



Hindustan Oil Exploration Company Limited

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16th ANNUAL GENERAL MEETING		
Date	:	August 18, 2000
Day	:	Friday
Time	:	11.30 A.M.
Place	:	The Auditorium Federation of Gujarat Industries Federation Building, R. C. Dutt Road Vadodara - 390 007

CONTENTS	PAGE NO.
● Notice	2
● Directors' Report	3
● Auditors' Report	6
● Balance Sheet	8
● Profit and Loss Account	9
● Schedules Forming Part of Accounts	10
● Significant Accounting Policies	15
● Notes Forming Part of Accounts	16
● Information regarding Subsidiary	19
● Balance Sheet Abstract and Company's General Business Profile	19
● Cash Flow Statement	20
● Accounts of Subsidiary Company - HOEC Bardahl India Limited	21

BOARD OF DIRECTORS

- Dr. I. G. Patel *Chairman*
- * Deepak S. Parekh
 - * Vimal Bhandari
 - B. R. Sule
 - C. K. Mehta
 - Rasesh N. Mafatlal
 - Hasmukh Shah
 - * R. Vasudevan
 - * Steven Holliday
 - * Arun K. Metre
 - R. Boyd Montgomery
 - * Ashok M. Bhatt *Joint Managing Director*
 - * Ajit C. Kapadia *Managing Director*
 - Ronald Bryans *Alternate Director to Mr. Steven Holliday*
 - Andrew Crossley *Alternate Director to Mr. R. Boyd Montgomery*
- * *Members of Executive Committee*

COMPANY SECRETARY

Surendra U. Tamboli

AUDITORS

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

BANKERS

ABN AMRO Bank
Allahabad Bank
Bank of Baroda
HDFC Bank Limited
ICICI Banking Corporation Limited
State Bank of India

REGISTERED OFFICE

'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara - 390 020
Web Site : www.hoec.com

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 Bhatt	General Manager	(Engg. & Production)
Dr. Vipul Desai	General Manager	(Corporate Services)
Dr. Udyan Das Gupta	General Manager	(Exploration)
Haren D. Parekh	Dy. General Manager	(Business Development)

Amit Shah	Sr. Manager	(Finance & Accounts)
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HINDUSTAN OIL EXPLORATION COMPANY LIMITED

NOTICE

NOTICE IS HEREBY given that the 16th Annual General Meeting of the Members of Hindustan Oil Exploration Company Limited will be held on Friday, 18th August, 2000 at 11.30 A.M. at the Auditorium, Federation of Gujarat Industries, Federation Building, R. C. Dutt Road, Vadodara - 390 007 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at March 31, 2000 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. Vimal Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Hasnukh Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. Vasudevan, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution.
"RESOLVED that the consent of the Company be and is hereby accorded for the addition of the following Clause in the terms of Appointment of Mr. Ashok M. Bhatt, Joint Managing Director.
2B.(e) Soft Housing Loan under the Company's Housing Loan Scheme."
7. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution.
"RESOLVED that the consent of the Company be and is hereby accorded for the addition of the following Clause in the terms of Appointment of Mr. Ajit C. Kapadia, Managing Director.
2B.(e) Soft Housing Loan under the Company's Housing Loan Scheme."

By Order of the Board of Directors

Place : Mumbai
Date : June 20, 2000

Surendra U. Tamboli
Company Secretary

Registered Office : 'HOEC House', 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 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 1st August, 2000 to 18th August, 2000 (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. Copies of the Documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company between 9.30 a.m. to 5.30 p.m. during working days (except Saturdays, Sundays and Holidays), until the date of the Annual General Meeting.
6. Trading in Equity Shares of the Company is permitted only in Dematerialised form w.e.f. 26th June, 2000 as per notification issued by Securities & Exchange Board of India (SEBI).

ANNEXURE TO THE NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6 and 7

The terms of appointment of Mr. Ashok M. Bhatt, Jt. Managing Director and Mr. Ajit C. Kapadia, Managing Director are approved by the Company at the Extra Ordinary General Meeting held on 4th April, 1997 and Annual General Meeting on 19th September, 1997 respectively.

As per the applicable service conditions to Jt. Managing Director and Managing Director, they are entitled to avail the Housing Loan under the Housing Loan Scheme of the Company.

