



37th Annual Report | 2020-2021

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY



Offshore Installation at B-80

HINDUSTAN OIL EXPLORATION COMPANY LIMITED
TRANSFORMING THROUGH TALENT AND TECHNOLOGY

Growing Responsibly



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37th Annual General Meeting

Day: **Tuesday** Date: **September 28, 2021** Time: **10:30 a.m.**

Mode: The Company is conducting the ensuing 37th AGM through VC / OAVM.

Detailed instructions for participation and voting at the meeting is available in the notice of the 37th AGM.

Disclaimer Note:

Certain sections of this Annual Report, in particular the Management's Discussion and Analysis, and Operational Highlights may contain forward-looking statements concerning the financial condition and results of operations of HOEC. Forward-looking statements are statements of future expectations that are based on management's current expectations & assumptions and involve known & unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. No assurances can be given as to future results, levels of activity and achievements & actual results. Level of activity and achievements may differ materially from those expressed or implied by any forward-looking statements contained in this report. HOEC does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information.

COMPANY INFORMATION

Registered Office

'HOEC House', Tandalja Road
Vadodara – 390 020
Gujarat, India
E-mail: contact@hoec.com
Website: www.hoec.com

Chennai Office

'Lakshmi Chambers'
192, St. Mary's Road
Alwarpet
Chennai – 600 018
Tamil Nadu, India

Statutory Auditor

Deloitte Haskins & Sells LLP
Chartered Accountants
Audit Partner
Mr. C. Manish Muralidhar

Secretarial Auditor

S Sandeep & Associates
Company Secretaries

Internal Auditor

Guru & Ram LLP
Chartered Accountants

Cost Auditor

Mr. K. Suryanarayanan

CIN

L11100GJ1996PLC029880

ISIN

INE345A01011

HIGHLIGHTS

FY 2020-2021

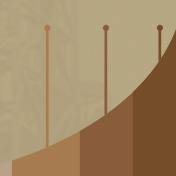
- In B-80, Offshore installation successfully installed; flowlines & umbilicals connected and tested; Gas & Oil export pipelines are ready; Calm Buoy & FSO are ready to be moored after monsoon for 'First Oil'.
- In Q1 FY 2020-21, successfully drilled & completed two wells in B-80. Both wells together established a production potential >8000 boepd.
- Dirok sites & HMGPP continued to operate continuously with no downtime during the course of the pandemic.
- Environmental clearance obtained and public hearing conducted successfully for Dirok Phase – II execution.



AVERAGE
PRODUCTION
8,622 boepd
(Gross)
2,469 boepd
(HOEC-Net)

PROFIT
FOR THE YEAR

₹ 53 crores



PRODUCTION WORKING
INTEREST

9,01,318 boe

GROSS WORKING
CAPITAL

₹ 227 crores

HSE -
LOST TIME INJURY

0

TOTAL
INCOME

₹ 125 crores

NET
WORTH

₹ 733 crores



Note: Figures are given on a consolidated basis

OUR ASSET PORTFOLIO



Consists of 10 Oil & Gas blocks of Discovered Resources and 1 Exploratory block

Portfolio of discovered resources Ten blocks with discoveries producing / ready to be developed

