Oil & Gas Development Company Limited
Presenter: Aftab Ahmad, CFO
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TRANSCRIPT OF THE CONFERENCE CALL ON OGDCL's HALF YEAR FY2009 RESULTS

Operator: Please stand by, this is Premiere Global Services, we're about to begin. Good day ladies and gentlemen and welcome to today's Half Year Results July 2008 to December 2008 Conference Call. For your information this conference is being recorded. At this time I would like to turn the call over to your host today, Mr. Aftab Ahmad.

Aftab Ahmad: Ladies and gents, I welcome you all to our Half Year 2008-2009 Results Announcement Conference Call. I would ask you all to please read the legal disclaimer on page 2 of the presentation which basically elaborates on certain risks involved in our business. I'll take a pause, while you read slide number 2.

Now moving on to slide 3, let me state that OGDCL is the largest upstream player in Pakistan, it enjoys the largest share of exploration acreage in the country, it now holds 46% of the country's recoverable oil reserves and around 36% of the country's recoverable gas reserves. In terms of production, currently it produces some 62% of the country's oil output and around 24% of the country's gas output on net basis. Our reserves estimates as at December 2008 stand at an impressive 1.09 billion BOE on a 2P basis. The reserves data is based on the latest available 3rd party (D&M) certified reserves as of December 31, 2006 MINUS the actual Net production from Jan 2007 to Dec 2008. The additional reserves estimates of new discoveries during Jan 07 to Dec 08 are not included as these are yet to be certified by the 3rd Party reserves evaluation company. OGDCL with its in depth understanding of Pakistan's geology is very well positioned to capitalise on significant upside geological potential.

We currently hold a portfolio of 71 fields out of which 41 fields are 100% owned and operated whereas in the remaining 30 fields we are non-operating partners with other E&P companies. Our joint ventures include foreign and local E&P players.

We believe that Balochistan and offshore represents a source of significant geological potential. The map on the left illustrates the main areas where our key hydrocarbon assets are located. By looking at the map you will also see that we are present in all four provinces of Pakistan.

Let's move on to the next slide which is slide 4, which relates to the performance of the group, I am pleased to inform you that on consolidated basis net sales rose by 26.6% to Rs. 71.941 billion from Rs. 56.822 billion during the same period last year. This increase in sales revenue is due to both higher realised prices of oil and gas and the effect of exchange rates. Operating profit margin and net profit margin also showed an increasing trend of 7.3% and 4.2% as compared to the same period last year. EPS increased significantly to Rs. 7.39 as against Rs. 5.60 in the same period last year. Our net crude oil production volumes dipped by 5.7% 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 water encroachment problem at our Dhodak field. Average realised crude oil prices saw a substantial increase with current period prices of $69 with comparable period from last year's value of $60.90. The average net realised gas prices also increased from last comparable period prices of Rs. 137.46 per Mcf to Rs. 170.95 per Mcf. OGDCL was able to spud 14 wells in the first half of this year which is the reporting period under review which puts us on track to achieve our full year target of 32 wells. We also made a discovery by the name of Kunnar South-1.

We'll now move on to the next slide which is slide 5. This slide shows the performance on OGDCL only basis, that is excluding our subsidiary company Pirkoh Gas Company Limited.

We'll now move on to the next slide which is slide 6. This slide gives you an operational update of the period under review. During the first half of the current year crude oil production from company's operated fields decreased by 3.1%, (1,140 barrels per day) mainly due to the decline in production from the Dhodak, Thora, Lashari, Bobi and Chanda fields which was partially offset by an increase in production from Kunnar field and the start of production from Moolan North and Chak-66 NE wells. Share of crude oil production from non-operated JVs, mainly from the Pindori field, was also on the lower side by 20.7% (about 1,360 barrels per day) resulting in a net decease in crude oil production by 5.7% which is around 2,500 barrels per day.

