

**ANNUAL REPORT**  
**OF**  
**ONGC VIDESH LIMITED**



**2009-10**

## DIRECTORS' REPORT

**Dear Members,**

On behalf of the Board of Directors of your Company, I take immense pleasure in presenting before you the 45<sup>th</sup> Annual Report on the working of the Company for the financial year ended 31<sup>st</sup> March, 2010, together with the Audited Financial Statements, the Auditors' Report, the Comments on the Accounts by the Comptroller and Auditor General of India and management reply thereto.

### 1. PERFORMANCE HIGHLIGHTS

Your Company has completed another successful year, achieving the highest ever production levels. Major performance highlights of the year are as below:

- ❖ Your Company along with other consortium partners was selected in February, 2010 by Government of the Bolivarian Republic of Venezuela for awarding a 40% ownership (equity) interest in an "Empresa Mixta" (or "Mixed Company") which will develop the Carabobo 1 Norte and Carabobo 1 Centro blocks located in the Orinoco Heavy Oil Belt of Venezuela. This is a multi-billion integrated oil project in Venezuela.
- ❖ Your Company's consolidated production of Oil plus Oil-Equivalent Gas (O+OEG) increased from 8.776 MTOE in 2008-09 to 8.870 MTOE in 2009-10 registering a growth of 1.07%. This records OVL's highest ever oil and gas production from its overseas assets.
- ❖ Your Company's proven reserves as on 1<sup>st</sup> April 2010 stood at 185.995 MTOE (O+OEG), which next to ONGC, is the second largest holding of proven oil and gas reserves by any Indian Company.
- ❖ Your Company achieved an overall rating of "Excellent" in actual performance as compared to MOU parameters for two years in a row.
- ❖ Production of oil started from BC-10 Project on 12<sup>th</sup> July, 2009, two months ahead of schedule.

- ❖ Exploration Block-24, Syria has been converted to discovered asset based on two discoveries namely Abu Khasab & Rashid with in-place oil reserves of 185 million barrels.
- ❖ Your Company's consolidated gross revenue was ₹ 153,828 million during 2009-10 as against ₹ 184,235 million during 2008-09.
- ❖ Your Company's consolidated networth was ₹ 116,449 million as on 31<sup>st</sup> March, 2010 as against ₹ 115,156 million as on 31<sup>st</sup> March, 2009.
- ❖ Your Company's consolidated net profit was ₹ 20,896 million for the year 2009-10 as against ₹ 28,067 million for the year 2008-09.

## 2. FINANCIAL RESULTS

### a) Consolidated Accounts:

The Consolidated Accounts incorporate accounts of ONGC Nile Ganga BV-Consolidated (Subsidiary), ONGC Narmada Limited (Subsidiary), ONGC Amazon Alaknanda Limited-Consolidated (Subsidiary), Jarpeno Limited-Consolidated (Subsidiary), AB Startkapitalet nr 5636 (name changed to Carabobo One AB)-Consolidated (Subsidiary) and ONGC Mittal Energy Limited-Consolidated (Jointly Controlled Entity) and form part of the Annual Report and Accounts.

(₹ in Million)		
Particulars	2009-10	2008 -09
Total Income	<b>153,828</b>	184,235
Expenditure	<b>113,787</b>	130,673
Profit Before Tax	<b>40,041</b>	53,562
Provision for Tax (including Deferred Tax)	<b>18,889</b>	25,031
Share of Profit – Minority Interest	<b>256</b>	464
<b>Profit After Tax</b>	<b>20,896</b>	28,067
Paid-up Equity Share Capital	<b>10,000</b>	10,000
Net Worth	<b>116,449</b>	115,156
Earnings Per Share of ₹ 100 each (₹)	<b>208.96</b>	280.67

**b) ONGC Videsh Limited:**

(₹ in Million)		
Particulars	2009-10	2008-09
Total Income	49,737	63,983
Expenditure	30,797	38,424
Profit Before Tax	18,940	25,559
Provision for Tax (including Deferred Tax)	7,229	11,132
<b>Profit After Tax</b>	<b>11,711</b>	<b>14,427</b>
Transfer to General Reserve	1,171	1,443
Transfer to Debenture Redemption Reserve	1,154	-
Paid-up Equity Share Capital	10,000	10,000
Net Worth	59,485	59,726
Earnings Per Share of ₹ 100 each (₹)	117.11	144.27

**c) Dividend:**

No dividend has been proposed for the financial year 2009-10, as the Company has decided to retain and conserve its internal resources for new projects and projects under execution.

**d) Market Borrowings:**

**(i) Debentures:**

During the year, the Company raised funds from the financial markets by issuance of non-convertible redeemable bonds guaranteed by the parent company 'ONGC' as follows:

SI No.	Particulars	Amount (₹ in Million)	Date of issue
01	8.40% 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures- Series I	19,700	23 <sup>rd</sup> December 2009
02	8.54% 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures- Series II	3,700	6 <sup>th</sup> January 2010

The above mentioned debentures were rated "AAA/Stable" and "LAAA" by CRISIL and ICRA respectively which represents highest degree of safety and lowest credit risk. The above securities have been listed in the National Stock Exchange of India Ltd. (NSE).

Debenture redemption reserve amounting to ₹ 1068.07 million and ₹ 86.12 million has been created during the year in respect of Unsecured Non-Convertible Redeemable Bonds in the nature of Debentures Series I and Debentures Series II respectively.

**(ii) Commercial papers:**

During the year, the Company issued commercial papers as follows:

Sl No.	Particulars	Amount (₹ in Million)	Date of issue
1	82 days commercial papers due on 29 <sup>th</sup> March 2010*	3,600	6 <sup>th</sup> January 2010
2	159 days commercial papers due on 14 <sup>th</sup> June 2010*	3,600	6 <sup>th</sup> January 2010
3	251 days commercial papers due on 14 <sup>th</sup> Sept. 2010	3,650	6 <sup>th</sup> January 2010
4	342 days commercial papers due on 14 <sup>th</sup> Dec. 2010	3,650	6 <sup>th</sup> January 2010
	Total	14,500	

\*Repaid on due dates

The aggregate face value of commercial papers outstanding as on 31<sup>st</sup> July, 2010 was ₹ 7,300 million.

The above Commercial Papers were rated "P1+" and "A1+" by CRISIL and ICRA respectively indicating highest degree of safety and lowest credit risk.

