

MD	✓			BKC	✓
CS	✓			DPY	NA
RO	✓			DIV	NA
TRA	✓			AC	✓
AGM	✓	✓		SHI	✓
YE	✓	✓	✓		



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Hindustan Oil Exploration Company Limited

14TH ANNUAL REPORT 1997-98

14TH ANNUAL GENERAL MEETING

Date : September 18, 1998

Day : Friday

Time : 10.30 A.M.

*Place : Auditorium, Federation of Gujarat Industries,
Federation Building, R. C. Dutt Road,
Vadodara - 390 005.*

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BOARD OF DIRECTORS

- * Rasesh N. Mafatlal *Chairman*
- * Deepak S. Parekh
- * John Walmsley
- * Vimal Bhandari
- Dr. I.G. Patel
- B.R. Sule
- N.N. Kapadia
- A.H. Divanji
- C.K. Mehta
- Hasmukh Shah
- R. Vasudevan
- * Ashok M. Bhatt *Joint Managing Director*
- * Ajit C. Kapadia *Managing Director*
- Dr. Peter Hill *Alternate Director to Mr. John Walmsley*
- * *Members of Executive Committee*

COMPANY SECRETARY

Surendra U. Tamboli

AUDITORS

S. B. Billimoria & Company,
Chartered Accountants,
Mumbai.

PRINCIPAL BANKERS

Allahabad Bank
Bank of Baroda
Central Bank of India
HDFC Bank Limited
ICICI Banking Corporation Limited
State Bank of India

REGISTERED OFFICE

Tandalja Road,
Off Old Padra Road,
Vadodara - 390 020.

MUMBAI OFFICE

Anand House, 13th Road,
Off Linking Road, Khar (West),
Mumbai - 400 052.

SHARE DEPARTMENT

107/108, 1st Floor, Gajanan Complex,
Opp. Tube Company, Old Padra Road,
Vadodara - 390 020.

MANAGEMENT TEAM

Vipul P. Bhatt	General Manager (Engg. & Production)
Dr. Vipul Desai	General Manager (Corporate Services)
Dr. Udayan Das Gupta	General Manager. (Exploration)



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

NOTICE

NOTICE IS HEREBY given that the **14th Annual General Meeting** of the Members of Hindustan Oil Exploration Company Limited will be held on Friday, September 18, 1998 at 10:30 A.M. at the Auditorium, Federation of Gujarat Industries, Federation Building, R.C. Dutt Road, Vadodara - 390 005 to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the Audited Balance Sheet as at March 31, 1998 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Rasesh N. Mafatlal who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. N.N. Kapadia who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Deepak S. Parekh who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Hasmukh Shah who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

By Order of the Board of Directors

Place : Mumbai
Date : June 23, 1998

Surendra U. Tamboli
Company Secretary

Registered Office :

Tandalja Road, Off Old Padra Road,
Vadodara - 390 020.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 1, 1998 to Friday, September 18, 1998 (both days inclusive).
4. Members desirous of obtaining any information concerning the accounts and operations of the Company, are requested to send their queries to the Company Secretary at least seven days before the Meeting, so that the information required by the Members may be made available at the Meeting.
5. Members are requested to notify immediately any change in their address to the Share Department of the Company, specifying the Registered Folio No., complete address in BLOCK LETTERS with Pin Code Number of the Post Office.
6. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's Share Department enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
7. Members are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting as extra copy will not be supplied.

DIRECTORS' REPORT TO THE MEMBERS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Your Directors have pleasure in presenting the 14th Annual Report and the Audited Statement of Accounts of the Company for the year ended March 31, 1998.

FINANCIAL RESULTS

For the year ended March 31, 1998, the Company has earned a pre-tax profit of Rs.5,24,95,670 (Previous Year Rs. 12,336,495). After provision for taxation and adjusting the previous balance, a sum of Rs.10,98,06,283 in Profit and Loss Account is being carried forward as surplus. During the year, major portion of surplus funds have been deployed in exploration and development projects.

DIVIDEND

In order to conserve the resources of the Company for the ongoing projects, the Directors do not recommend any dividend for the year under review.

PREFERENTIAL ISSUE OF EQUITY SHARES

The Board of Directors have accepted offer of Unocal Corporation, U.S. at its meeting held on 23rd June, 1998 and decided to offer 1,52,81,633 Equity Shares of Rs. 10/- each at a premium of Rs. 42.50 per Equity Share on a preferential basis.