Gas production during the first half was just marginally (0.1%) higher than the business plan targets and actual gas produced during the corresponding period. The company's efforts yielded improvements in gas production from Nandpur, Dhodak, Bahu and Dakhni despite slippage of gas production targets from Dhodak (due to natural decline) and Uch field due to reduced gas intake by Uch Power Limited. LPG production during the period under review also decreased mainly due to water break-through at the Dhodak field. LPG production from this field decreased to around 29 metric tonnes per day from a peak of 166 metric tonnes per day in the corresponding period last year. For ease of reference a comparison table is shown at the bottom of the slide.

We are in the process of evaluating the future production volume growth rate and we'll be informing the market accordingly. Looking at the current scenario, it seems increasingly challenging to achieve a Compounded Annual Growth Rate (CAGR) of 9-10% of both oil and gas for the next three years, which was the guidance we had given earlier.

Moving on the next slide, slide 7. In case of first project on the slide i.e. **Sinjhoro** you might be aware that our development plans for the Sinjhoro field were put on hold due to contractual disputes. We are pleased to inform you that the Supreme Court of Pakistan decided the case on September 24 of 2008 in favour of OGDCL. The project will enhance OGDCL's production capacity by 2,940 barrels per day of crude oil and by 25 MMcfd of gas around 225 metric tonnes per day of LPG. Different development options are being explored. The project is expected to be completed in 18 months after the award of contract. **Kunnar Pasakhi Deep (KPD) and Tando Allah Yar (TAY) fields** are being developed jointly. The expected cumulative production of gas will be 278 MMcfd and crude oil of 4,700 barrels per day with LPG of 225 metric tonnes per day. Consultant was engaged to prepare the basic engineering packages, tender documents, etc. Different development options are now being explored. The project is expected to be completed in 18 months period after award of Contract.

The Qadirpur Compression Project. The field is expected to start depleting in the near future and in order to maintain the plateau, compression facilities are required to be installed which will help maintain the production plateau to 690 MMcfd of raw gas supply up to the year 2017. The contracts for engineering, procurement and construction on a lump sum turn key basis were awarded to the China Petroleum Engineering & Construction Corporation in November 2006. Further activities were held up due to litigation in the High Count. A judgement on the issue has recently been announced in favour of OGDCL. A letter of intent for procurement of compressors and equipment for the Qadirpur Compression Project has also been issued. The bids of EPCC contracts for Qadirpur Compression opened on January 15, 2009 and sent for technical evaluation. Various other options to arrest the decline are also under consideration. The last project mentioned on the slide, the **Qadirpur Enhancement Project** was completed with the capacity of the Qadirpur processing plant enhanced by another 100 MMscfd.

Let's move on to the next slide which is slide 8. In the first half of 2008-09 the company spudded 14 wells including five exploratory/appraisal wells and nine development wells. At December 31 2008, OGDCL was operating in 40 exploration blocks, 26 blocks with 100% share and 14 blocks of JVs including five offshore blocks and one reconnaissance permit. The exploration blocks held by OGDCL constitute 30.19% of the country's total exploration acreage. During the July-December period OGDCL surrendered four exploration blocks namely Dhermund, Bagh-o-Bahar, Pakhiwala and Dhok Sultan.

A Gas/Condensate field at Kunnar South-1 was discovered by the company during the period under review. This field is located in District Tando Allah Yar of Sindh Province and has been tested to produce 250 barrels per day of Condensate and 15 MMcfd of gas. The reserves assessment of this newly discovered field is currently under the process of evaluation. Subsequently, in February 2009, which is after the reporting period, OGDCL has made another gas discovery. OGDCL, during the period, achieved 724 linear kms of 2D acquisition and 581 square kms 3D seismic survey. Catering for the maintenance and upkeep of our facilities, Annual Aurn Around (ATA) was completed at Qadirpur, Uch, Dakhni, Kunnar, Bobi and Chanda fields during the period under review.