**3. RESERVES**

Details of remaining proven Oil and Gas reserves held by your Company, including that of the subsidiaries are placed at Note-17 of Schedule '25' to

Consolidated Accounts. In brief, your Company's remaining reserves holding under different categories are as under:

		<b>As on 31<sup>st</sup> March, 2010</b>	As on 31 <sup>st</sup> March, 2009
<b>1.</b>	<b>1P Reserves (Proved)</b>		
	Oil (including Condensate) (In MMT)	<b>97.658</b>	100.826
	Gas (In BCM)	<b>88.337</b>	89.404
	<b>Total 1P Reserves (In MTOE)</b>	<b>185.995</b>	190.230
<b>2.</b>	<b>2P Reserves (Proved + Probable)</b>		
	Oil (including Condensate) (In MMT)	<b>207.802</b>	222.788
	Gas (In BCM)	<b>148.982</b>	147.786
	<b>Total 2P Reserves (In MTOE)</b>	<b>356.784</b>	370.574
<b>3.</b>	<b>3P Reserves (Proved + Probable + Possible)</b>		
	Oil (including Condensate) (In MMT)	<b>225.158</b>	236.747
	Gas (In BCM)	<b>173.078</b>	170.019
	<b>Total 3P Reserves (In MTOE)</b>	<b>398.236</b>	406.766

## **4. NEW ACQUISITION**

### **4.1 Carabobo Project**

During the year on 10<sup>th</sup> February, 2010, your Company was selected as part of the consortium of ONGC Videsh Limited (11.0%), Indian Oil Corporation Limited (3.5%), Oil India Limited (3.5%), Repsol YPF (11.0%) and Petroliam Nasional Berhad (11.0%) by the Government of the Bolivarian Republic of Venezuela for awarding 40% ownership (equity) interest in a Mixed Company to develop the Carabobo 1 North (203 km<sup>2</sup>) and Carabobo 1 Central (180 km<sup>2</sup>) blocks located in the Orinoco Heavy Oil Belt in eastern Venezuela. The Corporación Venezolana del Petróleo (CVP), a subsidiary of Petróleos de Venezuela S.A. (PDVSA), Venezuela's state oil company, will hold the remaining 60% equity interest. The award of the Mixed Company contract followed an extensive international selection process conducted by Venezuela's Ministry of Energy and Petroleum during late 2008 and throughout 2009. The Signing Ceremony of Incorporation Agreement was held on 12<sup>th</sup> May 2010 at Caracas; the company was incorporated on 25<sup>th</sup> June, 2010 and the Mixed Company was christened

as Petro Carabobo S.A. The Transfer Decree allowing Petro Carabobo S.A to carry out primary activities in the designated areas was published in the Official Gazette of the Government of Venezuela on 29<sup>th</sup> July, 2010.

The project has estimated Oil in Place of about 27 Billion barrels. The Mixed Company will build heavy oil production facilities, upgrading facilities and associated infrastructure. The upstream production facilities may be targeted to have capacity to produce around 400,000 barrels per day of extra heavy oil of which approximately 200,000 barrels per day may be upgraded into light crude oil in a facility to be located in the Soledad area, Anzoátegui State. The plans are currently being studied further before firming up. The license term is for 25 years with a potential of further 15 year extension.

## **5. EXISTING PROJECTS**

### **5.1 Block 06.1, Vietnam:**

Block 06.1 is an offshore Block located 370 km south-east of Vung Tau on the southern Vietnamese coast with an area of 955 sq km. The exploration License for Block 06.1 was acquired by your Company in 1988; later British Petroleum and PetroVietnam were farmed in as partners. Your Company with 45% PI, British Petroleum (Operator) with 35% PI and PetroVietnam, a Vietnamese Government-owned entity with 20% PI, have developed the Lan Tay field in the Block. The field started commercial production in January, 2003. During 2009-10, your Company's share of production from the project was 1.967 BCM of gas and 0.042 MMT of condensate as compared to 1.848 BCM of gas and 0.046 MMT of condensate during 2008-09. Lan Do field in Block is presently under development with production expected in 2012. Your Company's share of the development expenditure was approx USD 230 million till 31<sup>st</sup> March, 2010.

### **5.2 Sakhalin-I, Russia:**

Sakhalin-1 is a large oil and gas field in Far East offshore in Russia, spread over an area of approx 1,146 sq km. Your Company acquired stake in the field in July, 2001. Your Company holds 20% PI in the field; Exxon Neftegas Limited, a subsidiary of Exxon-Mobil, as Operator, holds 30% PI; Sodeco, a consortium of Japanese companies holds 30% PI and balance 20% PI is held by two subsidiaries of Rosneft, the Russian Government entities. Your Company's maximum net cash sink for investment in this project was approved at USD 1,556 million (excluding carry finance). With the start of exports of Sakhalin -1

crude oil from September, 2006, the project started to generate positive cash flow. During 2009-10, your Company's share of production from the project was 1.532 MMT of oil and 0.390 BCM of gas as compared to 1.853 MMT of oil and 0.372 BCM of gas during 2008-09.

### **5.3 Exploration Block-8, Iraq:**

Your Company is the sole licensee of Block-8, a large onland exploration Block in Western Desert, Iraq spread over 10,500 sq km. The Exploration & Development Contract (EDC) for the Block was signed on 28<sup>th</sup> November, 2000. The contract was ratified by the Government of Iraq on 22<sup>nd</sup> April, 2001 and was effective from 15<sup>th</sup> May, 2001. Though, the work relating to archival, reprocessing and interpretation of the existing seismic data was completed, your Company notified the force majeure situation to the Ministry of Oil, Iraq in April, 2003 due to prevailing conditions in Iraq. In 2008, your Company was informed that Government of Iraq had decided to re-negotiate the Block-8 contract in line with the provisions of the new oil & gas law which is expected to be promulgated soon. Accordingly, Block-8 contract is being renegotiated with the Government of Iraq. The Company has invested approx USD 2 million till 31<sup>st</sup> March, 2010 in the project.

### **5.4 Blocks A-1 and A-3, Myanmar:**

Block A-1 presently extends over an area of 2,129 sq km of Rakhine Coast in Arakan offshore in north-western Myanmar. Your Company acquired stake in the Block in April, 2002. Your Company holds 20% PI in the Block, GAIL (India) Limited holds 10% PI, Daewoo International Corporation of Korea as the operator holds 60% PI and KOGAS of Korea holds the balance 10% PI. Commercial quantity of natural gas has been discovered in two fields, Shwe and Shwe Phyu, in the Block. The Shwe and Shwe Phyu field appraisals have been completed by the consortium and the Initially In-Place reserves certified by an independent firm for the Shwe and Shwe Phyu gas fields are 3.83 TCF. So far, a total of 17 wells have been drilled in the block, out of which 9 wells have been gas bearing.

