Company: Oil & Gas Development Company Limited

Conference Title: Full Year Results July 2008 to June 2009

Presenter: Aftab Ahmed, Chief Financial Officer

Date: Thursday, 13th August 2009, 5:30 pm (Pakistan Standard Time)

Operator: Good day, ladies and gentlemen, and welcome to today's Full Year Results July 2008 to June 2009 conference call. For your information, this conference is being recorded. At this time I'd like to turn the call over to your host today, Mr. Aftab Ahmad, Chief Financial Officer. Please go ahead, sir.

Aftab Ahmad: Ladies and gentlemen, I welcome you all to our full year 2008-09 results announcement conference call. I would request you all to please read the legal disclaimer on page 2 of the presentation, which basically elaborates certain risks involved in our business. I'll take a pause for a minute or two while you read the forward-looking statements.

Let's move onto the next slide, titled "Overview". OGDCL is the largest upstream player in Pakistan. It enjoys the largest share of exploration acreage in the country, which stands at around 30% of the total awarded acreage. It holds 45% of the country's recoverable oil reserves and 35% of the country's recoverable gas reserves. In terms of production, currently OGDCL delivers 63% of the country's oil output and around 24% of the country's gas output. Our remaining recoverable reserves (estimated as at June 2009) stood at an impressive 1.065 billion BOE on a 2P basis. The reserves data is based on the latest available third-party (D&M) certified reserves as of December 31st 2006 minus the actual net production from January 2007 to June 2009. The additional reserves estimates of new discoveries made between Jan 2007 to August 2009 are not included as they are yet to be certified by the third-party reserves evaluation consultant. We have a portfolio of 70 fields out of which 40 fields are 100% operated and 30 are non-operated fields. Our joint venture partners include foreign as well as local E&P companies.

OGDCL, with its in-depth understanding of Pakistan's geology, is well-positioned to capitalise on significant upside geological potential. We continue to believe that Balochistan and offshore presents a great opportunity to increase our reserves base. The map on the left illustrates the main areas where our key assets are located. By looking at the map you will also see that we are present in all four provinces of the country.

Let's move on to the next slide, which is slide number 4. While looking at the performance of the Company, I am pleased to inform you that net sales rose by 3.9% to Rs. 130.93 billion from Rs. 125.908 billion during the same period last year. This increase in sales revenue is due to both higher realised prices of gas, and the effect of the exchange rate. Operating profit margin and net profit margins also showed an increasing trend of 59% and 42% as compared with the same period last year. EPS increased significantly to Rs. 12.91 as against Rs. 10.31 in the same period last year. Our net crude oil production volumes dipped by 5.6% as compared to the same period last year. This was in part due to the natural decline at some of our operated as well as non-operated fields, and due to the water encroachment problem at Dhodak and Pindori fields. Average realised crude prices receded to US$ 55.53 from the last year price of US$71.29. However, the average net realised gas price increased from last year's price of Rs. 140.88 per Mcf to Rs. 174.78 per Mcf. OGDCL was able to spud 30 wells during the year in review. 14 were exploratory / appraisals and 16 were development wells.

Let's move on to the next slide, which is slide 5. During the year under review, crude oil production from Company's 100%-owned fields and share in operated JV decreased by 3.3% (i.e. about 1,236 barrels per day) compared with last year. This decrease is mainly due to the decline in production from Dhodak, Thora, Lashari, Bobi, Sono, Tando Alam and Chanda fields, which was partially offset by an increase in production from Kunnar, Mela, Pasakhi 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% (which is around 1,139 barrels of oil per day), which resulted in the net decrease in crude oil production by 5.6% (i.e. 2,415 barrels of oil per day).

The 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 in increase in gas production from Nandpur-10, Dakhni Deep-2 and Mela-1 wells. Our gas production target from Pirkoh and Chanda could not be achieved because of natural declines and security issues at

Pirkoh and abandonment of Chanda-3 development well during drilling phase due to mechanical complications. LPG production compared with last year decreased by 35.6% mainly due to water breakthrough 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 previously anticipated.

Let's move to the next slide, which is slide number 6. It gives you a view of our operational update relating to the projects. Sinjhoro project is located at district Sanghar: facilities to be installed include gas gathering system for 14 wells, trunk line from Sinjhoro to Bobi field, gas treatment plant, LPG recovery and compression system, etc. The project is on hold because of litigation in the Sindh High Court.

KPD/Tando Allah Yar joint development entails installation of a gas processing facility to process raw gas from Kunnar Pasakhi Deep and Tando Allah Yar gas/condensate fields to supply processed sales gas to Sui Southern Gas Company Limited. Fields are located about 25km from Hyderabad City, Sindh Province. Tenders for the development of the field were advertised on February 20th 2009. However, the bidding process is held up since March 19th 2009 due to litigation, as earlier mentioned in the case of Sinjhoro.