The Company has disbursed Housing Loan of Rs. 10 lacs each to Mr. Ashok M. Bhatt, Jt. Managing Director and to Mr. Ajit C. Kapadia, Managing Director under the Housing Loan Scheme of the Company.

The present terms of the appointment of Mr. Ashok M. Bhatt, Jt. Managing Director, and Mr. Ajit C. Kapadia, Managing Director, will be supplemented by the following additional Clause.

2B.(e) Soft Housing Loan under the Company's Housing Loan Scheme.

No other Director of the Company except Mr. Ashok M. Bhatt and Mr. Ajit C. Kapadia are concerned or interested in the above Resolutions.

By Order of the Board of Directors

Place : Mumbai
Date : June 20, 2000

Surendra U. Tamboli
Company Secretary

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

Your Directors have pleasure in placing before you the 16th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2000.

ANNUAL RESULTS

On the whole, your Company's performance during the year was a marked improvement over the previous year. Oil production from the fields was as predicted at the beginning of the year and prices improved resulting in a pre-tax profit of Rs 10.72 crores. As can be observed from the results, improved oil price has substantially benefited your Company. The carried forward loss has thus been significantly reduced to Rs. 12.30 crores. Considering this loss, the Board does not recommend any dividend payment.

FINANCIAL HIGHLIGHTS

	(Rs. in Lac)	
	<u>1999-2000</u>	<u>1998-99</u>
Net Sales	4,686.66	3,953.51
Other income	918.05	568.48
Gross Profit after interest but before Depreciation/Depletion/Taxation	3,136.31	1,732.15
Less: Depreciation and Depletion	1,316.61	2,210.82
Profit/(Loss) before :		
Expenses Written Off/Provision for Contingencies/Taxation	1,819.70	(478.67)
Less:		
Expenses w/off	2,781.20	275.14
Provision for :		
Contingencies	(2,734.00)	2,644.00
Doubtful debts/Advances	701.00	0.00
Taxation	0.70	1.17
	748.90	
Profit/(Loss) for the year	1,070.80	(3,398.98)

INDUSTRY CLIMATE

The final years of the 20th century saw the most volatility in oil prices of the millennium. At the beginning of 1999, the highest quality oil grades were selling at around \$12 a barrel and oil prices seemed to be moving downwards to single digit. In March 1999, OPEC, with the support of some non-OPEC producers acted to restrain output even

further than it had in 1998. This set in motion a steady recovery with prices more than doubling from the record lows of 1998. The oil industry, which withstood a substantial downturn, is now starting to turn around with cautious optimism and increased expenditure on E&P activities.

As the industry continues to debate the reasons for the trend in oil prices, it is becoming clear that the market is fearful of both too much oil and too little oil, creating the suspicion that volatility in prices may be here to stay. This means, success for the oil industry as a whole will have to depend on the capability to adapt to a rapidly changing world driven by technical innovation and getting ready for the unexpected.

Nearer home, due to rising oil consumption in our country, domestic production last year was able to meet only 30% of the country's demand. This has warranted the need to increase exploration efforts and indigenous production of crude oil. The government also accorded top priority to exploration and production. The first round of offering of blocks under NELP is over whilst, the second round is scheduled for October this year. One can hope that all this increased activity will go a long way in reducing our country's crude oil import bill in the near future.

OPERATIONS REVIEW

Crude oil production continued from the PY-3 and Asjol fields, whilst exploration efforts were largely confined to the CB-OS-1 and CY-OS-2 blocks. The Company, along with Consortium Partners, continues its efforts to develop PY-1 gas field. The key activity is Gas Sales Agreement (GSA) for which negotiations are in the final stage. The Company has enhanced its presence in the Cambay basin of Gujarat by signing two more exploration blocks recently. With the combination of production, development, ongoing exploration and new blocks, the Company can look forward to a promising future.

PRODUCTION

During the year under review the Consortium has produced 2.22 Million Barrels of Oil (Company's share being about 0.47 million barrels) from PY-3 oil field in the Cauvery Offshore area. A total of about 7.29 million barrels of oil has been delivered to Chennai Petroleum Corporation (CPC) from inception till 31st March, 2000. There has been substantial progress in deliberations with CPC and most of the pending issues have been resolved. Encouraged by the price scenario, present and projected, the Consortium has given one year extension to the offshore production and storage facilities on hire.