Block A-3, the adjacent block of Block A-1, covers presently an area of 3441 sq km with bathymetry up to 1,500 meters in the Rakhine offshore. Your Company acquired 20% PI in the Block on 24<sup>th</sup> March, 2006. Your Company is participating in the Block along with Daewoo International Corporation who is the operator with 60% PI, GAIL and KOGAS with 10% PI each. So far six exploratory wells

were drilled in this Block out of which three are gas bearing. Commercial quantity of natural gas has been discovered from Mya Gas Field. The initially in-place reserves certified by an independent firm for the Mya Gas field are 1.52 TCF. Your Company's share of investment was approx USD 80 million and USD 62 million for Block A-1 and A-3 respectively till 31<sup>st</sup> March, 2010.

Myanmar Oil and Gas Enterprise (MOGE), the State Company of Myanmar has back-in rights of 15% in Blocks A-1 and A-3 which they have already informed in January, 2010 that they wish to exercise. This would reduce PI as follows: 51% to be held by Daewoo, 17% to be held by OVL and 8.5% each by GAIL and KOGAS. Both A-1 and A-3 Blocks are currently under development w.e.f. 1<sup>st</sup> November 2009. A joint Field Development Plan prepared for Blocks A-1 and A-3 comprising of Shwe, Shwe Phyu and Mya gas fields has been approved by Consortium Partners. Execution of Development plan through Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) contract is in progress. Gas production from these fields is expected to commence in mid 2013.

OVL is participating in the complete hydrocarbon exploration, production and transportation chain comprising combined Upstream Field development of A-1 and A-3 Blocks, Offshore Pipeline JV Company and Onshore Pipeline Company.

#### **Shwe Offshore Pipeline Joint Venture Company (PipeCo-1)**

OVL is participating in the offshore downstream pipeline company with a participating interest of 20%. The other partners are Daewoo (Operator) having PI of 60%, GAIL and KOGAS having PI of 10% each. Government of Myanmar has got participation right of 15 % in this project. The length of offshore pipeline would be 110 Km X 32" from Shwe Offshore Platform to land fall point at Ramree Island. This project has been approved by Govt. of India in March 2010. The combined EPCIC contract along with Shwe Upstream Development project is under implementation. Currently detailed engineering study is in progress. The Project is scheduled to be completed by March 2013.

#### **Onshore Pipeline Company (PipeCo-2)**

OVL is participating in the Onshore Pipeline Company having a PI of 8.347%. The Onshore Pipeline Company was formed and registered in Hong Kong. The shareholding of other partners is CNPC-South-East Asia Pipeline Company

Limited (SEAP), China- 50.9%, Daewoo- 25.04%, MOGE, Myanmar 7.365 %, GAIL and KOGAS 4.1735% each. The Company will lay an onland pipeline of 870 Km X 40" from land fall point at Ramree Island to Myanmar China border. To achieve the first gas from Shwe Gas Development Project in mid 2013, the onshore pipeline project is scheduled to be completed by March 2013.

As per current estimates, your Company's share of investment jointly for Blocks A-1 and A-3 including Pipeco-1 & 2 projects is estimated at about USD 1 billion.

### **5.5 Farsi Offshore Exploration Block, Iran:**

Farsi is an offshore exploration Block spread over 3,500 sq km in Persian Gulf Iran with a water depth of 20-90 meters. The contract for the Block was signed on 25<sup>th</sup> December, 2002. Your Company holds 40% PI as operator and the remaining PI is held by Indian Oil Corporation Limited (40% PI) and Oil India Limited (20% PI). Pursuant to the discovery of gas made by the Consortium led by your Company, it had submitted a commerciality report to National Iranian Oil Company (NIOC), Iran on 23<sup>rd</sup> December, 2007. NIOC Board of Directorate approved the Commerciality of the Farzad 'B' area on 18<sup>th</sup> August 2008. The draft Master Development Plan (MDP) has been submitted in April 2009 to Iranian Offshore Oil Company (IOOC), which has been designated by NIOC for development of Farzad 'B' and is under finalisation. Development Service Contract of Farzad 'B' Gas Field is under negotiation by the Consortium with NIOC/IOOC. Your Company's share of investment was approx USD 36 million till 31<sup>st</sup> March, 2010.

### **5.6 Exploration Block NC-189, Libya:**

Block NC-189, measuring an area of 2,088 sq km is located in west-central part of the Sirte Basin in Libya. Your Company acquired stake in the onland Block in June, 2003. Your Company holds 49% PI in exploration Block NC-189 in Libya with Turkish Petroleum Overseas Company (TPOC), a subsidiary of National Oil Company of Turkey, holding the remaining 51% PI with operatorship. So far, three exploratory wells were drilled in this Block. All the wells were plugged and abandoned as dry wells. Your Company's share of investment was approx USD 41 million till 31<sup>st</sup> March, 2010.

## **5.7 Block-XXIV, Syria:**

Block-XXIV, measuring about 3,853 sq km is an on-land Block located in the central eastern part of Syria. The contract for the Block was signed on 15<sup>th</sup> January, 2004 and was effective from 29<sup>th</sup> May, 2004. Your Company holds 60% PI in the Block with IPR Mediterranean Exploration Ltd. (Operator) holding the remaining 40% PI. During the initial exploration period of three years till 28<sup>th</sup> May, 2007, the consortium acquired seismic data and drilled two exploratory wells which were not successful. Subsequently, permission was sought for entering into 1<sup>st</sup> extension period of two years which was granted w.e.f. 29<sup>th</sup> September, 2007. During the first Exploration Extension Phase, 349 sq km of 3D seismic acquisition in Wadi Dawara Area and reprocessing of 697 sq km of Al Waleed 3D area were completed. The well Rashid-1 which was drilled during March-May 2009 flowed naturally and was tested for seven days. Subsequently, permission was sought for entering into 2<sup>nd</sup> exploration extension period of two years which was granted with effect from 29<sup>th</sup> September, 2009. During the second exploration extension phase second discovery well, Abu Khasab-1, was drilled from August to September, 2009, and produced oil on testing. The third discovery well Abu Khasab-2 was drilled during October to December, 2009 and produced Oil and gas from multiple reservoirs on testing. The ultimate reserves are estimated at 6.120 MMT of oil for Block XXIV, Syria. Plan of Development for Abu Khashab and Rashid discoveries has been approved by the Syrian Government. Well South Abu Khashab-1 was spudded on 08<sup>th</sup> June, 2010 and currently drilling is in progress. Future work program includes acquiring & reprocessing of additional 3D/2D seismic data of the area and drill 3-4 exploratory wells in the block. Your Company incurred a capital expenditure of approx USD 29 million till 31<sup>st</sup> March, 2010.