Necessary approval as may be required from various statutory authorities are being sought.

Unocal Corporation is U.S. based Company having an experience of 100 years in the energy industry with involvement in upstream as well as downstream petroleum activities. With the induction of Unocal as major shareholder, the Company will be substantially benefitted and will enhance its technical capabilities.

The Board, welcome Unocal as major shareholder and hope for the betterment of all the shareholders in the years to come.

ONGOING PROJECTS EXPLORATION

CB-OS/1 BLOCK - GULF OF CAMBAY OFFSHORE

As reported last year, Hardy Oil and Gas Plc, U.K. (Hardy) has taken over Vaalco's share and operatorship of this block. Out of Vaalco's share, Hardy offered 3.86% share to HOEC. The Board of Directors, recognising the prospectivity, accepted that and with it, Company's share now goes up to 17.36%.

Phase-I activity commenced immediately after signing of the PSC in November, 1996. In spite of the promises made by ONGC, it took considerable time and effort to collect all the geophysical, geological and well information. The geological, geophysical (G&G) work of identification of prospects other than Structure-A was initiated in London in April, 1998. The analysis has helped consortium to label this as a very prospective area, but all the same, while there are many ideas, lot of time and efforts may be required before a major oil pool can be discovered.

As part of Phase-I commitment, a four well programme has been undertaken using a very specially equipped jack up

rig "Jupiter" of Trans-ocean of U.S.A. Specially equipped rig became necessary as the Gulf of Cambay is one of the most difficult areas with very high tidal range. Out of the four wells to be drilled, two wells have been drilled. These wells have provided significant geological input for hydrocarbon reservoir delineation. Drilling of third well is in progress.

The two wells drilled being of exploratory and appraisal nature could not be used for development of the field and shall be written off as per accounting procedure.

The focus in Phase-I is to drill exploratory wells and to identify areas where commercially exploitable pools of hydrocarbon are present.

CY-OS/2 BLOCK - CAUVERY OFFSHORE BASIN

The signed Joint Operating Agreement and documentation for redistributing participating interest amongst partners was submitted to Government of India during the year. After Government's approval, HOEC's share in the block will stand at 25%.

The consortium has submitted a proposal to Government to extend the period for completion of first phase by one year (i.e. November, 2000) due to abnormal time taken by ONGC for handing over data and interruptions by DGH to proceed with the work.

GN-ON-90/3 BLOCK - PRANHITA GODAVARI ONSHORE BLOCK

As reported last year, due to environmental reasons after submitting sufficient proof of work interruptions and other related problems including the opinion of one of the leading Jurists, your Company had sought to withdraw from the block without any penalty on the grounds of force majeure.

All the additional information sought has been supplied to MoP&NG. Secretary (Petroleum) had sought clarifications from Andhra Pradesh Government which has also been received by Secretary (Petroleum). Government decision is awaited shortly.

KG-OS-90/1 - KRISHNA GODAVARI OFFSHORE BLOCK

As reported last year, as per minimum work programme commitment of Phase-II of exploration, Allur-1 well was drilled. The well was drilled upto the target depth of 3,300 metres. There were some gas shows; however, the quantity was not sufficient to warrant a test. The well was plugged and abandoned and written off as per accounting procedure.

A request was submitted to Government to extend time limit by 6 months for Phase-II to re-study the prospectivity of the block before entering into Phase-III. Since Government has denied the extension, consortium has relinquished the block.

DEVELOPMENT

PY-1 - CAUVERY OFFSHORE BLOCK

Rig 'KEDARNATH' of GESCO, drilled the appraisal well (PY-1-12) on 22nd October 1997. The well struck gas.



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Extensive well testing was carried out till mid December 1997. The data collected from the appraisal well have been studied in detail to assess the full potential of the field. Initial results from the analysis has shown very positive and encouraging indication for development of the field. Evaluation in detail with latest techniques is going on at the Houston offices of the operator, Mosbacher Energy Corporation (MEC) to find out potentiality of the field. Further, various preliminary studies like engineering, logistics and also field trips are being undertaken to identify the variables required to conceptualise the development plan. Your company is fully participating in these activities.

