



## Chairman's Statement 2017- 2018

INDIA'S FIRST  
PRIVATE OIL AND GAS COMPANY



Transforming Through Talent And Technology

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Ladies and Gentlemen,

Let me begin by wishing you all a very good morning. On behalf of the Company, I am delighted to welcome each one of you to this 34<sup>th</sup> Annual General Meeting of your Company.

We have dispatched the Company's Annual Report in advance. I trust all of you have received the report. Therefore, with your permission, I take the Annual Report as read.

In FY 2017-18, we have completed a great year of fantastic performance for HOEC, delivering industry leading production growth. Gross production from the Company's assets grew almost five-fold from 403 BOEPD to 2,428 BOEPD.

During the year, your Company successfully delivered Dirok Field development in record time. The Hollong Modular Gas Processing Plant (HMGPP) was commissioned in March 2018. We have tested all wells and facilities at the full capacity of 35 MMSCFD of gas.

In Dirok, we continue to remain focused on ensuring consistent offtake and producing at capacity. We have also been encouraged by better than expected reservoir performance in the first phase and are currently developing a revised field development plan with follow-on drilling to further increase the production. We will also be targeting the additional exploration potential in the subsequent drilling campaigns.

As part of our strategy to continuously upgrade our portfolio of discovered resources, your Company bid for and secured two additional discovered blocks viz., B-80 and Kherem in DSF Bid Round I. In our offshore B-80 block, we were the first operator to successfully have the field development plan approved by DGH and are currently progressing development on a fast-track basis.

Also, as part of our strategy to pursue opportunistic acquisitions around our core areas, your Company acquired Geopetrol International Inc. This acquisition gives us a 30% participating interest (directly and indirectly) in the producing Kharsang block in Arunachal Pradesh and has enabled us to emerge as the largest private producer of oil and gas in the North-East.

Even as E&P companies look to get back to the business of discovering and developing oil and gas resources with increased momentum, the lessons of operating in a low-price environment are too valuable to be forgotten. Successful companies will be those that institutionalise cost consciousness and prudent capital stewardship.

At HOEC, we have successfully established and sustained low cost operating models in both our onshore and offshore assets. We have also demonstrated our ability to use technology and innovative contracting models, to develop oil and gas resources in the most cost-effective manner, and will continue to develop this as a key competitive advantage.

India will continue to be the leading market for energy demand growth and the Government has implemented several policy changes aimed at opening up the sector and increasing domestic production of oil and gas. The recently concluded Open Acreage Licensing Policy (OALP) Bid Round I is a critical step in this direction and I am happy to share that your Company has taken part in the bid round.

At HOEC, we are proud of the positive impact we have on the development and transformation of all our stakeholders. As the Nation's first private E&P company, we continue to play a key role in finding and developing domestic hydrocarbon resources. At Dirok, we produce about 15% of Assam's natural gas production and we continue to operate the only producing offshore field PY-1 in the Cauvery basin.

I am also happy to share with you that we are continuing the growth momentum of FY 2017-18 in FY 2018-19 also. We have successfully and safely completed the two well re-entry campaign in PY-1 asset and increased the production from around 2 MMSCFD to about 12 MMSCFD. With 100% PI, PY-1 remains a key asset in our portfolio and this campaign opens up multiple options for us to continue to deliver value.

Individual project updates are provided in the Management's Discussion and Analysis Report.

Your Company continues to remain a debt-free Company and has once again posted positive financial results and will strive to achieve profitable and sustainable growth by maintaining sharp focus on increasing volumes and reducing costs.

Your Company will remain committed to pursue the highest standards of corporate governance with utmost regard to integrity, transparency, business ethics and compliance.

We will keep the interests of the minority shareholders at all times and continue to strengthen the Board oversight.

When it comes to safety, your Company follows the principle of “All lives have equal value” and has safely completed a drilling campaign involving six wells, constructed pipelines and gas gathering stations in a challenging environment. Safety has no place for complacency. Therefore, we will continue to enhance our HSE systems, processes and practices.

I take the opportunity to thank all our esteemed shareholders for their support and faith in the Company.

I, on behalf of the Board of Directors of the Company, wish to place on record our gratitude for the excellent support received from our JV partners, the Directorate General of Hydrocarbons, the Ministry of Petroleum & Natural Gas, the Government of India and the Government of Assam for their constant support.

Your Company believes that in oil and gas business, value is created by people and we will continue to build a top talent team and create a work environment that empowers people and encourage innovation.

Thank you very much.

**S.B. Mathur**

Chairman

August 20, 2018