## **5.8 Block 5A, Sudan:**

Block 5A is located in the prolific Muglad basin in Sudan and spread over an area of about 20,917 sq km. Your Company acquired stake in the Block from OMV Aktiengesellschaft, Austria on 12<sup>th</sup> May, 2004. Your Company holds 24.125% PI in the Block along with Malaysian National Oil Company, Petronas (67.875% PI) and Sudanese Government Company, Sudapet (8% PI). The Block is jointly operated by White Nile Petroleum Operating Company (WNPOC) a consortium of Petronas and Sudapet. Thar Jath, Mala and Mala Satellites fields have been put on production in Block 5A. Further, extensive exploration work is ongoing in the Block. Your Company's share of oil production from the project was 0.247 MMT for 2009-10 as compared to 0.285 MMT for the year 2008-09.

Your Company has incurred a capital expenditure of approx USD 359 million till 31<sup>st</sup> March, 2010.

#### **5.9 North Ramadan Block, Egypt:**

North Ramadan Block (Block 6) is an offshore Block located in the Gulf of Suez with an area of about 290 sq km. The contract for the Block was signed on 8<sup>th</sup> August, 2005. Your Company holds 70% PI in the Block with the remaining 30% PI being held by IPR Energy Red Sea Inc (IPR). The consortium had made a discovery of oil in two of the three wells drilled in the Block so far. Permission for entering into 1st Extension of Exploration Phase effective from 8<sup>th</sup> February, 2009 till 7<sup>th</sup> August, 2010 was granted by EGPC which includes drilling of one commitment well. The reprocessing of vintage seismic surveys and merging with 3D seismic volume is in progress for finalization of the prospect for commitment well. Your Company's share of investment was approx USD 44 million till 31<sup>st</sup> March, 2010.

#### **5.10 Block 81-1, Libya:**

Block 81-1 measuring 1,809 sq km is an onshore exploration Block located in Ghadames Basin in south-west Libya. The Exploration and Production Sharing Agreement (EPSA) for the Block is effective from 10<sup>th</sup> December 2005. Your Company holds 100% PI with operatorship in the Block. The acquisition, processing and interpretation of 811 LKM 2D and 502 Sq. Km. 3D seismic data have been completed. The report on Interpretation of Geoscientific data for Block 81-1, Libya is under preparation by G & G centre of OVL. The Company has invested approx USD 26 million till 31<sup>st</sup> March, 2010.

#### **5.11 Blocks 25, 26, 27, 28, 29, 35A and 36, Cuba:**

Blocks 25, 26, 27, 28, 29, 35A and 36 are deep water offshore exploration Blocks located in Cuba's Exclusive Economic Zone (EEZ) with an area of approx 11,231 sq km. The agreement for acquisition of 30% PI in the Blocks from Repsol-YPF of Spain was signed on 23<sup>rd</sup> May, 2006. The other partners in the Blocks are Repsol-YPF with 40% PI as operator and Statoil Oil & Gas AS with 30% PI. The consortium is in fourth exploration period having commitment of drilling of one well. Your Company's share of investment in these blocks was approx USD 23 million till 31<sup>st</sup> March, 2010.

### **5.12 Block 127, Vietnam:**

Block 127 is an offshore deepwater Block, located at water depth of more than 400 meters with 9,246 sq km area in Vietnam. The PSC for the Block was signed on 24<sup>th</sup> May, 2006. Your Company holds 100% PI in the Block with Operatorship. Your Company has acquired 1,150 sq km 3D seismic data in the Block and the interpretation of the seismic data has been completed. Location for drilling of exploration well was identified and the well was drilled in July 2009 to a depth of 1265 mts. As there was no hydrocarbon presence, the Company has decided to relinquish the block to Petrovietnam. The Company has invested approx USD 68 million till 31<sup>st</sup> March, 2010.

### **5.13 Block 128, Vietnam:**

Block 128 is an offshore deepwater Block, located at water depth of more than 400 meters with 7,058 sq km area in Vietnam. The PSC for the Block was signed on 24<sup>th</sup> May, 2006. Your Company holds 100% PI in the Block with Operatorship. Your Company has acquired 1650 sq km 3D seismic data in the Block and the interpretation of the seismic data has been completed. Location for drilling of exploration well has been identified and the rig was deployed on the location in September 2009. The well could not be drilled with the rig as it had difficulty anchoring on the location. The drilling activity was terminated and it is planned that the location shall be drilled in 2011. The Company has invested approx USD 45 million till 31<sup>st</sup> March, 2010.

### **5.14 Block 34 and 35, Cuba:**

Blocks 34 and 35 are deep water offshore exploration Blocks located in Cuba's Exclusive Economic Zone (EEZ) with an area of approx 4,300 sq km. The PSC for the Blocks was signed on 10<sup>th</sup> September, 2006. Your Company holds 100% PI in the Blocks with Operatorship. Acquisition, processing and interpretation of 2D seismic data have been completed. 3D Seismic data acquisition and processing has also been completed. Currently 3D Seismic data interpretation is in progress. The Company has invested approx USD 40 million till 31<sup>st</sup> March, 2010.

### **5.15 Contract Area 43, Libya:**

The Contract Area 43 located in Cyrenaica offshore basin in the Mediterranean sea consists of four blocks spread over an area of 7,449 Sq. Km. The Block boundaries extend from the coastline to the water depth of about 2,200 meters. The Exploration and Production Sharing Agreement (EPSA) for the Block was

signed on 5<sup>th</sup> March, 2007. Your Company holds 100% PI in the Contract Area with operatorship. The acquisition of 1011 LKM 2D and 4000 Sq. Km. 3D seismic data has been completed. The processing of this newly acquired seismic data is in progress. The Company has invested approx USD 36 million till 31<sup>st</sup> March, 2010.