Final reports of Pakistan Basin Study Project have been received and two professionals of the consultant, M/s Fugro Robertson will be visiting OGDCL for a week to make the necessary amendments based on our review, observations. The visit of professionals for presentation and necessary amendments shall take place during the month of March. The company has also been evaluating opportunities for overseas exploration. The formation of consortium to jointly participate in the Algerian bidding round did not materialise due to high technical and financial exposure, OGDCL decided not to participate in the Algeria bidding round on its own. Discussions are also underway with other companies regarding their blocks in Yemen and West Timor.

Let's now move to slide 9, which gives a graphical presentation of the group's financial snapshot. Our net sales have improved appreciably when compared with the same period last year. Sales revenues were mainly driven by higher realised prices and rising rupee-dollar parity which contributed Rs. 18.059 billion towards the increase in sales revenues. Enhanced sales volume of gas also contributed an additional amount of Rs. 281 million towards the sales revenue. We experienced an increasing trend with respect to operating expenses as compared to the corresponding period last year. 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. 48.362 billion compared to Rs. 34.738 billion for the corresponding period last year reflecting a 39.2% increase in the company's earnings performance. This was after taking Rs. 3.502 billion write-offs in respect of exploration and prospecting expenditure which include 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. The net profit after tax also saw a significant increase of 31.9% as compared with the same period last year.

Let's move on to the next slide which is slide 10, this gives you the group's financials. This slide certainly depicts a very healthy financial snapshot of the company. As you will see here, we have been able to substantially improve our net sales, operating profit margin, EBITDA margin, profit after tax, EPS and profit generated from operating activities as compared to the last year.

The next slide gives you the similar financial information on OGDCL only basis. The same improved trend is seen in this particular slide as well.

Let's move to the last slide which is slide 12. In summary, our key business strategy going forward is the delivery of sustained production growth keeping a check on our costs. The group is fully focused to ensure the speedy development of our projects which are in the pipeline so that the hydrocarbons are commercialised at the earliest. We will look to further exploit our exploration drilling expertise and expand our exploration blocks offshore. We will also look to access potential international opportunities on a case by case basis. The company continues to evaluate opportunities based strictly on the economic fundamentals ensuring maximisation of returns. Finally, we are committed to the implementation of international best practices, across all of our operations including adhering to international standards of corporate governance and minimising our operational impact on the environment.

That basically concludes our presentation for today and I thank you all for joining in. I will now pass on to the moderator and she will open up the session for questions.

Operator: Thank you Mr. Ahmad. Ladies and gentlemen, the question and answer session will be conducted electronically. If you'd like to ask a question please press the * 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 for just a moment to allow everyone to signal for questions.

Now we'll take our first question from Prashant Gokhale, Credit Suisse. Please go ahead.

Prashant Gokhale: Good evening sir, thank you for your presentation. I just had one question if you can probably explain to me. In the first half, your receivables have gone up quite a bit and I'm just wondering why that was the case and how will that change now when oil prices have come down?

Aftab Ahmad: Our receivables have gone up because of this lingering circular debt issue. We have been in discussion with the refineries and SSGCL and we've also spoken to the Government of Pakistan, we have been assured that in the next three months' time the situation will improve and we'll probably be able to collect most of our outstanding receivables.

Prashant Gokhale: If you look at the current quarter, the oil prices have fallen significantly and as per my calculations, the government of Pakistan is probably now making a premium and is now able to repay the debt, right, at a reasonably good clip. So have you started receiving money already or is it yet to come?

Aftab Ahmad: Not yet, we had a meeting yesterday with one of the senior officials in the Ministry of Finance and I have been informed that by the end of first week of March we will start looking at this effect of money being paid to the refineries and gas companies and they in turn will start paying their customers, including us.

Prashant Gokhale: On Qadirpur, if you remember a few years ago you got a price hike and then nothing happened, this was subject to a review of the pricing system above $200 per tonne for fuel oil and now that the prices have come down significantly is that going to be reviewed? Will you get something to that effect or should we just forget about it?