Deed of Assignment to transfer participating interest of Petrodyne Inc., (19%), one of the consortium members to MEC (operator) is under scrutiny by MoP&NG. A new company, Energy Equity Corporation (EEC), Australia, having expertise in gas field development and integrated downstream gas utilisation projects, has in principle agreed to take 35% of participating interest in the field from Mosbacher Energy Corporation, USA. The inclusion of EEC in the consortium will strengthen consortium's ability to tie-up the downstream project of gas utilisation.

PY-3 - CAUVERY OFFSHORE BLOCK

First phase for development of the field has been completed by drilling of fourth well in July, 1997. Production from the field commenced from end of August, 1997 with an average daily crude oil production of 10,000 barrels. Production and reservoir data are being analysed to identify work programme for phase II.

The Crude Price of PY-3, as per the Production Sharing Contract with Government of India is FOB Delivery Point. The delivery point was approved through the approval of development plan of PY-3 by Gol as the outlet flange of the Offshore Storage Tanker.

Company has therefore recorded sale of Crude oil at Fair Market Value (FMV) determined using Internationally traded comparable crude oil - FOB delivery point.

However, consortium is being paid only the provisional price by the Government which is @ 90% of the FMV. Further deductions are also being made for the transportation costs, shrinkage of oil etc. upto Madras Refineries Limited (MRL) - downstream the delivery point. Effective realised price for the crude oil from the provisional price is around 60% to 75% of the Fair Market Value. This is against the PSC stipulations and the Company is resolving the issue in terms of PSC by appointing Sole Expert.

Consortium has delivered around 1.7 million barrels of Crude oil to MRL refinery (Government nominee) till March, 1998.

ASJOL FIELD - CAMBAY BASIN ONSHORE

After successful completion of two wells drilled last year, production from the field has increased from 2.5 cubic meters to around 12.5 cubic meters per day. All the three wells viz. Asjol # 5, Asjol # 6 & Asjol # 7 are on production. Efforts are on to optimise the production from this field.

So far Government continues to pay provisional price of Rs. 3122/- per tonne. Government has not yet responded to arrive at the final price with mutual discussions. In case there is no response from the Government the consortium propose to appoint a sole conciliator to resolve the issue as per the Production Sharing Contract.

OTHER PROJECTS

- **SIX SMALL SIZED FIELDS IN NORTH GUJARAT**

- **CB-ON/2 [TARAPUR] and CB-ON/7**

[PALEJ] BLOCKS : CAMBAY BASIN ONSHORE

- **CR-ON-90/1 [CACHAR]**

Negotiations for Production Sharing Contracts are completed. Consortium is awaiting Government's intimation to proceed further for the above blocks.

AAP-ON-94/1 [ASSAM-ARUNACHAL PRADESH] BLOCK

Production Sharing Contract (PSC) negotiations are completed. Consortium is awaiting Government's intimation to proceed further. Oil India Limited has informed consortium that they would like to exercise their 10% participating rights from the beginning of the exploration phase. UNOCAL Bharat Ltd. [a wholly owned subsidiary of UNOCAL Corporation, USA] has entered into a farm-in agreement to acquire 50% interest and operatorship in the block. We would seek Government approval as soon as the PSC is signed with Gol.

HOEC BARDAHL INDIA LIMITED (WHOLLY OWNED SUBSIDIARY OF HOEC)

The Company has increased its sales of Bardahl range of high performance auto additives and has also consolidated its position in the existing area of operations. The Company is making efforts to increase its sales and mitigate cash losses.

AUDITORS' REPORT

With reference to the observations made in Auditors' Report regarding the subsidiary Company, Note 1 as contained in Schedule 15, Notes forming Part of the Accounts, and observations for the Provisions for the Contingencies are self explanatory and, therefore, do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

DIRECTORS

In accordance with the provisions of Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. Rasesh N Mafatlal, Mr. N.N. Kapadia, Mr. Deepak S. Parekh and Mr. Hasmukh Shah will retire by rotation at the ensuing Annual General Meeting and they, being eligible, have offered themselves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company as operator at Asjol production facilities has installed screw pumps in both the wells which has

commenced production during the year. This has resulted in considerable saving and conservation of energy, as screw pumps consume less energy as compared to sucker rod pumps.

As the facilities are in rural area, during interruption of electricity supply, the operations need to be carried out utilising diesel generated electricity. Efforts are made to conserve energy by optimising use of diesel generator.

Experience gained by technical team is utilised at various operations. Team has undertaken certain specified technical assignment in the form of both, advisor / secondment to operator's technical group as well as taking various tasks such as Geological and Geophysical work, well test design etc.