#### **5.16 Pipeline Project, Sudan:**

An agreement was signed by your Company with the Ministry of Energy & Mining, Government of Sudan (GOS) on 30<sup>th</sup> June, 2004, for financing & construction of a 12", 741-km multi-product pipeline from Khartoum refinery to Port Sudan at a base lump sum price of USD 194 million. The project was completed 2 months ahead of the scheduled 16 months completion period. The pipeline was handed over to GOS in October, 2005. Oil India Limited, the other partner in the project, has 10% PI in the project wherein your Company has 90% PI. Nine half-yearly repayments due till December, 2009 have been received by your company from GOS. M/s Dodsal, the EPC contractor has filed arbitration against OVL for its claim of USD 25.48 million for this project. Your company in turn has given a pre-arbitral notice to Ministry of Justice, Government of Sudan.

#### **5.17 Block NEMED, Egypt:**

Your Company acquired 33% Participating Interest (PI) in the North East Mediterranean Deepwater Concession (NEMED), in Egypt Mediterranean Sea. The acquisition was completed on 23<sup>rd</sup> June, 2007 with effective date of PI holding as 1<sup>st</sup> October, 2006. The concession at present measures about 20,750 sq km. The other partners in the Block are Shell with 51% PI as operator and Petronas with 16% PI. The third phase exploration period of three years for the Block started in March 2008. Four wells were drilled in the second exploration phase out of which two wells were hydrocarbon bearing and two wells went dry. The discovered volume of Gas Initially in Place (GIIP) has been estimated to be approx 1.536 TCF. The Operator had earlier informed that various feasibility options were being explored for development of the discovered gas. The Operator has now communicated that a feasible development of the project was not commercially viable in the prevailing circumstances. This has been further impacted by the advent of Shale gas as a result of which the gas prices have undergone significant downturn. Even though in the obtaining circumstances, commercial development does look to be very challenging, the Company has requested the Operator to seek an

independent advice also on the feasibility of commercial development so that a suitable decision may be made. Your Company's share of investment was approx USD 235 million till 31<sup>st</sup> March, 2010.

#### **5.18 Blocks RC-8, RC-9 and RC-10, Colombia:**

Your Company acquired exploration blocks RC-8, RC-9 and RC-10 in deepwater offshore Colombia on 18<sup>th</sup> September, 2007. In Block RC-8, your Company as operator holds 40% PI with Ecopetrol and Petrobras holding 40% and 20% PI respectively. In Blocks RC-9 and RC-10, your Company and Ecopetrol hold 50% PI each with your Company as Operator in RC-10 block and Ecopetrol as Operator in RC-9 block. The contracts for the Blocks were signed on 30<sup>th</sup> November, 2007. The blocks RC-8, RC-9 and RC-10 extend over an area of 2,770 sq km, 2,120 sq km and 2,680 sq km respectively with water depths of 70 to 1,500 meters in offshore Colombia. The acquisition of 2568 LKM and 3750 LKM of 2D seismic data has been completed for RC-8 and RC-10 blocks respectively. Seismic data Processing is in progress for both the blocks. Further the acquisition of 720 Sq.km of 3D seismic data has been completed and data processing is in progress in RC-9 block. Your Company's share of investment in these blocks was approx USD 7.50 million till 31<sup>st</sup> March, 2010.

#### **5.19 Blocks AD-2, AD-3 and AD-9, Myanmar:**

Your Company acquired three offshore deepwater exploration Blocks i.e. AD-2, AD-3 and AD-9 on 23<sup>rd</sup> September, 2007 in Myanmar. Your Company is the operator with 100% PI in all the three Blocks. The Blocks have been awarded on the basis of mutual understanding and cooperation between India and Myanmar in the hydrocarbon sector. The blocks AD-2, AD-3 and AD-9 extend over an area of 8,100 sq km, 9,900 sq km and 7,800 sq km respectively with water depths ranging from 1,500 to 3,000 meters in the Rakhine Coast in Myanmar. The exploration period spread over four phases extends to 5 years for AD-2; and 7 years for AD-3 and AD-9. 2D Seismic and G-M data acquisition and processing have been completed. Reprocessing of a few in-fill lines and interpretation of seismic and G-M data is in progress for evaluation of these Blocks. The Company has invested approx USD 24 million in the Blocks till 31<sup>st</sup> March, 2010.

## **5.20 MTPN Block, Congo:**

Your Company acquired 20% PI in offshore exploration Block Mer Très Profonde Nord (MTPN) in Congo (Brazzaville) from ENI. The effective date of PI holding is 1st August, 2006. Other partners in the Block are ENI with 40% PI as operator and Exxon Mobil with the remaining 40% PI. An exploratory well HVAM-1 was drilled from September to October 2009 at a water depth of 2705 mts, which discovered hydrocarbons at a depth of 3862 to 3892 mts. with a net pay of 23 m and the Oil Initially in Place (OIIIP) is estimated at 101.11 million barrels. However, the discovered volumes were inadequate to warrant a commercial development. Considering the same, OVL along with other JV partners decided to relinquish the MTPN license on expiry of exploration period on 31st December 2009. Your Company's share of investment in the block was approx US\$ 14 million which has been written off.

## **5.21 Blocks SSJN-7 & CPO-5, Colombia:**

Your Company participated in the Bidding Round 2008 in Colombia during 2008-09 and was awarded two Blocks i.e. SSJN-7 with 50% PI and CPO-5 with 100% PI. The Block SSJN-7 is operated by Pacific Stratus Energy, Colombia with 50% PI. The Block CPO-5 is operated by your Company. The concession contracts for the Blocks SSJN-7 and CPO-5 were signed on 24th December, 2008 and 26<sup>th</sup> December, 2008 respectively. The Company farmed out 30% PI in Block CPO-5 to M/s Petrodorado South America S.A to share the exploration risk and leverage experience in the region. The Joint Operating Agreement was signed between OVL and M/s Petrodorado on 2<sup>nd</sup> June 2010. Both the blocks are currently under exploration Phase. Your Company's share of investment was USD 0.55 million and USD 1.19 million for Blocks SSJN-7 and CPO-5 respectively till 31<sup>st</sup> March, 2010.

## **6. SUBSIDIARIES**

### **6.1 ONGC Nile Ganga BV (ONGBV)**

#### **6.1.1 Greater Nile Oil Project (GNOP), Sudan:**

Greater Nile Oil Project (GNOP), Sudan is located in the Muglad Basin, around 700 km South-West of the Capital Khartoum and consists of onland blocks 1, 2 & 4 spread over 49,500 sq km. Your Company holds 25% stake in the project through its subsidiary ONGC Nile Ganga BV (ONGBV) which was acquired on

12<sup>th</sup> March, 2003. Other partners in this project are China National Petroleum Corporation (40% PI), Petronas Carigali Overseas Sdn Berhad, a subsidiary of the Malaysian National Oil Company, Petronas (30% PI) and Sudapet, the National Oil Company of Sudan (5% PI). ONGBV's share in oil production from GNOP was 2.126 MMT during 2009-10 as compared to 2.443 MMT during 2008-09.