Aftab Ahmad: Hopefully yes. We had a meeting with the concerned government officials ten days back. All the QP JV partners were present, the government gave us a proposal, we came back, evaluated the proposal, however, we have yet to reply to government's proposal pending clearance from our partners who are international oil companies. We expect that we will have a joint view on the proposal made by the Government of Pakistan and we'll present our proposal as well on behalf of the joint venture. We see that now there's a will to settle this as quickly as possible and we expect that if everything goes right we'll have a resolution to this outstanding issue in the next 2-3 months.

Prashant Gokhale: Yes, but do you think it's fair to expect that the decision will have a retrospective effect or do you see it the other way?

Aftab Ahmad: If you go by the contract, it has to be retrospective. What happens as part of negotiations, we shall all see.

Operator: Now we move to our next question, Asim Wahab from Foundation Securities. Please go ahead.

Asim Wahab: Thank you for the presentation Sir. As you have mentioned the TAY & Sinjhoro case has been certainly favourable to the company so when do you plan to initiate the bidding process and when will the contract be awarded? When do you plan to award the contract for these two projects?

Aftab Ahmad: We have asked for tenders, I think it appeared in the papers on 20th February 2009.

Asim Wahab: Ok and what's the update on the Tal block? Is the production from Manzalai still targeted for July 2009 or will you be expecting some delays?

Aftab Ahmad: I'll be very honest, I am not up-to-date on that subject because we are not the operators, however, as far as we know July probably is still the target expected date for production.

Asim Wahab: Okay and Sono Deep has been under evaluation for more than a year so what's going on over there?

Aftab Ahmad: Sono Deep is still under evaluation?

Asim Wahab: Okay, today a newspaper article mentioned that the OGDCL has successfully controlled the blow out issue at Dhodak Deep too.

Aftab Ahmad: Yes.

Asim Wahab: So can you give some update on that?

Aftab Ahmad: We have already given the update that it has been controlled.

Asim Wahab: Yes, but can you give us some feel of the costs incurred…?

Aftab Ahmad: At this time it's too early to give you any cost summary. Till now we have been occupied with the control operation, we will now be preparing cost details for submitting our claim to the insurers.

Asim Wahab: Okay and can you provide some update on Mela-3?

Aftab Ahmad: Mela-3 is under drilling right now, we are currently drilling in the Eocene formation and expect another six months for it to reach the target depth.

Asim Wahab: Okay, when do you expect the well to commence production and what sort of production numbers are you looking at?

Aftab Ahmad: Production numbers will be close to what we had experienced in the first Mela discovery. You will appreciate it's difficult to give you a targeted date. The geology, across Indus is very complex and it takes much longer to drill. Whenever we complete the well, we certainly will put this to production.

Asim Wahab: Okay, and now one last question regarding the results. The sales tax have been quite low, especially in the first quarter it was around 6% compared to 15% what it has been in previous years and for the half year it was around 8%, so what was the reason?

Aftab Ahmad: I think there were some adjustments last year. The details will be provided to you later. ***The response to this query is placed at the end of this transcript as 'NOTE 1'***

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

Operator: Now we'll move to our next question, Saad Hashemy from JS Investment. Please go ahead.

Saad Hashemy: A quick question. The exploration and prospecting expenditure for the quarter was slightly lower than our expectation. Can we expect the same rate for the remaining quarters of the year?

Aftab Ahmad: Well, it's difficult to answer what will happen with the costs in next four, five months. What we can assure you is that we'll be spudding all the targeted 32 wells.

Saad Hashemy: Okay.

Operator: We now move to our next question, Ali Asghar from UBL Fund. Please go ahead.

Ali Asghar: Actually sir, I wanted to ask a question relating to debts and how the TFC being issued by Pepco is going to affect it. What are your expectations in that? Is this going to smoothen the circular debt issues?