Qadirpur Compression Project: Qadirpur field is expected to start depleting in near future, 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 and construction on a lump sum turnkey basis were awarded to the China Petroleum Engineering & Construction Corporation (CPECC) in November 2006. Currently, we are trying to put another alternate concept, which is installation of reciprocating compressors, which are expected to start work by first quarter 2010 and will take us thru the next three years. By that time we'll have the centralised compression in place, which will take the project further.

Dakhni development project: Dakhni gas processing plant started commercial production in early 1990s, with a design capacity of 30 MMcfd. Over the years, the composition of H_2S content of raw gas has increased, resulting in processing limitation on the existing plant. The tender document for EPCC contractor has been advertised and the bids will be opened on August 31st 2009. The project is expected to be completed by August next year.

Uch II development project: 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 MMbtu per day of gas to the Uch Power Plant. After carrying out a detailed study of Uch gas field, it is envisaged that OGDCL is in a position to commit additional 160 MMcfd for next 25 years to a power producer. Hence Uch II development project was undertaken by the Company. Bidding is in process in connection with hiring of EPCC contractor. Locations for six wells have been marked on ground and drilling at well # 21 is in progress.

Moving onto the next slide, which is slide 7, during the financial year 2008-09, OGDCL carried out drilling operations in a number of exploratory, appraisal and development wells. During the year, the Company spudded 30 new wells, including 14 exploratory/appraisal wells and 16 development wells. Workover jobs on additional 14 wells were also carried out, which helped us to arrest decline in producing fields.

As a leading E&P company, OGDCL is endeavouring to keep a healthy portfolio of licences. At the beginning of the year 2008-09, the Company's portfolio consisted of 44 exploration licences. However, during the year a few of the OGDCL-operated blocks were relinquished due to non-availability of economically viable prospects although extensive seismic data was acquired, processed, interpreted and extensive studies were carried out to firm up identified leads.

As of June 30th 2009, OGDCL is operating in 35 exploration blocks, 22 blocks with 100% share and 13 blocks as operated joint venture, including four offshore blocks, covering an area of 68,310 km^2. OGDCL has submitted 11 new exploration licence applications as First Applicant to the DGPC for grant of petroleum exploration rights. We expect that DGPC will start bid invitation and award process in the near future.

During the year in review, OGDCL discovered two gas/condensate fields, namely Kunnar South-1 and Pasakhi Deep West-1. The short duration initial testing results of zone 1 of the Kunnar South-1 well produced 200 barrels per day of condensate and 11 MMcfd of gas at wellhead flowing pressure of 2,125 Psi through a half-inch choke. Similarly, zone 2 of the well produced

250 barrels per day of condensate and 14.7 MMcfd of gas at wellhead flowing pressure of 3,000 Psi, again through a half-inch choke. In case of Pasakhi Deep West-1 the short duration initial testing results of zone 2 of the well produced around 80 barrels per day of condensate and 6.70 MMcfd of gas at wellhead flowing pressure of about 1,400 Psi through a half-inch choke.

OGDCL achieved 5,129 linear kilometres of 2D and 1,128 km^2 of 3D seismic survey during the period under review. Pakistan Basin study project, which was commenced in October 2005 by consultants Messrs. Fugro Robertson of UK, has been successfully completed on April 30th 2009.

OGDCL is actively involved in exploring possible overseas joint ventures, and in this connection OGDCL team evaluated Eni-offered Yemen blocks 6 and 17 for farm-in. In addition, the Company also evaluated prospectivity of the Eni-offered West Timor Indonesian block and a Vietnam offshore block of Premier Oil for farm-in. Evaluation has also been carried out for Louga block of Senegal offered by M/s Blackstairs Energy. Current evaluation is being carried out for a heavy oil field located in Sakhalin Island, Russia.

Let's move onto the next slide, which is slide 8, which gives you a snapshot of our financials. Net sales have improved when compared with last year. Increase in sales revenue is mainly driven by higher realised gas prices, which contributed Rs. 12.34 billion towards the increased sales revenue. Enhanced sales volume of gas also contributed an additional amount of Rs. 728 million. After factoring in the effect of the decrease in realised oil price and oil volumes, along with the increase in exchange rate gain in oil, the total product sales figure comes to around Rs. 4.945 billion.