### **6.1.2 Al Furat Project, Syria:**

ONGC Nile Ganga BV (ONGBV) and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), hold 33.33% to 37.5% PI in four Production Sharing Contracts (PSCs) comprising 36 producing fields in Syria. The acquisition was completed on 31<sup>st</sup> January, 2006 which was effective from 1<sup>st</sup> July, 2005. The project is being managed through a Dutch joint venture company, named Himalaya Energy Syria B.V. (HESBV), wherein ONGBV and Fulin Investments Sarl, hold 50% shareholding each. Syria business of ONGBV is structured as separate class business (Class C shares). ONGBV (Class C business) has been funded by your Company and OMEL, in the ratio of 55:45. Your Company had advanced approx USD 223 million towards cost of acquisition, part of which had been returned by ONGBV to OVL and OMEL. In respect of balance amount advanced by your Company and OMEL, on 4<sup>th</sup> April, 2008, ONGBV had issued 26,000 Class C ordinary Shares i.e. 14,300 shares to your Company and 11,700 shares to OMEL of face value Euro 1 per share at issue price of Euro 4,000 per share for aggregate issue consideration of Euro 104 million. At the time of Class C share issue, OMEL held 13.07% share in ONGBV through Class C ordinary Shares which are entitled only and exclusively to the results of the business relating to Al Furat Project, Syria. ONGBV has subsequently repurchased 24,400 class C shares in 4 tranches in January, March, June 2009 and March 2010 and the current holding of OMEL in ONGBV is 1.11%. The fields are operated by Al Furat Petroleum Company (AFPC), jointly owned by Syrian Petroleum Company (50%), the National Oil Company of Syria, Shell Syria Petroleum Development Co.(31.25%) and HESBV(18.75%). OVL's share in the oil production was 0.718 MMT during 2009-10 as compared 0.812 MMT during 2008-09.

### **6.1.3 Block BC-10, Brazil:**

Block BC-10 is a deepwater offshore Block located in the Campos Basin approximately 120 km southwest from the city of Vitoria off the coast of Brazil with a water depth of around 1800 meters spread over 600 sq km. ONGBV

acquired 15% PI in the project on 25<sup>th</sup> April, 2006 through its wholly owned subsidiary ONGC Campos Ltda. Other partners in the Block are Shell with 50% PI as operator and Petrobras with 35% PI. OVL's net maximum cash sink for investment in this project was approved at USD 548 million. The Phase-1 of the Block has been developed using sub-sea wells which connects via sub-sea manifolds, flowlines, and risers to a Floating Production, Storage and Offloading Vessel (FPSO). Drilling of 11 wells planned for phase-1 has been completed & 9 producers and 1 gas injector wells are put on production. The oil production from the project commenced on 12<sup>th</sup> July 2009. Your Company's share of oil production was 0.192 MMT during 2009-10 as against a target of 0.103 MMT.

#### **6.1.4 Blocks BM-S-73 and Block BM-ES-42, Brazil:**

ONGBV holds 43.5% PI and 100% PI in the deepwater offshore Blocks BM-S-73 and BM-ES-42 respectively in Brazil through its wholly owned subsidiary ONGC Campos Ltda. The blocks BM-S-73 and BM-ES-42 are spread over an area of 160 sq km and 725 sq km respectively with water depths of around 200 meters and 1,500 meters respectively. During the year, your Company has divested some part of its PI in Block BM-S-73 to Petrobras and Ecopetrol to share the exploration risk and leverage experience in the region. Joint Operating Agreement was signed on 29<sup>th</sup> January 2010 with Petrobras and Ecopetrol holding 43.5% and 13% respectively. 3D Seismic Survey was completed in both the Blocks. Seismic data processing has been completed and G&G study is in progress in BM-S-73. Seismic data processing is in progress in BM-ES-42. The Company has invested USD 12 million and USD 24 million for Block BM-S-73 and BM-ES-42 respectively till 31<sup>st</sup> March 2010.

#### **6.1.5 San Cristobal Project, Venezuela:**

Your Company signed an agreement with Corporación Venezolana del Petróleo S.A. (CVP) on 8<sup>th</sup> April, 2008 and acquired 40% Participating Interest (PI) in San Cristobal Project, Venezuela. San Cristobal project covers an area of 160.18 Sq. Km in the Zuata Subdivision of prolific Orinoco Heavy Oil belt in Venezuela. The project is operated jointly by OVL and PDVSA. The JV Company has been named "Petrólora IndoVenezolana SA" (PIVSA). CVP, a subsidiary of PDVSA holds 60% equity in JVC and OVL holds 40% equity through ONGC Nile Ganga (San Cristobal) BV, a wholly owned subsidiary of ONGC Nile Ganga B.V. OVL's share in the oil production was 0.704 MMT during 2009-10 as against 0.671

MMT during 2008-09. The Company has invested approx USD 191 million till 31<sup>st</sup> March, 2010 in the project.

#### **6.1.6 Blocks BM-SEAL-4 & BM-BAR-1, Brazil:**

Your Company acquired PI in exploration blocks BM-SEAL-4 and BM-BAR-1 in Brazil in August 2008 through ONGC Campos Limitada, a wholly owned subsidiary of ONGC Nile Ganga B.V. Your Company holds 25% PI in Block BM-SEAL 4 and Block BM-BAR-1 with Petrobras (Operator) holding remaining 75% PI. The projects are currently under exploration Phase. Your Company's share of investment was approx USD 1 million and USD 49 million for Block BM-SEAL-4 and BM-BAR-1 respectively till 31<sup>st</sup> March 2010.

Further ONGC Nile Ganga (Cyprus) Ltd. has been incorporated for financing of your Company's share of investment in Nigerian Blocks of OMEL.