Particulars with regard to foreign exchange appear in Schedule 15 of the accounts.

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are attached hereto and form part of the Report.

AUDITORS

The Auditors M/s. S.B.Billimoria & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT

The Directors place on record their appreciation and convey sincere thanks for the advice, guidance and co-operation extended by the Joint Venture Partners of various blocks, Company's Bankers, State and Central Government Authorities.

Your Directors express their sincere thanks to the shareholders for the guidance and faith reposed in the Management.

The Directors also record their appreciation for the dedication, valuable services and contribution made by the employees at all levels.

On behalf of the Board of Directors

Place : Mumbai
Date : June 23, 1998

Rasesh N. Mafatlal
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 1998.

Name & Qualification	Age in Years	Designation	Remuneration Rupees	Experience (No. of years)	Date of Joining	Last employment	
						Name of the Company	Designation
Ajit C. Kapadia B. Sc. (Hons.) M. E. (Chem.) Business Management Certificate, Sr. Course	56	Managing Director	6,22,729	35	30.03.1987	Gas Authority of India Ltd.	Director (Planning)
Ashok M. Bhatt B. E. (Mechanical)	58	Jt. Managing Director	5,49,871	37	28.10.1995	Oil & Natural Gas Corp. Ltd.	Regional Director
Vipul P. Bhatt M. Tech (Chem.)	46	General Manager (Engg. & Prodn.)	4,30,433	22	28.01.1988	Shreno Ltd.	Sr. Chemical Engineer
Dr. Vipul D. Desai M. Sc. Phd.	50	General Manager (Corporate Services)	3,99,448	27	05.05.1992	Petrofils Co-Op. Ltd.	Manager (System)
Dr. Udayan Das Gupta M. Sc. Phd.	49	General Manager (Exploration)	4,43,984	28	10.01.1994	Oil India Ltd.	Dy. Chief Geologist

Notes:

- 1) Gross remuneration as above includes salary, taxable allowances, Company's contribution to Provident Fund and Superannuation Fund (but excludes Company's contribution to Gratuity Fund), reimbursement of medical expenses, personal accident & mediclaim insurance, leave travel assistance and monetary value of perquisites calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules thereunder.
- 2) None of the employees mentioned above is a relative of any Director of the Company.
- 3) The nature of employment in all cases is contractual.



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF
HINDUSTAN OIL EXPLORATION COMPANY LIMITED

We have audited the attached Balance Sheet of **HINDUSTAN OIL EXPLORATION COMPANY LIMITED** as at March 31, 1998 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report thereon as follows:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order, to the extent applicable to the Company. Our comments exclude matters relating to the Company's joint ventures, which are not subject to audit under the Companies Act.
2. (a) The Accounts have been drawn up in accordance with the statement of Significant Accounting Policies (Schedule 14). Accounting Policy 2 relating to "Successful Efforts Method" and treatment of exploration and development costs are significant to the oil and gas exploration and production industry.
- (b) Categorisation of wells as exploratory and producing and the depletion of producing wells on the basis of developed hydrocarbon reserves are made according to technical evaluation by the Management, on which we have placed reliance.
3. The Company has an investment of Rs. 5,000,000 in HOEC Bardahl India Ltd., a wholly-owned subsidiary, and has Rs. 9,975,773 due from it. Further, the Company has pledged a bank fixed deposit of Rs. 15,000,000 as collateral security with a bank for loans given to the subsidiary. The subsidiary has incurred losses in excess of its paid-up capital. For the reasons stated in Note 1, it is not considered necessary by the Management to make any provision in respect of these amounts. On the basis of the information available, we are unable to form any opinion in this regard.
4. Exploration Expenses include expenditure amounting to Rs. 20,483,604 incurred on the Pranhita-Godavari Block, in respect of which a proposal has been placed before the Government to close the project under the *force majeure* clause of the Production Sharing Contract. The decision of the Government is awaited. Provision for Contingencies to the extent of only Rs. 10,000,000 has been made in respect of this expenditure.
5. (a) The accounts include assets and liabilities and income and expenditure relating to the Company's share in four Production Sharing joint ventures, which have been incorporated on the basis of accounts audited by other firms and one joint venture on the basis of accounts audited by us jointly with another firm.
- (b) In respect of one Production Sharing joint venture, in the absence of returns adequate for the purpose of our audit, the Company's share of the Joint Venture expenditure, amounting to Rs.125,429,827 has been accounted as capital work-in-progress.
6. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except as indicated in paragraph 5 (b) above;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and, subject to our comments, in paragraphs 3, 4, 5, (b) and on the basis stated in Note 19, give a true and fair view:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 1998; and
 - (ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For S.B. BILLIMORIA & CO.
Chartered Accountants