We experienced an increasing trend with respect to operating expenses as compared to the corresponding period last year. This is an industry-wide phenomenon. Critically though, our focus has been to grow without sacrificing our profitability and as you can see we have been able to improve our profitability from where we stood last year. Profit before taxation for the period was Rs. 80.928 billion compared to Rs. 78.307 billion for the corresponding period last year reflecting a 3.3% increase in the Company's earnings performance. This was after taking Rs. 7.46 billion write-offs in respect of exploration and prospecting expenditure, including unsuccessful drilling expenditure.

We expect our consistent and targeted spending in exploration and prospecting will bear fruit in terms of addition of hydrocarbon assets and reserves in the near future. Net Profit After Tax (NPAT) also saw a significant increase of 25.3% as compared with the same period last year.

Let's move on to the next slide, which is slide 9, this slide gives you a rundown on the financials. This slide displays a healthy financial snapshot of the Company. As you will see, we have been able to improve on our net sales, net profit margin, EBITDA margin, profit after tax, EPS and profit generated from operating activities compared to the last year. Increase in profit after tax is mainly due to lower provisioning for taxes and reduced royalty payments as compared to last year. I hope those of you who were with us last year, will recollect that we booked an adjustment in case of royalty and also an adjustment in case of taxes last year.

Let's now move on to the next slide. In summary, the cornerstone of our strategy is our focus on delivery of sustained production growth and to accomplish this while keeping a close eye on the costs. The Company is committed to ensure the speedy development of our projects in the pipeline. We are working on a few potential international opportunities and we intend to continue our quest to go international by adopting a prudent strategy based on the economic fundamentals. We are committed to the implementation of international best practices across all of our operations.

Well, this basically concludes our presentation for today and I thank you all for joining in the conference call. I will now revert back to Emma, our coordinator for this conference call session, to coordinate the question and answer session.

Operator: Thank you, Mr. Ahmad. The question and answer session will be conducted electronically. If you would like to ask a question please press the star or asterisk key followed by the digit 1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We will take questions in the order received and we will take as many as time permits. If you find that your question has been answered, you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will pause now for just a moment to allow everyone to signal for questions.

We have a question from Asim Wahab from Foundation Securities. Please go ahead.

Asim Wahab: Thank you for your presentation, Sir. I have a couple of questions regarding the company accounts. Company had a cash balance of around Rs. 8.9 billion and trade receivables of Rs. 66 billion of these accounts. Can you provide us the latest figures as of August 12th-August 13th, what are these two accounts, what is cash balance and what is trade payables?

Aftab Ahmad: Both have improved in different directions. Our cash balance has gone up and our receivables balance has come down by almost around Rs. 8 billion and there's cash of about Rs. 4 billion increase from the number you have seen in the balance sheet on 30th June 2009.

Asim Wahab: Okay. The Government has given assurances that it will resolve settlement issue by the end of this month. Have there been any recent meetings between the Government and OGDCL on the settlement issue? And when do you expect the next tranche for the resolution of settlement?

Aftab Ahmad: I'll take the question in reverse order. The time can only be conveyed by Government of Pakistan. We don't know when this next settlement will take place. Yes, we have met Government of Pakistan and Ministry of Finance is working towards a settlement. What we have been told is that hopefully it will happen this month.

Asim Wahab: All right. Can you tell us where the improvement of cash balances and decrease of trade receivables has come from? Which entity has paid you back?

Aftab Ahmad: We received some money from Attock Refinery, PARCO and from SNGPL.

Asim Wahab: Okay, I'd like to point out two things. The last tranche of Rs. 17 billion was more of an adjustment and did not have any cash improvement effect on the company. At this time you don't have any huge dividend payables against which receivables can be offset. And the second thing is that the previous Rs. 80 billion KSE issue to settle the circular debt did not benefit OGDCL as the cash did not reach OGDCL. So it's again a partial resolution, if a partial payment is made, say somewhere around Rs. 40-50 billion, do you think it will benefit OGDCL?

Aftab Ahmad: We expect that this time around, there'll be some cash left with all the companies. That's what the Government of Pakistan has told us.

Asim Wahab: Right. Company's capex has been quite high this year. Can you give us some capex guidance for 2010 and for the coming years?

Aftab Ahmad: Capex is high because we are working in certain areas which are more expensive. The planned Capex for FY2010 is approx. USD 750 million and this includes spending on exploratory efforts (less seismic survey), projects, development spending and contingencies.

Asim Wahab: Right. Okay, can you tell us the exact price for Qadirpur sales gas at HSFO price of US$ 400 per metric ton and above full prices? The newspapers commented that it's around 3 per MMbtu so can you give an exact figure?

Aftab Ahmad: I wish I could. Government of Pakistan offered us a price which all the Qadirpur Joint Venture partners have agreed. I believe it will be, in the fitness of things if we leave it there; let the Government of Pakistan declare the new price.