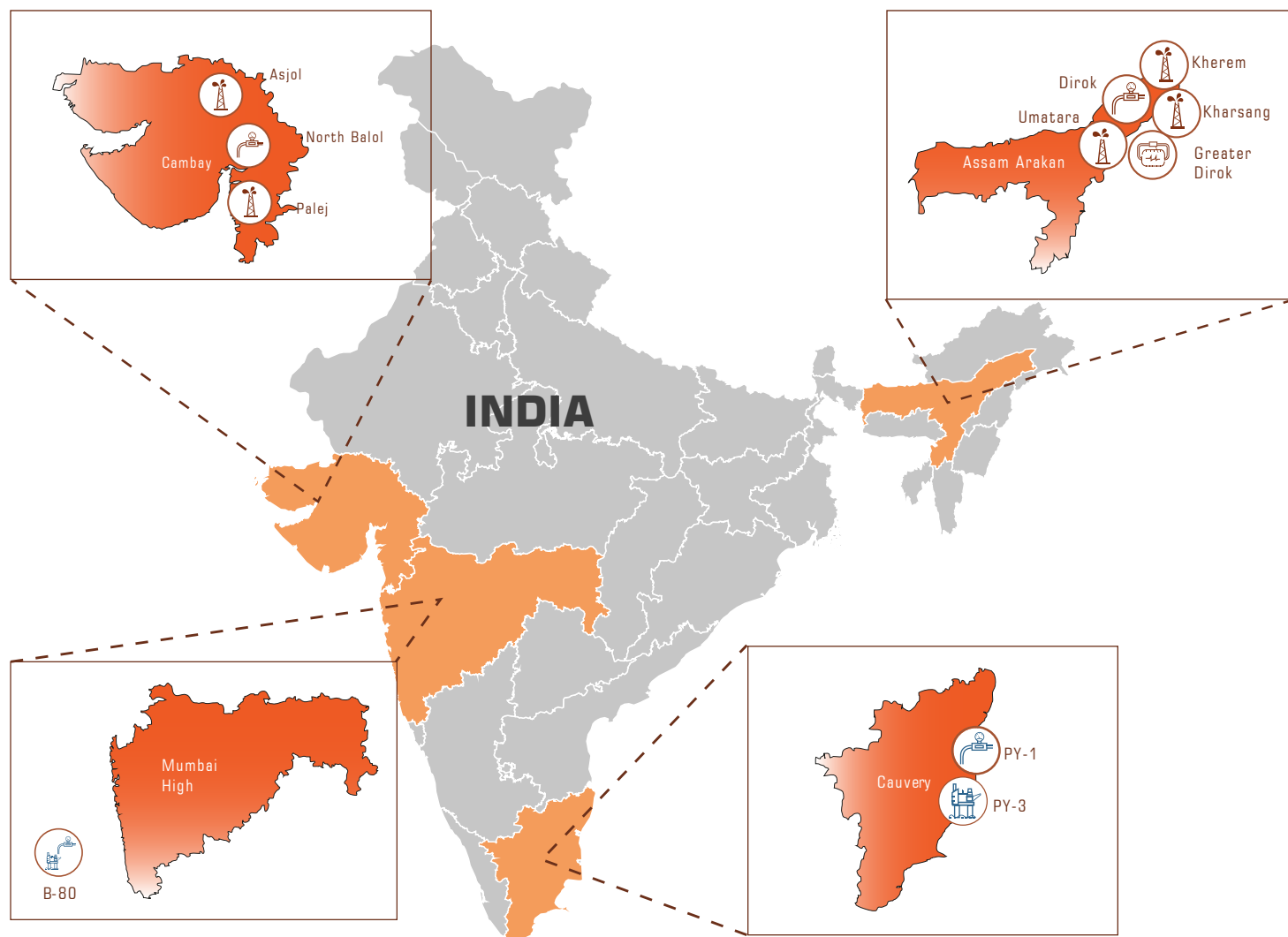
Diverse geographical footprint Presence in 4 out of 7 producing basins in India

Balanced portfolio Offshore – 3 blocks / Onshore - 8 blocks & Oil / Gas

Upside potential for exploration within portfolio with infrastructure for rapid monetisation

Operatorship in majority of blocks to drive value creation

One exploratory block in our focus area, North- East, added to portfolio through OALP-I



ONSHORE



Dirok - AAP-ON-94/1 (HOEC PI : 26.882%) (O)

- Dirok field continued to produce at full capacity through the lockdown and the waves of pandemic.
- Revised Field Development Plan involves targeting Dirok upside potential.
- Environmental clearance obtained for Phase – II execution.
- Phase-II involves drilling of 3 wells, laying of 35 km pipeline and increase in gas production to 55 mmscfd.
- Average Production (100%) (FY 2020-21) – 35.55 mmscfd; Total Production (FY 2020-21) – 28,05,428 boe.



AA/ONDSF/Kherem/2016 (HOEC PI : 40%) (O)

- Block awarded under DSF Bid Round 2016. Work Program (2 wells) to be completed in 3 years from the date of PML.
- Tested : Oil - 402 bopd.
- Nearest Facility is 30 km away (Digboi Refinery).
- Application for Forest Clearance and PML is made and approval is in process.



