



Hindustan Oil Exploration Company Limited (HOEC)

New Delhi: February 13th, 2013: HOEC, an upstream Indian Exploration and Production (E&P) company, has today announced its 3rd Quarter Limited Review Results for the Financial Year 2012-2013.

Corporate

- HOEC, with its existing portfolio of exploration and production assets centric to India, shall be actively seeking out business opportunities in the conventional and unconventional plays to re-position its portfolio for growth.

Operational: HOEC Operated Blocks

PY-1 Gas Field, Located in Offshore Cauvery Basin, East Coast of India

- As highlighted by the Chairman during the AGM in Sept 2012, the Company undertook implementation of a series of action plans involving both surface and sub-surface interventions to improve performance of PY-1 Field, a unique 'fractured granitic' reservoir.
- As part of the surface initiatives, the Company had commissioned onshore compression units in Feb 2012 to allow operations at low pressure and therefore improving production recovery of gas. Further debottlenecking was carried out in Nov 2012 to allow reduction of inlet pressure of the compressors to 60 psig from an earlier pressure regime of 100 psig. The overall result of the compression project was positive and the effect of the same shall be realized over the life of the Field as the same would help in lowering the abandonment pressure.
- To execute the sub-surface programme involving work-over in existing wells and drilling a multi-lateral well, 'Surya', the Company deployed rig Perro Negro 3. Following the completion of work-over operations in two of the existing wells, a gain in production of nearly 6.5mmscfd was noticed, albeit lower than the simulated results.
- The Company had informed the shareholders at the AGM in Sept 2012 regarding the drilling of multi-lateral well, 'Surya'. Subsequent to drilling and completion of 'Surya' Well, the Company made efforts to activate this Well by using nitrogen since the gas and oil/condensate production was impeded due to loss of drilling fluids while drilling in the reservoir section, which seems to be partially depleted.
- As the well activation operation could be time consuming and thereby expensive through the use of the rig, the Company had de-hired the rig and informed the shareholders that it shall carry out well lifting programme through rig-less intervention in a fair weather period so as to be cost effective.
- Pending activation of bi-lateral well Surya drilled in PY-1 Field, HOEC commissioned a third party reserve certification to assess the reserves potential of PY-1 Field. Based on the said report, there is a reduction in the assessment of Total Proved Reserves and the same are now estimated to be 120 bcf. While identifying the sectors for exploitation of gas production, the Report recognizes the complexity of this fractured basement granitic reservoir and recommends to '*prepare a fresh dynamic simulation model incorporating the suggestion of many studies that would decide future production profile*'.



- As recommended in the said report, based on the body of knowledge acquired over a period of time in terms of reservoir parameters and response to the surface and sub-surface actions and the production performance, the Company shall be undertaking a comprehensive reservoir study aimed to address the challenges of such specific reservoirs and based on the findings of the Study shall proceed with the plan to monetize the gas reserves in an economical manner by drilling wells. Given the multi-disciplinary approach which would be required to undertake such a Study, it is expected that the exercise could still take a few months for completion. Upon discussions and validation by the authorities, the Company shall keep the shareholders informed of the findings of the Study.

AAP-ON-94/1 Block, Located in Upper Assam:

- As Operator, HOEC, on behalf of the consortium partners, has submitted a Commercial Discovery Report (CDR) relating to the significant “Dirok” Gas Discovery, in a conventional and prolific ‘Girujan’ Reservoir setting in Upper Assam, to the authorities on Dec 31, 2012 and the same is under review.
- After the approval of the CDR, the Consortium shall be making a disclosure of the Resources and presenting a Field Development Plan, to monetise the gas from ‘Dirok’ Discovery with an accelerated time-to-market schedule with ‘First Gas’ during the CY 2015.

RJ-ONN-2005/1 Block, Located in Rajasthan:

- HOEC, on behalf of the consortium partners, has completed the acquisition and processing of 3D seismic data in this Jaisalmer sub-basin block located in Rajasthan.
- HOEC and its consortium partners are engaged in interpretation of the 3D data and based on preliminary / quick look review, the prospectivity looks encouraging.
- Target is to drill the first of the exploration well in the Block as soon as statutory and regulatory approvals are received.

Operational: Non-HOEC Operated Blocks

PY-3 Oil Field, Located in Offshore Cauvery Basin, East Coast of India:

- For the PY-3 Field, submission of a Comprehensive Full Field Development Plan to the authorities remains a topmost priority for the consortium, approval of which would help pave the way for completing the tendering process for facilities, and restarting of oil production which is presently anticipated by the Operator in 2014.
- A Static and Dynamic Model for PY-3 Field has been re-done by HOEC so as to help the Joint Venture establish a development scheme to maximise recovery of balance reserves in the range of 18 to 20 mmbbls from this mature Oil Field.



CB-OS-1 Block, Located in Offshore Cambay Basin, West Coast of India:

- Operator has presented a revised Plan of Development, compliant with the CRZ requirements, for monetisation of “Gulf A” Discovery, which is under partner’s review. As per Operator’s schedule, the First Oil from this Field is expected by mid CY2015.

Financials:

- Based on third party reserves assessment and reduction in Proved Reserves in PY-1, the Company has carried out an Impairment Test based on procedures consistent with the Accounting Standards in India and recognised a one-time exceptional loss of INR 5,719.7 million in its Financial Statement for the Quarter ending Dec 31, 2012.
- The total Net Worth of the Company post-write off as of Dec 31, 2012 is equal to INR 6,852.4 million.

An analyst conference is being planned wherein HOEC Management shall present a strategic and business plan of the Company besides updating on the developments in PY-1 and other Fields.

Commenting on the outlook for the Company, Mr. R Vasudevan, Chairman said:

“PY-1 Gas Field has witnessed a downgrade in reserves and the Company has, accordingly, recognised an impairment loss. Undoubtedly a setback, however HOEC is engaged in reassessing the complete hydrocarbon potential of this Field and finding technological solutions to drain the reserves in a most economical manner. Our portfolio presents some projects with significant potential and our team is focused on bringing these projects to revenue generating phase.”

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In case of queries, you are requested to send email to hoecshare@hoec.com and we shall revert to you asap.