Asim Wahab: Right. Any expectation regarding the notification of new price and because it's already August and I believe the next quarter is coming to an end.

Aftab Ahmad: We were expecting it to be declared some time in June so we can have a new pricing regime applicable from July 1, but it didn't happen.

Asim Wahab: Right. Regarding the Qadirpur wellhead compression project, what will be the cost of this project and how much of this cost is yet to be incurred?

Aftab Ahmad: Almost all of it will be incurred in this year. Very little has been spent thus far, the equipment cost will be around US$ 22 million plus EPCC, the entire cost probably will be around US$28-30 million. Important point is it will be operative by April - May 2010.

Asim Wahab: Right. Is there any production additions planned for Qadirpur going forward?

Aftab Ahmad: We are supposed to provide incremental volumes for two different projects and this compression project will help us do that, we expect that with the compression, we'll be able to supply incremental volumes for these projects.

Asim Wahab: The reciprocating compressors or the full and final project that you are expected to complete in 2013?

Aftab Ahmad: The reciprocating compressors will help improve the volumes and take us through the next three years and then by that time we'll have centralised compression in place.

Asim Wahab: Right, so the production addition is expected after 2013?

Aftab Ahmad: No, 2010.

Asim Wahab: Okay, currently Qadirpur's producing about 550MMcfd so after April 2010, what do you expect the production to be?

Aftab Ahmad: We expect that ACQ will be increased to 550 MMcfd. We are obligated to supply an ACQ of 450 MMcfd under the existing contract and incremental 100 MMcfd under the new contract. So average ACQ would hover around 550 MMcfd.

Asim Wahab: Okay, but Qadirpur is going to be producing 550MMcfd so there is no addition then?

Aftab Ahmad: There will be additions on top of the existing ACQ of 450 MMcfd, what we are supplying now is beyond contractual arrangements under the existing contracts.

Asim Wahab: Right, so can you give a total. A total figure of probably 600 MMcfd you'll get by April 2010 or similar, 550MMcfd?

Aftab Ahmad: We will increase the ACQ from an average 450 MMcfd under the existing contractual arrangement to an average ACQ of 550 MMcfd. On top of that, we'll supply incremental volumes of around 64 to 68 MMcfd of Permeate gas (which equates to contractual DCQ of 46,000 MMbtu/day) to Engro Power Plant. This is in addition to the gas that we provide to

Liberty Power Plant (LPL), which is around 48 MMcfd. To sum it all, we'll supply 550 MMcfd of sales gas to M/s SNGPL (inclusive of additional 100 MMcfd for Engro Fertilizer), 64 to 68 MMcfd Permeate gas to Engro Power Plant and 48 MMcfd of dehydrated raw gas to LPL.

Asim Wahab: Right, thank you. That clarifies. With most of the projects – Tando Allah Yar, Sinjhoro, Pasakhi – are facing delays due to litigations. Can you provide update on the present status of the pending cases and expected timeline for these projects once the cases are resolved?

Aftab Ahmad: Our wish was to get them settled last year however it's still in the courts. Next hearing is on 16th September, once we go through the ongoing litigation process, we'll be in a position to update you on the same.

Asim Wahab: Right, and any cost guidance for these projects?

Aftab Ahmad: We have got old cost numbers. Now whenever we re-bid these projects, we have no idea really how much the costs will go up. On this front, till we invite fresh bids, if I give you a number, it will not even be a ballpark number.

Asim Wahab: Right, and last question, sir, regarding Uch you said that you are in a position to supply 160 MMcfd of additional gas. In your previous report, it was mentioned that you'd be in a position to provide 200 MMcfd of additional gas, so why is this 40 MMcfd cut?

Aftab Ahmad: There's no cuts. There is a certain volume which can be supplied. There were three different scenarios, for 15 years of supply, 20 years of supply and 25 years of supply. I think the number you're quoting is out of one of those scenarios. And now what we have settled with Uch Power is that they will put up a small plant – relatively smaller plant, it's about 400MW – and for that plant, we can supply them gas for next 25 years at that volume.

Asim Wahab: 160MMcfd?

Aftab Ahmad: Yes. Meaning if the period is shortened, the volume goes up. If the period is extended, the volume goes down.

Asim Wahab: Right, thank you. That will be all.

Operator: Thank you. We will move to our next question today from Prashant Gokhale from Credit Suisse. Please go ahead, sir.

Prashant Gokhale: Thank you. Most of the questions are answered, so I'll try and keep this brief. If you look at the gas volume growth going forward, could you be able to give us some guidance as to what kind of growth one can expect with all the projects that you have in mind, because the last couple of years you have been below your target of, if I remember correctly, 11% growth at the time of the equity sale. So I'm just wondering how do you see yourself catching up or do you expect to catch up at all?