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Asjol oil field in Gujarat, where your Company is the Operator, has produced about 25.8 thousand barrels of oil (Company's share about 12.9 thousand barrels), with daily average production of 70.6 barrels from three wells (Asjol Well # 5, # 6, and # 7). While your Company continues to receive provisional price, settlement of the outstanding pricing related issues is expected to have positive effect.

DEVELOPMENT

In PY-1 field, 3D seismic survey was carried out by the Consortium as per the approved plan of development. The data are presently being processed. Simultaneously, efforts are being made to finalize Gas Sales Agreement with prospective buyers. The current plan envisages commencement of production by second quarter 2002.

Your Company has also been awarded six small size oil and gas fields in Gujarat for which Production Sharing Contracts (PSC) will soon be signed with Government of India.

EXPLORATION

Your Company is committed to long term exploration activities in the country, and is preparing to increase its exploration work programme. As per the minimum work programme of Phase-I in block CB-OS-1, Gulf of Cambay, Gujarat, three more wells are to be drilled. ENRON has farmed-in to whole of Hardy's interest, and part of Tata Petrodyne's interest in this block and has been instituted as Operator. Three well locations have been finalized to test the prospective areas. As these wells fall in the inter-tidal zone, necessary environmental clearances are being pursued with the relevant authorities, and drilling is scheduled to commence later this year after all these clearances have been obtained.

In Cauvery offshore block CY-OS-2, as part of the minimum work programme for Phase-I, seismic reprocessing, interpretation was carried out, and few structural and stratigraphic prospects were identified. Keeping in view the size of these prospects and risk involved in upgrading them, your Company has decided not to enter Phase-II, and has relinquished its share in favour of Hardy Exploration and Production India (HEPI).

Exploration is yet to start in AAP-ON-94/1 block due to non availability of Petroleum Exploration License (PEL) since June, 1998. In CR-ON-90/1 block, we have just received intimation that PEL has been obtained for a major part of the block from the state government; a small portion is, however, outstanding. Consequently, plans are being made to start exploration activities as soon as the required Licences are obtained.

Apart from this, your Company has signed Production Sharing Contracts (PSC) for two 6th round blocks in the Cambay basin, viz., blocks CB-ON-2 and CB-ON-7, in Consortium with GSPCL. Your Company has a 50% working interest in both these blocks and has accepted responsibility of being the Operator for CB-ON-7 (Palej) block. Having successfully operated Asjol block now for five years, your Company is ready to undertake an even more challenging responsibility at Palej.

Regarding relinquishment of Pranhita-Godavari basin block, requisite representation has been made to Government and we are awaiting Government approval for closure.

IT - INFRASTRUCTURE AND RESOURCES

Your Company has created a computer center and basic infrastructure to support all technical decisions on prospect evaluation and reserve estimation. For this, we have recently upgraded our software through Schlumberger and Baker Hughes.

For all the business applications including MIS, we have provided individual workstation networked with the latest hardware and software. Your Company is aware of the increasing IT role in enhancing accuracy, efficiency and productivity and has always kept the pace with the changing needs.

HUMAN RESOURCES

Your Company has created a team of trained professionals for both exploration and development activities. With increased competition, to attract and retain the talents has become a real challenging task. We are putting our best efforts and are trying to meet the project based manpower needs both in terms of training and experience.

OUTLOOK

NEW EXPLORATION AND LICENCING POLICY ROUND (NELP)

Your Company evaluated the offered blocks, and bid for offshore block-16 (CY-OSN-97/1), in partnership with Mosbacher India L.L.C. and Energy Equity Corporation. HOEC has a 30% working interest in this block. Letter of Intent (LoI) has been issued by the Government of India.

HOEC BARDAHL INDIA LIMITED (WHOLLY OWNED SUBSIDIARY OF HOEC)

With concentrated marketing efforts and expanding sales to new areas, the Company has achieved sales of Rs. 164.67 lacs, showing an increase of 47% over previous year, and has reported marginal loss of Rs. 2.5 lacs. Company envisages higher sales and profit in the coming year.