Aftab Ahmad: It will probably partly solve the circular debt issue. Part of the expected TFC, probably will come to us since PSO will get paid by Pepco. PSO would then pay to the refineries. The refineries in turn will pay to their suppliers like us.

Ali Asghar: Actually there was news about government employees being reinstated. I just wanted to ask you what is the portion of the government employees that OGDCL would have to hire back?

Aftab Ahmad: I'll be very honest, I have no idea. We just take note of it and if we can get information, we'll send it to all of you. As top of my head, I think we may get to hire few.

Ali Asghar: Okay, and what are your expectations of the production in the coming four or five months? Is this going to increase because there was some turnaround activity being conducted in the previous two to three months? So is this going to take a turnaround in the coming months?

Aftab Ahmad: As we have just mentioned that, we will give the new guidance to the market once we have fully evaluated the situation. We don't expect that we'll be meeting our target. The current average, hopefully we'll be able to maintain on full year basis.

Ali Asghar: Okay. Another thing that I want to ask you about the dry well that OGDCL found at Chak Naurang. Has that been expensed out?

Speaker: As a matter of policy, all dry wells are expensed out the time they are declared dry so it has been expensed out.

Ali Asghar: Okay, thank you.

Operator: Now we move to our next question from Farhan Mehmood from GS Research. Please go ahead.

Farhan Mehmood: Yes, hi guys. I've just one question. What will be the initial flows of Qadirpur gas we're expecting?

Aftab Ahmad: Is that question related to Qadirpur Deep?

Farhan Mehmood: Yes, additional flows of 400MMcfd so what will be the initial flows?

Aftab Ahmad: No, no. What I mentioned was that, we have got the capacity enhancement project completed and now our plant can process an incremental throughput of 100MMcfd, our plant was capable to process 550 MMscfd before the capacity enhancement project. Now with capacity enhancement in place, it can process up to 650 MMscfd. Our field could now deliver on average ACQ (Annual Contracted Quantity) of 550 MMscfd after the capacity enhancement completion, verses earlier average ACQ of 450 MMscfd.

Farhan Mehmood: Okay, thanks.

Operator: Now we move to our next question from Fawad Khan from KASB Securities. Please go ahead.

Fawad Khan: Good evening, and Assalam o alaikum.

Aftab Ahmad: Assalam o alaikum.

Fawad Khan: A couple of questions first of all, with respect to your cost estimates for the different projects like Sinjhoro, Kunnar Pasakhi Deep, has there been any change or any cost inflation on these two key projects?

Aftab Ahmad: We have invited tenders and we will get the new cost numbers once we get these bids.

Fawad Khan: Okay, and in terms of Kunnar Pasakhi Deep, can we please have a breakdown of the production numbers in terms of LPG from Tando Allah Yar and KPD fields?

Aftab Ahmad: It's 250 Mtpd from KPD and about 30 Mtpd from Tando Allah Yar.

Fawad Khan: Have you been able to firm up your target for next year for exploration and development?

Aftab Ahmad: No, not yet.

Fawad Khan: That's it for my side. Thank you.

Aftab Ahmad: Thank you.

Operator: Ladies and gentlemen, to ask a question please press *1 to signal. We now move to Hamad Aslan from BMA Capital. Please go ahead.

Hamad Aslan: Good evening, everyone. I had a couple of questions regarding contingencies and commitments. For December '08 statements you've stated a contingency liability of 7.3 billion. This was, this amounted to about 22 billion in September and about 19 billion in June. May I know what exactly is the issue behind this contingency liability?

Aftab Ahmad: Can we get back to you later on this?

The response to this query is placed at the end of the transcript as 'NOTE 2'

Hamad Aslan: Yes, sure. And regarding the tax liability issue that was prevalent over FY08, the amount that the company has so far, expensed out was around 5-6 billion; there was still an outstanding amount of about 5 billion. So has there been any update on that contingent liability with regards to the tax issue?