Aftab Ahmad: We will catch up. If all these projects are out of court, we see that growth coming our way we'll have around 7%-8% CAGR (of course back-loaded because once these projects are out of the court, it'll at least take 18-24 months to get production from these projects). If Kunnar Pasakhi Deep is out of court, we can put it into work in 18 - 24 months thereafter, resultantly we can add 280 MMcfd of gas and around 7,000 bpd of condensate. That means the gas production of the Company will increase from current levels at about 1.00 Bcfd to around 1.28 Bcfd.

Prashant Gokhale: So if you just play devil's advocate and you say that look, courts can delay things and stuff like that, and let's say in the next six months you don't get approvals, then what is the scenario – without these projects, what would be the growth then?

Aftab Ahmad: Let's assume everything stays in court and nothing moves then next year we are seeing a slight decline of 1,000 barrels per day in production, and year after that there'll be a slight increase. We'll probably come back to about 40,000-41,000 barrels.

Prashant Gokhale: That's for oil, right?

Aftab Ahmad: Yes, that's for oil.

Prashant Gokhale: Sorry, and gas?

Aftab Ahmad: Gas we expect to have a straight line and then slight improvement year after next.

Prashant Gokhale: So if these projects that are stuck in court don't come through then you will have flat line and whenever they come through you'll have growth. Is that a fair assumption?

Aftab Ahmad: Correct plus, we could have some improvements in production volumes because of our new exploration efforts.

Prashant Gokhale: Okay, all right. So that's the first part of my question. The second is, you know, if you look at your realised price for last year compared to the WTI price that was averaged for that July-June year, that relationship between your realised price and the international price, will that sustain going forward or is that going to change?

Aftab Ahmad: It will stay more or less at the same level because the pricing structure up to US$ 50 has applicable discounts and then beyond US$ 50 it's just 50/50 shared between the producers and GoP.

Prashant Gokhale: And as oil falls below 50, that discount will narrow.

Aftab Ahmad: Correct.

Prashant Gokhale: Understood, all right. The third piece is on the tax rate. Your tax rate has obviously come down. The 31% effective tax rate that you have for this year, is that a fair number going forward?

Aftab Ahmad: The way we are spending, I think that's a good number since it's all derivative of increased spending and then of course you have to take off the effect we have booked last year for depletion and decommissioning costs.

Prashant Gokhale: Yes.

Aftab Ahmad: I think it's a fair assumption to take 30-32%.

Prashant Gokhale: Okay. And then you know, again, going back to Qadirpur, I'm sorry to keep coming back to that, would you be able to tell us what the price you have agreed on is? And I understand that the Government of Pakistan has to agree on it but I'm just wondering if you can share with us what your accepted price point is.

Aftab Ahmad: I wish I could.

Prashant Gokhale: Okay. All right, I understand.

Prashant Gokhale: All right, fair enough, sir. Fair enough. So that's all I have for the moment. If there are any further questions I'll ask again, thank you.

Aftab Ahmad: Sure, more than welcome.

Operator: Thank you. Ali Asghar from UBL Fund Managers has our next question today. Please go ahead.

Ali Asghar: I would like to ask about the exploration costs in the fourth quarter. The company experienced quite high exploration costs in the last quarter. Was that because of the two fields that you have expensed out or were there any other reasons?

Aftab Ahmad: Correct, that's the reason.

Ali Asghar: There isn't any other reason other than this, right?

Aftab Ahmad: There's no other reason.

Ali Asghar: Yes. Okay, thank you.

Operator: Thank you. We will move to our next question today from Azfer Naseem from Invisor Securities. Please go ahead.

Azfer Naseem: Thank you for the presentation. A follow-up question to the exploration costs. There were two exploratory wells, namely Allah Waria-1 in February and Qaim-1 in March, which were found dry in third quarter FY09. But in that quarter, the exploration expenditure was a mere Rs. 771 million. In the fourth quarter FY09 there was a single dry hole which was Thatta East-1 in June, but the exploration expense was Rs. 3.2 billion. It seems as if the two wells of third quarter were also expensed in the fourth quarter FY09. Can you elaborate on it? Is it the right analysis?

Aftab Ahmad: Yes, the declaration of a dry hole may not trigger the expense-out immediately since it takes some time to collect all the costs and ensure that we don't keep booking the bits and pieces later.

Azfer Naseem: Okay. My second question is again a follow-up question regarding the development projects which are held up under litigation. In light of your past experience with such issues, how long do you think will these court proceedings take?

