OIL AND GAS DEVELOPMENT COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW

OGDCL achieved significant success in the fiscal year 2011-12 again delivering strong financial results and stable operating performance that merits great pride in the Company's financial strength, high quality assets, business strategy and dedicated employees. The Company's persistent efforts resulted in improved profitability along with increased production of crude oil and gas. The said increase in the Company's production along with the higher realized prices of crude oil, gas, LPG and sulphur led the Company to register a record Profit after Taxation (PAT) of Rs 96.906 billion in the reporting period translating into Earnings per Share (EPS) of Rs 22.53. It is pertinent to mention, that this robust financial performance has been achieved against the backdrop of torrential rains and floods in the Southern region of the Country during the month of September 2011 and natural decline of production in some of the producing fields which negatively impacted the Company's production. In addition, prevailing inter-corporate circular debt issue in the industry along with law & order situation in few of the operational areas are other stumbling blocks in smooth running of the Company's exploration and development activities.

The Company's exploration strategy is aimed at maintaining a mixed portfolio of onshore exploration concessions while keeping a balance between accelerating exploration activities and risk mitigation with acceptable drilling success ratio and focus on reserves addition. In line with its exploration strategy, the Company during the year 2011-12, actively carried on the exploration work and acquired 2,589 L. kms of 2D seismic data and 654 Sq. kms of 3D seismic data from various exploration blocks. The Company also spudded seventeen (17) new wells including seven (07) exploratory/appraisal wells and ten (10) development wells.

During the year under review, the Company's exploratory efforts to locate new hydrocarbon reserves yielded two (02) new significant oil and gas discoveries at Nashpa-2 exploratory well in District Karak, Khyber Pakhtunkhwa and at Zin X-1 exploratory well in District Dera Bugti, Balochistan. In addition, the Company has successfully completed the Phase-1 of Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY) development project and brought Nashpa-2 online adding to a significant cumulative production of 7,500 barrels of crude oil per day, 130 MMcf of gas per day and 140 M.Tons of LPG per day in the system.

Beside the above mentioned successes, the celebration of Golden Jubilee representing fifty years of OGDCL's existence has been another main highlight of the year. The past five decades for the Company have been the story of continuous efforts and struggle in exploiting new reserves and optimizing oil and gas production for meeting growing energy demands in the Country. Competence and hard work of the Management & employees enabled OGDCL to attain the benchmark position as Pakistan's leading Exploration & Production (E&P) Company.

The importance of energy in economic development and prosperity of any Country can hardly be refuted. The current macroeconomic conditions of Pakistan reveal that the Country is suffering from an unprecedented energy crisis for past few years. The prime contributing factors are the widening of energy demand-supply gap and natural depletion of oil and gas reserves from mature producing fields.

OGDCL, being the largest E&P Company of the Country is conscious of the above said problems and is making concerted efforts on building a balanced resource portfolio leading to long term value creation, realization of substantial returns to the shareholders and for the accelerated growth of economy as a whole. This can be witnessed from the fact that the Company contributed around 58% of Pakistan's total oil production and 27% of its total natural gas production during the fiscal year 2011-12. In addition, the Company also contributed Rs 100.55 billion towards the national exchequer on account of corporate tax, dividends, royalty, general sales tax, excise duty and development surcharge.

Looking ahead, OGDCL continues to target long term production growth by focusing on expediting the completion of our ongoing development projects which on completion are intended to further enhance oil and gas production of the Company. Furthermore, the Company is also engaged in aggressive exploration activities to rapidly discover new hydrocarbon reservoirs while leaving a minimal signature on the environment and at the same time enhancing the welfare of communities where its operations are located.

We plan to meet our above said commitments by the active collaboration of all OGDCL stakeholders particularly the Government of Pakistan (GoP), Ministry of Petroleum and Natural Resources (MP&NR), JV partners and Company's shareholders and look forward to their contribution, assistance and support in the years ahead. In view of the solid operational and financial performance delivered by the Company during the fiscal year 2011-12, I congratulate the Management and employees for their hard work and dedication which helped the Company to sustain its growth and deliver yet another industry leading performance.