### **6.2 ONGC Narmada Limited – Wholly owned Subsidiary**

#### **6.2.1 Block-2, Nigeria-São Tomé & Príncipe, JDZ:**

Block-2 is a deep water exploration Block located in Nigeria-São Tomé & Príncipe Joint Development Zone (JDZ) with an area of approx 1,034 sq km. ONGC Narmada Limited (ONL), Company's 100% subsidiary incorporated in Nigeria, holds 13.5% PI in the Block. Other partners in the Block include Sinopec (28.67% PI), Addex Petroleum (14.33% PI), ERHC Energy Inc. (22% PI), Equator Exploration (9% PI), Amber (5% PI), Foby (5% PI) and A & Hatman (2.5% PI) with Sinopec as the operator. Operator has acquired license of 3D seismic data and interpreted the data. Based on the same, a well was drilled in 2009. Though the well showed presence of hydrocarbons, the volumes were inadequate to warrant a commercial development. The Company has communicated its intention of not continuing the block to the Operator. ONL's share of investment, inclusive of the carry obligations to A & Hatman, till March, 2010 was approx USD 25 million, which has been written off.

### **6.3 ONGC Amazon Alaknanda Limited – Wholly owned Subsidiary**

#### **6.3.1 Mansarovar Energy Project, Colombia:**

Mansarovar Energy Colombia Limited (MECL), Colombia is a 50:50 joint venture comprising a wholly owned subsidiary of your Company i.e. ONGC

Amazon Alaknanda Limited (OAAL) and a subsidiary of Sinopec International Petroleum Exploration and Production Corporation (SIPC). MECL's assets constitute a 100% interest in Velasquez fee mineral property and a 50% interest in the Nare Association contracts where the Colombian national oil company, Ecopetrol S.A. holds the remaining 50%. MECL also owns 100% of the Velasquez-Galan pipeline, which runs 189 km from the Velasquez property to Ecopetrol's Barrancabermeja refinery. MECL had acquired Omimex de Colombia Ltd. ("Omimex") from Texas based Omimex Resources, Inc. on 20th September, 2006 with effective date of 1st April, 2006. Your Company had invested USD 437.50 million towards cost of acquisition. Your Company's share of oil production was 0.409 MMT during 2009-10 as compared to 0.371 MMT during 2008-09.

## **6.4 Jarpeno Limited – Wholly owned Subsidiary**

### **6.4.1 Imperial Energy**

Your company acquired Imperial Energy Corporation Plc., an independent upstream oil Exploration and Production Company having its main activities in the Tomsk region of Western Siberia, Russia on 13th January, 2009 at a total cost of USD 2.1 billion. Imperial's interests comprise of seven blocks in the Tomsk region i.e. Block 69, 70, 74, 77, 80, 85 and 86 with a total licensed area of approximately 16,800 square kilometres. The Production licenses were granted to the Company during 2005 to 2008 and are valid till 2028 to 2031. As on 1st April 2010, OVL's share of 2P reserves in the project was 112.871 MMT (O+OEG).

The post acquisition developmental plans of Imperial Energy, which included the drilling of 32 wells and construction of facilities, has resulted in the ramping up of its oil production to above 16,000 bopd in December 2009 from around 6,000 bopd at the time of acquisition. On the exploratory front, Imperial is focused on evolving a complete geological understanding of its fields through various geological and geophysical studies. During the year 2009-10, Imperial Energy drilled 12 exploration and appraisal wells which have led to four new discoveries. The Exploration and Developmental program for the year 2010 envisages drilling of 43 wells in addition to construction of facilities coupled with infusion of new technologies / techniques. OVL's share in the oil production was 0.543 MMT during 2009-10 as against 0.076 MMT during 2008-09. The Company has invested approx USD 2,335 million till 31<sup>st</sup> March 2010 in the project.

## **6.5 AB Startkapitalet nr 5636 (name changed to Carabobo One AB) – Wholly Owned Subsidiary**

### **6.5.1 Carabobo Project**

OVL holds 11% in Carabobo-I project through its subsidiary AB Startkapitalet nr 5636 (name changed to Carabobo One AB). Other details have been mentioned in para 4.1 above.

## **7. JOINT VENTURE COMPANY – ONGC MITTAL ENERGY LIMITED**

Your Company along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. Your Company and MIS hold 98% shares of OMEL in the ratio of 51(OVL): 49(MIS) with 2% shares held by SBI Capital Markets Ltd. OMEL holds PI in the AFPC Syrian Assets through ONGBV and exploration Blocks OPL 279 and OPL 285 through OMEL Exploration and Production Nigeria Limited (OEPNL) and OMEL Energy Nigeria Limited (OENL) respectively in Nigeria.

### **7.1 Block OPL 279, Nigeria:**

OPL 279 is a deepwater offshore exploration Block in Nigeria with an area of 1,125 sq km. The effective date of the PSC was 23<sup>rd</sup> February, 2007. Currently, OMEL through its wholly owned subsidiary company OMEL Exploration & Production Nigeria Ltd. holds 45.5% PI in the Block. Other partners in the Block are EMO, a local Nigerian company with 40% PI and TOTAL with 14.5% PI. The Block is operated by OMEL. As per terms of the agreement, EMO is carried by other participants in their respective share of participation. OMEL, Nigeria has drilled the first well Kuyere-1 in block OPL-279 in January - February 2010 and discovered hydrocarbons in three pay zones. Until more hydrocarbons are discovered in the block, commerciality of the present discovery on stand-alone basis may be challenging. OMEL's share of investment, inclusive of the carry obligations to EMO, till March, 2010 was approx USD 152 million.

### **7.2 Block OPL 285, Nigeria:**

OPL 285 is a deepwater offshore exploration Block in Nigeria with an area of 1,167 sq km. The effective date of the PSC was 23<sup>rd</sup> February, 2007. Currently, OMEL through its wholly owned subsidiary company OMEL Energy Nigeria Ltd. holds 64.33% PI in the Block. Other partners in the Block are EMO, a local Nigerian company with 10% PI and TOTAL with 25.67% PI. The Block is operated by OMEL. As per terms of the agreement, EMO is carried by other participants

in their respective share of participation. OMEL is planning to drill the first well Opueyi-AX in Block-285 during 2010-11. OMEL's share of investment, inclusive of the carry obligations to EMO, till March, 2010 was approx USD 62 million.

## **8. OVERSEAS OFFICES**

The overseas offices of your Company are located in Ho Chi Minh City (Vietnam), Yuzhno Sakhalinsk (Russia), Baghdad (Iraq), Tehran (Iran), Tripoli (Libya), Havana (Cuba), Caracas (Venezuela), Astana (Kazakhstan), , Bogota (Colombia). ONGC Nile Ganga BV has its registered office in Amsterdam (The Netherlands), office in Khartoum (Sudan) and its subsidiaries have offices in Rio de Janeiro (Brazil) and Nicosia (Cyprus). ONGC Narmada Limited and ONGC Amazon Alaknanda Limited have their registered offices in Lagos (Nigeria) and Hamilton (Bermuda) respectively. Jarpeno Limited has its registered office in Cyprus and its subsidiaries have offices in London (U.K), Moscow & Tomsk (Russia), Jersey, Cyprus and Kostanay (Kazakhstan). Carabobo One AB has its registered office in Sweden.