Aftab Ahmad: I think whatever was known to us was booked last year. An adjustment probably will flow this year as well.

Hamad Aslan: All right.

Hamad Aslan: Could you share with us the estimated size of that adjustment that may flow in this current fiscal year?

Aftab Ahmad: I think it's about 2 billion rupees which relates to some prior year adjustments.

Hamad Aslan: All right, and regarding this exploratory activity that OGDCL has taken place and will continue to take place within the fields that OGDCL owns, I just wanted to know if you guys have any estimated oil price that, beyond which or below which it will not be any longer feasible to continue to drill more wells.

Aftab Ahmad: Okay, we do have internal sensitivities but to give you an indication, at the current pricing level, it's still profitable to continue drilling and continue producing. Except for one field, which is Nandpur/Panjpir, efforts are continuing to bring Bahu discovery to this field which will make Nandpur/Panjpir economical to produce. It is being produced to fulfil contractual obligations.

Hamad Aslan: I'm sorry, I couldn't get the name of the field that you said is no longer feasible.

Aftab Ahmad: Nandpur/Panjpir.

Hamad Aslan: All right, and just one last question. With regards to this circular debt issue, has there been any instance that OGDCL, as an operator, has curtailed any gas production from any of its fields because it has felt that supplying gas to any of the SSGC or SNGPL might result in increased circular debt or supplying oil to any of the refineries might increase trade debts and therefore you might have curtailed any of your oil and gas production over the last half year?

Aftab Ahmad: No, we have not curtailed production from any of our fields.

Hamad Aslan: All right, thank you.

Operator: Now we move to our next question from Naveed Vakil of AKD Securities. Please go ahead.

Naveed Vakil: Hello, thank you for the presentation. I just have one question. There's a lot of potential LPG that surrounds your development projects. Will you be considering taking that LPG extraction up by yourself or will you be outsourcing it?

Aftab Ahmad: This is one of the options of the tenders which we have recently floated.

Naveed Vakil: Okay, thank you.

Operator: Now we move to our next question from Asif Ali of Citigroup.

Asif Ali: Hi. I have just one question about the unpaid dividend amount on the balance sheet, and that is reduced by 1.9 billion to 5.1 billion in the second quarter. It was 7 billion at the end of first quarter and you mentioned that amount is owed to the government. So what's the status of this amount? Can you just explain it to us?

Aftab Ahmad: It is still the same amount. Dividend is still payable to government of Pakistan.

Asif Ali: The unpaid dividend amount. Yes, in your payables there is 3.10 in the first quarter's balance sheet.

Aftab Ahmad: Yes, it represents the dividend which we owe to Government of Pakistan.

Asif Ali: Okay, so do you expect it to pay to the government, because the cash on your books has been reducing very rapidly? It is now at only 3 billion rupees. So when you're actually expected to pay to the government?

Aftab Ahmad: As mentioned earlier, we expect that we'll be getting our payments from the refineries and gas companies, once we get into a comfortable cash position, only then we'll disburse this to Government of Pakistan.

Asif Ali: Okay, and also your capex has risen very significantly. It's up to around 13 billion. It has never been to 13 billion mark so quickly in the year. So do you expect the run rate to continue in the couple of coming quarters because the cash position does not really allow to actually going as heavy on the capex side in the coming two quarters.

Aftab Ahmad: As of today you'll appreciate, we are going ahead with all our drilling programme and we expect that the cash position will improve and we'll be able to meet all our spending targets.

Operator: We now move to our next question from Asim Muhammad from MCB Asset Management. Please go ahead.

Asim Muhammad: Sir, I wanted to ask the management regarding its plans to buy back shares from the market. I wanted to know, since Treasury Stock Ordinance is already in place, what's the management's stance now on it? What's the progress on that? And my second question is regarding privatisation. What's the management stance because there are different modes of privatisation being considered by the government? They may include joint ventures, selling a proportion of probably the field but I want to understand what would be more feasible from the operational feasibility of the company, what privatisation mode you think would be more feasible regarding that. Thank you.