Place : Mumbai
Date : June 23, 1998

Nalin M. Shah
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1. The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets. We are informed that physical verification of fixed assets was conducted by the Management during the year in accordance with a programme of physical verification of fixed assets once in three years, which in our opinion is reasonable. No material discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The Company has not taken/granted any loans from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
4. The Company carries out its business activity through Production Sharing joint ventures, whose accounts are not subject to audit under the Companies Act. Under the circumstances, we are unable to comment on the procedures relating to physical verification of stock. However, in our opinion the valuation of stock of stores and crude oil is fair and proper in accordance with the normally accepted accounting principles and, except as stated in Note 19, is on the same basis as in the preceding year.
5. In respect of loans given by the Company, parties have been regular in payment of interest, where due, and have also been regular in repayment of principal amounts except in respect of an interest-free loan of Rs. 9,900,000 to the subsidiary company where there is no stipulation as to the date of repayment and one inter-corporate deposit where the principal and interest have not been received. Whilst the overdue deposit has been repaid subsequently, according to the information given to us, adequate steps have been taken by the Management to recover the overdue interest.
6. The Company has a reasonable internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and sale of crude oil.
7. The internal audit done by a firm of Chartered Accountants appointed by the Management is generally commensurate with the size of the Company and the nature of its business.
8. According to the records of the Company and on the basis stated in Note 18, provident fund dues have not been regularly deposited with the appropriate authorities. However, there were no arrears as at 31 March, 1998. We are informed that the Employees' State Insurance Scheme is not applicable to the Company.
9. According to the records of the Company examined by us, there were no undisputed amounts payable in respect of income-tax, sales tax, wealth tax and customs duty outstanding as at March 31, 1998 for a period of more than six months from the date they became payable.
10. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

For S.B. BILLIMORIA & CO.
Chartered Accountants

Place : Mumbai
Date : June 23, 1998

Nalin M. Shah
Partner



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

BALANCE SHEET AS AT MARCH 31, 1998

	Schedule	Rupees	March 31, 1998 Rupees	March 31, 1997 Rupees
FUNDS EMPLOYED				
SHAREHOLDERS' FUNDS				
Share Capital	1		434,768,860	299,591,610
Reserves and Surplus	2		462,102,505	208,595,764
LOAN FUNDS				
Unsecured Loans	3		8,627,782	5,061,647
			905,499,147	513,249,021
APPLICATION OF FUNDS				
FIXED ASSETS	4			
Gross Block		141,685,089		72,337,841
Less : Depreciation		92,890,641		23,686,455
NET BLOCK			48,794,448	48,651,386
CAPITAL WORK -IN- PROGRESS			125,935,332	275,477,623
PRODUCING PROPERTIES	5		477,496,777	5,208,748
INVESTMENTS	6		7,010,000	85,172,095
CURRENT ASSETS, LOANS AND ADVANCES	7	389,142,136		145,181,256
Less : CURRENT LIABILITIES AND PROVISIONS	8	326,035,569		89,228,841
NET CURRENT ASSETS			63,106,567	55,952,415
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)				
Exploration Expenses			98,295,095	35,924,721
Share Issue Expenses			7,516,407	6,862,033
Deferred Mobilisation Expenditure			77,344,521	0
			905,499,147	513,249,021
Accounting Policies	14			
Notes forming part of the Accounts	15			
Schedules 1 to 15 annexed hereto form part of the Balance Sheet and Profit and Loss Account.				

In terms of our report of even date attached.

For S.B. BILLIMORIA & CO.
Chartered AccountantsNalin M. Shah
PartnerRasesh N. Mafatlal
ChairmanAjit C. Kapadia
Managing DirectorAshok M. Bhatt
Joint Managing DirectorSurendra U. Tamboli
Company Secretary

Directors
N. N. Kapadia
C. K. Mehta
B. R. Sule
A. H. Divanji
Vimal Bhandari

Place : Mumbai
Date : June 23, 1998Place : Mumbai
Date : June 23, 1998