## **9. INFORMATION TECHNOLOGY**

Your Company keeps itself abreast of the advancements in the field of information technology so as to adopt them to the extent required in its pursuit of achieving operational excellence.

Advanced IT and Telecommunications systems including Multi-site Videoconferencing systems provide best in class technologies for corporate use.

## **10. HUMAN RESOURCE DEVELOPMENT**

Your Company has been operating with optimally required manpower provided by the parent company. The total manpower of your Company was 231 as on 31<sup>st</sup> March, 2010 as compared to 196 as on 31<sup>st</sup> March, 2009. As on 31<sup>st</sup> March, 2010, 69 executives stood posted to various overseas projects/offices.

## **11. IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY**

Your Company makes concerted effort to spread and promote Official Language. Hindi month was organised during the year from 14<sup>th</sup> September,

2009 to 13<sup>th</sup> October, 2009. New edition of the magazine 'Aadharshila' was launched during the year. Official Language Implementation Committee meetings were organised regularly during the year.

## **12. BOARD OF DIRECTORS**

During the year, Shri Anupam Mathur, Director (Commercial) retired on attaining the age of superannuation on 31<sup>st</sup> August, 2009. Shri S Roychaudhury took over the charge of office of Director (Commercial) on 1<sup>st</sup> September, 2009. Dr. A.K. Balyan, upon his selection as MD & CEO of Petronet LNG Limited submitted his resignation with effect from 15<sup>th</sup> July, 2010 from the Board of Directors of OVL. Your Directors place on record their sincere appreciation for the excellent contributions made by Shri Anupam Mathur and Dr. A.K. Balyan and extend a warm welcome to Shri S Roychaudhury.

DPE Guidelines on Corporate Governance 2010 require that atleast one-third of the Board members should be Independent Directors. As CMD, ONGC is the Chairman of OVL and OVL has four whole time Directors including Managing Director, OVL has recommended to Ministry of Petroleum and Natural Gas (MoP&NG) to consider appointing four independent Directors including one independent Director of the holding company ONGC on OVL's Board which is under consideration of MoP&NG.

As required under Section 255 and 256 of the Companies Act, 1956, Shri Joeman Thomas, Director (Exploration), Shri S.P. Garg, Director (Finance), Shri Sunil Jain, Director and Shri D.K. Sarraf, Director retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment at the said meeting.

## **13. AUDITORS**

M/s Batra Sapra & Co., Chartered Accountants, New Delhi were re-appointed as the Statutory Auditors of your Company by the Comptroller & Auditor General (C&AG) of India for the financial year 2009-10. The Notes on Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments. The Comments of the C&AG and Management Reply thereto form part of this report.

## 14. COST AUDIT

Pursuant to clarifications provided by the Cost Audit Branch of Ministry of Corporate Affairs vide letter no. F.No. 52/21/CAB/2007 dated 26<sup>th</sup> May, 2008, the Company has maintained cost records under section 209(1) (d) of the Companies Act, 1956 for the year 2009-10. OVL has not been notified under Section 233B of the Companies Act, 1956 for audit of cost records by Cost Auditors as maintained under Cost Accounting Records (Petroleum Industry) Rules, 2002. However, the Company has got its cost records certified by M/s Jugal K. Puri & Associates, Cost Accountants in order to obtain assurance about compliance with the requirement of the Cost Accounting Record Rules.

## 15. STATUTORY DISCLOSURES

(i) Information required to be given pursuant to the provision of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed and forms part of the Directors' Report.

(ii) None of the Directors of your Company is disqualified under the provisions of Section 274 (1) (g) of the Companies Act, 1956.

(iii) Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo during the financial year 2009-10 is given below:

- a) the sources of energy used by the Company are Electricity, Diesel and Motor Spirit (Petrol);
- b) the Board, as part of its existing internal control measures, is striving for the conservation of electricity, diesel and petrol under the supervision of Managing Director on a continuous basis and is satisfied that the utilisation of energy is optimum for the operations of the Company in India;
- c) the provisions of the Companies Act, 1956, in regard to technology absorption are not applicable to the Company and
- d) the details of foreign exchange earned and outgo during the year 2009-10 are as follows:

	<b>(₹ in Million)</b>
• Foreign Exchange earned	50,685.13
• Foreign Exchange outgo	42,932.89

## **16. SECRETARIAL COMPLIANCE REPORT**

Secretarial Compliance Report confirming compliance to the applicable provisions of Companies Act, 1956 and applicable Rules there under, Securities and Exchange Board of India (Issue and listing of Debt Securities) Regulations, 2008, Debt Listing Agreement with the National Stock Exchange, Depositories Act, 1996 given by a practicing Company Secretary, is annexed and forms part of the Directors' Report.

## **17. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report, is annexed and forms part of the Directors' Report.

## **18. CORPORATE GOVERNANCE REPORT**

The Company strives to attain high standards of corporate governance. A separate section on Corporate Governance is annexed and forms part of the Directors' Report.

## **19. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, the following statements relating to Annual Accounts for the financial year ended 31<sup>st</sup> March, 2010 are made:

- (i) in the preparation of the annual accounts for the financial year 2009-10, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and that there are no material departures from the same;
- (ii) the Directors have selected such accounting policies as described in Schedule-25 to the annual accounts and applied them consistently as stated in the annual accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2010 and of the profit of the Company for the year ended on that date;

- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- (iv) the Directors had prepared the annual accounts on a "going concern" basis.

## **20. AUDIT COMMITTEE**

The details of Audit Committee are given separately in the Corporate Governance Report.

## **21. ACKNOWLEDGEMENT**

Your Directors would like to acknowledge with deep appreciation the valuable guidance and support extended by the Government of India, especially the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, Indian Embassies / High Commissions abroad and the Reserve Bank of India etc. Your Directors also wish to place on record their deep sense of appreciation for the dedicated services by the employees of the Company. Your Directors recognize that the achievements of your Company would not have been possible without the unstinted and total support from the parent company, Oil and Natural Gas Corporation Limited.

On behalf of the Board of Directors



(R. S. Sharma)  
**Chairman**

**New Delhi**  
**13<sup>th</sup> August, 2010**