Aftab Ahmad: It's a very difficult question to answer. You can toss a coin I think; your guess would be as good as mine. But we should not forget that if we get these issues settled in High Court, no matter who wins, the loser will go to the Supreme Court.

Azfer Naseem: Okay. That is going to extend it to maybe a year or maybe beyond that?

Aftab Ahmad: Based on the current judicial activism, I think it may get settled quickly but that's my own feeling.

Azfer Naseem: Even in the Supreme Court?

Aftab Ahmad: Yes.

Azfer Naseem: Okay. The third question is regarding the overseas block which you considered, which you mentioned in your highlights. You evaluated certain overseas blocks for JVs in Yemen and West Timor, Vietnam and Senegal. Are they still under consideration or have you decided not to enter them as a JV partner?

Aftab Ahmad: They are still under consideration.

Azfser Naseem: Okay, and regarding the oil field of Sakhalin Island, Russia, can you give us some details regarding the potential of the field or the extent of developments?

Aftab Ahmad: It's a heavy oil field. We're just reviewing it and we have not yet made up our mind. I would request our GM (Exploration), Mr. Tariq Majeed Jaswal, to further elaborate the matter.

Tariq Majeed Jaswal: We have requested for additional data for further evaluation.

Azfer Naseem: Okay, so the data is not yet available.

Tariq Majeed Jaswal: Not the full data.

Aftab Ahmad: The base data is available. The incremental data has been requested and once that is received then we'll decide about the next step.

Azfer Naseem: So can you give us any size regarding the size of the reserve that can be found in that field?

Tariq Majeed Jaswal: At the moment we don't have any number but it's a large field and it's normal practice in exploration that whichever opportunity comes our way, we evaluate and we make the decision on the quality of the data and the potential of the area.

Azfer Naseem: Okay, and the fourth question is regarding the OGRA pricing issue on Kadanwari filed operated by M/s ENI. Lately in the newspaper there were reports regarding the revision of the gas purchase agreement, and it mentioned capping of furnace oil price at $375 per tonne. It also mentioned that this should result in a maximum price of US $8.50 per MMbtu. A later report mentioned ECC's approval to it as well. So has there been any official notification to OGDC regarding this decision and if yes, can you share the details with us, as we are still relying on the news reports for our analysis?

Aftab Ahmad: We have received a letter from M/s ENI today with a draft Supplemental Agreement for Kadanwari Gas Pricing for our review and signatures so as to incorporate capping of the Marker Price at USD 365/tonne resulting in a maximum price of USD 8.50 /MMBtu.

Azfer Naseem: Okay, and the reports also mentioned applicability of the revised GPA from January 1 2009 and if I am not mistaken, this means that the wellhead price shall be US $8.50 per MMbtu for second half FY09 as well, whereas the latest notified price was around US $11.70 per MMbtu. Is there going to be some adjustment to earnings in the upcoming quarters when the price is notified by OGRA or has some adjustment been already made to the earnings or revenues booked?

Aftab Ahmad: There is no adjustment booked thus far. The adjustment will be made in the subsequent period.

Azfer Naseem: Okay. Another question: there were some news reports regarding tight gas reserves in Miano and Sawan. You have a stake in Miano. When do you see the additional production flows to start, with the realisation maximum potential will take four to five years, but what kind of initial flows in the next one or two years can be expected from that?

Aftab Ahmad: We have attended a few of these meetings with the Operator, M/s OMV in this case, but as of today we don't have any firm numbers. Tight Gas Reservoir (TGR) is a new concept which needs further work and investigation. The first well to test the TGR in Miano is scheduled for year 2010. Therefore, commenting on the deliverability of such a well would be premature.

Azfer Naseem: Okay, another question. When do you see completion of Jhal Magsi development project?

Aftab Ahmad: We have recently submitted a development plan to the office of DGPC, the moment the development plan is approved we'll start the project. We expect this project to be kicked off quickly since all parties concerned, including Government of Balochistan and Government of Pakistan, are taking a lot of interest in it.

Azfer Naseem: Okay. Is there any estimate that you can give us of the time period which the actual project development would take after all the approvals and the award of contract?

Aftab Ahmad: First of all we will require approval from the Government of Pakistan of the development plan we have submitted. Once that is in hand, then we will start initiating a process of inviting bids. That may take six months. The project will take 18-14 months to complete after the award.

Azfer Naseem: Ok. Another question regarding the Pindori field, do you have any estimates regarding production enhancements? There were certain rumours in the previous few days that the production is going to go north of 1,000 bpd and besides that, is there a possibility of such a field with water encroachment to be restored to its original production levels in the future?

Aftab Ahmad: I'll be honest, we don't have anything on that but your question is valid.