Aftab Ahmad: The second part of your question really relates to the Privatisation Commission, and they're probably the best people to answer your question. With respect to the first part of your question, yes, buyback is also on the radar but it is not being pursued so vigorously right now.

Asim Muhammad: Okay, is it because of the price appreciation that we have recently seen in the market or is it because of some other problems, maybe like cash flow?

Aftab Ahmad: It is more due to liquidity issue.

Asim Muhammad: Thank you very much, sir.

Operator: We now move to a follow-up question from Prashant Gokhale from Credit Suisse. Please go ahead.

Prashant Gokhale: Sir, thank you for taking a second question. I just wanted to understand, in the last couple of years your payout ratio has been pretty high. It's been like 85-90%. What do you expect for this year? Is the policy going to be similar? Is that going to change?

Aftab Ahmad: Expecting that we'll collect all our receivables, it'll probably stay close to what it has been in the previous years.

Prashant Gokhale: Okay. Sir, is it fair to assume that if the government of Pakistan doesn't pay you your receivables then you won't pay them the dividend loaded on your balance sheet?

Aftab Ahmad: If you look at our balance sheet right now, I think that appears to be the case.

Prashant Gokhale: So that can continue in the second half? There's no pressure from them to pay despite you not paying?

Aftab Ahmad: Well, we'll see what happens in future.

Prashant Gokhale: All right, so thank you very much.

Aftab Ahmad: Thank you.

Operator: We now take another follow-up question from Fawad Khan from KASB Securities. Please go ahead.

Fawad Khan: Hi, thanks for taking the second question. This is just a clarification on Qadirpur gas price per metric ton of HSFO that you have received forward to development. If people are starting to negotiate higher sort of HSFO price or just trying to have, just exchanged benefit, change the price for gas in 2007.

Aftab Ahmad: No. What we're trying to do is develop that pricing table for prices beyond $200 per metric ton of HSFO. So it's essentially the discounts which need to be applied for prices beyond $200 per ton of HSFO which are being negotiated.

Fawad Khan: Right. Can we have the total amount of receivables that you need to receive from the refining companies?

Aftab Ahmad: Sorry, I don't have the information handy right now.

Fawad Khan: Okay, no issue.

Aftab Ahmad: I think the major culprit is SSGC, which is around Rs.11 billion. The next is probably Attock Refinery, which owes us around Rs.7 billion.

Fawad Khan: Thanks.

Operator: As we have no further questions, I would like to turn the call back to Mr. Aftab Ahmad for any additional or closing remarks.

Aftab Ahmad: Well thank you very much, Ladies and gentlemen, for joining in. We will be available for any follow-up questions you need to ask on this presentation or to the questions we have just answered. Please do contact our investor relations officer and he will be more than happy to coordinate replies to your questions. Thank you very much once again and have a very nice day.

Operator: Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation. You may now disconnect.

NOTE 1: *Effective November 30, 2007 crude oil is now exempt from sales tax. In addition, sales tax is also not chargeable on sales /fixed charge in respect of Uch Gas. The variation picked up in the sales tax is due to the above stated facts. The change in sales tax from quarter to quarter is due to variation in product sales mix on account of fluctuation in crude oil prices in international market. The rate of sales tax effective July 1, 2008 during the review period is 16% (and not 15%), announced by GoP as part of the Finance Bill for 2008-09.*

NOTE 2: *The variation seen in the 'Contingencies and Commitments' in Note 6.3 of our Half Year results when compared to the preceding quarter and full year FY2008 results is due to Qadirpur Front End Compression's Rs.10.5 billion which has now been excluded from Note 6.3, The project which was under litigation, settled through Supreme Court Decision dated January 29, 2009 in favour of OGDCL. Since the contract with CPECC has expired & alternate proposal is under review thus there was no outstanding commitment of funds as on December 31, 2008.*