and ultimately maximize value for shareholders. In order to achieve this goal, the Company is focusing on the execution of its strategies which include accelerating production growth through utilizing cutting edge technologies, allowing the Company to utilize its significant reserves base and capitalize on the economic growth and accelerating energy demand envisaged in Pakistan. The Company is seeking to exploit exploration opportunities by building the Company's future reserves portfolio through its large onshore exploration acreage.

Moreover, as part of its strategies, OGDCL is maintaining low cost operations as its operating environment, namely the geographic concentration of its reserves base within Pakistan, is a major factor in allowing it to control its low cost structure. Within Pakistan, the Company's leading position also enables it to access economies of scale across its significant reserves base and operations.

Company's strategies will further strengthen Company's production base and with sustained growth we anticipate improving financial results in the years ahead which will help the Company in carrying out its exploration and development activities set out in its Strategic plan. Our exploration, development and production efforts backed by healthy financial position will help in adding significant value for the shareholders in the years to come.