Azfer Naseem: In an ideal situation can such a field be restored to half of its previous production levels or maybe 25%? Technically is it viable?

Aftab Ahmad: No comments.

Azfer Naseem: Ok. Another question regarding the reserves division, you have not mentioned the extent of revision in your highlights. Can you give a number regarding it?

Aftab Ahmad: As I said, we have arrived at a reserve number by subtracting the production in the interim period. The new discoveries are subject to third party certification. Once the certification is in place only then we will be in a position to give you the new reserves number.

Azfer Naseem: Ok, but you mentioned the upward revision in the gas of Chak-5 Dim South from 3.688 Bcf to 8.938 in the Oil & Gas Reserves segment of your highlights, so can a number similar to that be given about Kunnar as well?

Aftab Ahmad: 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 third party Consultant M/s Fugro Robertson. The reserves of the Kunnar oil field were revised from 16.379 MMstb to 25.130 MMstb.

Azser Naseem: This is all that I have. Thank you so much.

Aftab Ahmad: Thank you.

Operator: Thank you. We'll go to our next question today from Umair Siddiqui from Elixir Security. Please go ahead.

Umair Siddiqui: Thank you for your presentation Sir. Most of the questions have already been answered. I just wanted to ask about the total dividend payout during FY '09. Historically OGDCL has been maintaining a payout ratio above 85% but during FY '09 the payout has come down to around 64%, so is it safe to assume that this low payout is a one-off occurrence and solely because of the circular debt issue?

Aftab Ahmad: You will appreciate that the payout depends on a lot of factors. We need cash for our own projects that will be the priority. Right now no projects are ongoing, present drop is certainly due to the circular debt issues.

Umair Siddiqui: So that would mean and in line with the previous statement that you made earlier – that you're planning to spend around $750 million during FY '10 which comes to around 60 billion rupees, so if there's no significant change to the dividend policy, how will the company be able to manage such a huge investment of Rs. 60 billion during FY '10.

Aftab Ahmad: As we said the first thing would be the funding for the future which covers spending in exploratory activities and project development. Whatever is left will go out to the shareholders. If we are going to spend on the future, of course the payout will go down. This is in line with our stated policy as unveiled at the GDS issuance.

Umair Siddiqui: So it's safe to assume that even if the prices, the government is targeting around 40 billion rupees which comes to around 9 rupees per share for FY '10, that might go down going forward if enough cash is not available even if the circular debt is resolved.

Aftab Ahmad: We don't work on a government target. We work on OGDCL targets. If we have to spend money for OGDCL's investment in the future we will do that.

Umair Siddiqui: Ok, thank you sir. Also in the company accounts, in December the total amount that was attributable solely to circular debt problems was 28 billion, in March it went up to 32 billion and now in the latest accounts it's come down again to 28 billion. So that's the amount in the trade that's solely attributable to the circular debt issue. So my question was in the trade debt there are also other notes accompanying which state that finally they have to pay around Rs. 7-8 billion to OGDCL because they have withheld according to government instructions. So is there any development on that front?

Aftab Ahmad: I think once we settle the circular debt issues then probably there will be some more space available to the refineries and we'll hopefully get this settled as well.

Umair Siddiqui: Although that issue is distinct from the circular debt issue because it's related to the US$ 50.

Aftab Ahmad: Correct, I totally agree with you but this is my own hunch, I'm not sure what happened to the money available on this account with the refineries.

Umair Siddiqui: Thank you sir. One last question that is related to the Mela project. We were expecting the production to go up by around another 3,500 barrels and I guess in the last conference call it was stated that the project was ongoing and we can expect the production to go up by another 3,500 barrels, so when is it realistic to expect that project to be over and when can we expect production to increase from current levels of 6,500 bpd to around 9,000 bpd?

Aftab Ahmad: The number given was correct. As soon as Mela starts producing, we will achieve those sorts of volumes. Once we get the ongoing well # 3 completed and put on production then incremental volume will be around that number of 3,000 to 3,500 bpd.

Umair Siddiqui: Ok, but even on a conservative side what would be a conservative timeline for the completion of the projects?

Aftab Ahmad: Hopefully by December this year or January next year.

Umair Siddiqui: Also following on from what you said earlier you had mentioned that your total production for FY '10 would be around 40,000 barrels per day if I am correct. If there is addition from Mela then as far as our estimates total production per day might be slightly higher than 40,000 per day. What's your take on that?

Aftab Ahmad: That has been factored into that number. We have got other ageing fields which are declining.

Umair Siddiqui: So that natural decline especially from some of the fields such as Pasakhi is expected to continue going forward in FY '10?

Aftab Ahmad: Yes.