AUDITORS' REPORT

With reference to the observation made in Auditors' Report regarding unaudited joint ventures' accounts, it is hereby clarified that as per PSCs signed with Gol, the Operators have been allowed time upto 30th September to submit audited accounts. Considering this, some of the Operators have not submitted audited accounts till the Company's accounts are audited. Hence, the statements of expenditure submitted by those Operators have been incorporated.

With reference to the observations regarding the *Subsidiary Company and loans to employees*, the same are explained in Schedule 15, Notes forming part of accounts, 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. Vimal Bhandari, Mr. Hasmukh Shah and Mr. R. Vasudevan will retire by rotation at the ensuing Annual General Meeting and they, being eligible offer themselves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS AND OUTGO

Your Company continues to make efforts to conserve energy both in the field and in the office. At Asjol, running of the screw pumps has been optimised on basis of fluid inflow studies.

In a continuous effort to upgrade personal skills and to keep up with new technology trends, your Company's personnel are being sent to specialised training programmes conducted by Indian and foreign organisations.

Particulars regarding 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.

CONCLUSION AND ACKNOWLEDGEMENT

Your Company continues to review exploration and production assets in light of available opportunities to optimise its portfolio and identify efforts for increasing production base as well as sustain long term growth. There is every reason to believe that with our continuous efforts and the support of our shareholders, HOEC will become a strong exploration and production Company.

Your Directors express their thanks to the Government of India, the Ministry of Petroleum and Natural Gas, the Government of Gujarat, Banks and Consortium partners of the various blocks for the valuable help and co-operation extended to the Company. The Directors also wish to express their gratitude to the investors for the faith reposed by them in the Company. Your Directors especially wish to place on record their appreciation of the contribution made by Company's employees at all levels during the year under review.

For and on behalf of the Board

Place : Mumbai
Date : June 20, 2000

Dr. I. G. Patel
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, 2000.

Name & Qualification	Age	Designation	Remuneration recd. Rs.	Experience (No. of years)	Date of joining	Last employment	
						Name of the Co.	Designation
Ajit C. Kapadia B. Sc.(Hons.), M.E., (Chem.) Business Management Certificate, Sr. Course	58	Managing Director	1,220,823	37	30.03.1987	Gas Authority of India Ltd.	Director (Planning)
Ashok M. Bhatt B. E. (Mechanical)	60	Jt. Managing Director	811,556	39	28.10.1995	Oil & Natural Gas Corpn. Ltd.	Regional Director

- 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 premium, 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) The above mentioned employees are not relatives of any Directors of the Company.
 - 3) The nature of employment 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, 2000 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report there on as follows:

1. As required by the Manufacturing and Other Companies (Auditor's 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 paragraphs 4 and 5 of the said Order, to the extent applicable to the Company. Our comments exclude matters 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 "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. Attention is invited to Note 15 of Schedule 15 regarding housing loans given to employees.
4. The Company has an investment of Rs. 5,000,000 in HOEC Bardahl India Ltd., a wholly-owned Subsidiary, and has Rs. 20,091,673 due from it. Further, the Company has pledged a bank fixed deposit of Rs. 5,000,000 as collateral security with a bank for working capital facility amounting to Rs.4,000,000 given to the subsidiary, of which the amount outstanding was Rs.1,060,552. 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.
5. The accounts include assets and liabilities and income and expenditure relating to the Company's share in three 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 unaudited accounts submitted by the Operator. In respect of two Production Sharing joint ventures, the amounts have been incorporated only to the extent of the expenditure incurred upto March 31, 2000.

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 purposes of our audit, except the status of the exploratory expenses and wells in progress of two Production Sharing joint ventures in respect of which audited accounts of the joint ventures for the year ended March 31, 2000 have not been received;
 - 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) the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to non-disclosure of the amounts payable to Small Scale Industrial undertakings as stated in Note 17 and particulars of stores consumption as stated in Note 12(b), give the information required by the Companies Act, 1956, in the manner so required and subject to our comments in paragraphs 4 regarding HOEC Bardahl India Ltd., and 5 to the extent of the unaudited information relating to joint ventures, 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, 2000; 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 20, 2000

Nalin M. Shah
Partner