Umair Siddiqui: Alright sir, that's all. Thank you.

Operator: Thank you. We have a question now from Husna Azher from Ismail Iqbal Securities. Please go ahead.

Husna Azher: Hello, thank you very much for the presentation Sir. Just one basic question, I wanted to know the difference between the taxes and government levies on crude versus gas, if you can answer that on a percentage basis of revenues from crude and gas?

Aftab Ahmad: We don't have the percentage split handy. Levies include everything: taxes, royalties, excise duty. That is our contribution to the exchequer. Royalty is applicable on both oil & gas @ 12.5%. Excise duty for gas is levied @ Rs. 5.09/MMBtu and NIL for oil. Sales Tax for gas is applicable @ 16% of revenue from gas sales and is zero-rated in case of oil.

Husna Azher: Yes sir, I'm aware of that. I was just wondering if you could give maybe a rough percentage number.

Aftab Ahmad: In percentage terms, Royalty on crude oil with respect to crude sales revenue is calculated at 12.25%. Similarly, in percentage terms Royalty, Excise Duty and General Sales Tax on gas with respect to gas sales is 11.41%, 2.35% and 15.55% respectively.

Husna Azher: Alright sir, thank you very much for that. My second question is that I wanted to know if you could just give us an approximate figure, I'm assuming since you're going to go offshore and drill wells offshore, the cost of those wells will be more for your Capex going forward should go up. Can you please give us an estimate of exploratory costs in Pakistan in different zones versus your offshore exploratory expenditure?

Aftab Ahmad: Offshore could be $70-100 million depending on where you are and how much uncertainities you get offshore. The range in the Northern areas could be US$ 16 to US$ 21 million. It all depends how complex the geology is, how much problems you encounter and how much is the depth. If you move down south, in the Middle Indus area the cost is around US$ 8-12 million. Further South, in the Badin area though the costs have gone up, it's still around US$ 5-8 million. Please note that these are very rough numbers and for broad guidance only.

Husna Azher: That's fine sir. Also during this call we have not touched upon the Mela block. I wanted to know of any further developments at Mela field. Are there any security issues since it's in the Northern area? Secondly I have seen that crude production from Mela has gone up in the latest number provided by PPIS. Going forward can you give us an estimate of production levels as well as the current development activities on the field?

Aftab Ahmad: Ongoing Mela well on completion will probably add about 3,000 to 3,500 bpd. Current facilities can handle up to 10,000 barrels per day. The first part of your question was with respect to security. We are operating these fields in that area and we are drilling a well, that's a manifestation of our presence there, security has been heightened however there's no problem in working in that area.

Husna Azher: Coming back to your current handling facility of 10,000 barrels, currently you're producing about 6,000 to 6,500 barrels. How much do you think the production will go up during this upcoming year?

Aftab Ahmad: The Mela well # 3 which is under drilling will probably add 3,000 bpd to 3,500 bpd which can be handled through the existing facilities. Later, when we plan new wells we'll also plan to put another train of new facilities.

Husna Azher: Alright sir, thank you very much.

Operator: Thank you. Our next question comes from Asif Ali from Citigroup. Please go ahead.

Asif Ali: Hi, I have only four questions. You said that your production would decline next year so you are just talking about production coming from your own fields or you are also taking into account the joint venture production as well?

Aftab Ahmad: We are talking about total production?

Asif Ali: Which means including your JVs, right?

Aftab Ahmad: Yes.

Asif Ali: Ok. Would you agree that your balance sheet outlook has deteriorated from the nine month accounts? Your payables were down more than your receivables and you have paid more to the government as well and your provisioning for taxation has also gone down, so would you agree that your balance sheet outlook has deteriorated?

Aftab Ahmad: In what sense?

Asif Ali: The case that you generated this quarter, most of that was paid out and your receivables should have gone down by more than they have or your cash balance risen?

Aftab Ahmad: Our receivables went down and our payables also went down since we collected 17 billion and we paid off 17 billion in the shape of dividend to the Government of Pakistan. Hopefully as we go along and we improve our collections, the position in the balance sheet will improve.

Asif Ali: Alright, thank you very much.

Operator: Thank you. That will conclude today's question and answer session. I'd like to turn the conference back over to you for any additional or closing remarks.

Aftab Ahmad: Thank you very much ladies and gentlemen. We've tried to respond to as many questions as the time permitted, however, if there are still some unanswered questions we will be more than happy to respond to these. Kindly route them through our investor relations officer Mr. Usman Bajwa. I once again thank you on behalf of OGDCL for joining this conference call. Thank you very much.

Operator: Thank you. This will conclude today's conference call. Thank you for your participation ladies and gentlemen.