Palej - CB-ON-7 (HOEC PI : 35%) (O)

- Average Gross (100%) Production (FY 2020-21) – 79 boepd.
- Approval of R2 PSC in final stages.



North Balol (HOEC PI : 25%) (O)

- Average Gross (100%) Production (FY 2020-21) – 0.33 mmscfd.
- Revised Field Development Plan approved.



Asjol (HOEC PI : 50%) (O)

- Average Gross (100%) Production (FY 2020-21) – 9 bopd.
- Revised Field Development Plan approved.



Kharsang (HOEC PI : 30%) (O) - Direct and Indirect

- Average Gross (100%) Production (FY 2020-21) – 579 bopd.
- RFDP is approved & Mining lease granted till 15 June 2030. Adhoc PSC extension is granted.



Greater Dirok - AA-ONHP-2017/19 (HOEC PI : 100%) (O)

- Block awarded under OALP Bid Round 2019.
- Exploratory block adjacent to Dirok block with associated synergies with respect to both surface and sub-surface.



Umatara (HOEC PI : 10%) (O)

- Block awarded under DSF Bid Round 2019.
- Fifth block in HOEC's portfolio of North-East blocks. Located at a distance of 50 km from Dirok field.
- To be operated in Joint Operator model with IOC.

OFFSHORE



PY-1 (HOEC PI : 100%) (O)

- Average Production (FY 2020-21) – 1.15 mmscfd. Total Production (FY 2020-21) – 77,346 boe.
- Reduced offtake due to customer shutdown, resulting in loss of production.
- Rig based intervention in the form of workovers required to improve production.



PY-3 (HOEC PI : 21%)

- Field under shutdown since July 2011.
- Last production (100%) – 3,300 bopd.
- HEPI was acquired by Invenire Energy and retained operatorship.



MB/OSDSF/B80/2016 (HOEC PI : 60%) (O)

- Block awarded under DSF Bid Round 2016.
- Two subsea wells drilled and proven to produce 8,000 boepd of hydrocarbons.
- Majority of offshore work completed and 'First Oil' expected in Q3 FY 2021-22

(O) - HOEC as Operator (PI) - Participating Interest

*Note : Production figures are gross for respective fields for Financial Year 2020-21

BOARD OF DIRECTORS



Mr. Vivek Rae

Non-Executive Independent Director/Chairman

Mr. Vivek Rae, a former Secretary, Ministry of Petroleum & Natural Gas, Government of India, served in the Indian Administrative Services for 36 years. During this period, he worked in diverse capacities under various Ministries including the Ministry of Defence and Finance. He superannuated as Petroleum Secretary to the Govt. of India in February 2014, during which period he also served as Chairman of the Board of Petronet LNG Ltd. and Indian Strategic Petroleum Reserves Ltd. in an ex-officio capacity. Subsequent to his retirement, Mr. Rae served as a whole-time member of the 7th Central Pay Commission from Feb 2014 to Nov 2015 and was on the Board of Indian Oil Corporation Limited as an Independent Director during 2017-18. Mr. Rae has been an invitee to the Prime Minister's annual consultation with global experts on Oil & Gas, convened by NitiAayog during 2016-18.



Mr. Pronip Kumar Borthakur

Non-Executive Independent Director

Mr. P.K. Borthakur brings in more than 37 years of rich & diverse experience from his illustrious career in ONGC, from where he retired as Director (Offshore). He has led multiple large onshore and offshore operations and projects. His wide technical expertise ranges from managing oil & gas operations, artificial lift, well completion, drilling, well control, reservoir management to processing and extraction of value added petroleum products. He is a well recognized and respected technical authority in the Oil and Gas Sector.



Ms. Sharmila H. Amin

Non-Executive Independent Director

Ms. Sharmila Amin is the South Asian Regional Director and Managing Director of Bertling Logistics. She is a Graduate in Commerce from the University of Mumbai. She also has a long list of additional qualifications that include Shipping Management from the Indian Institute of Management, Ahmedabad and is a Customs License Holder (Rule 9), Mumbai. In her long career in Heavy Lift Projects Logistics, she has previously headed Panprojects / Oil & Gas for the South Asia Region as a part of the Panalpina Group. She has headed CRC's Projects Division and also N.S. Guzder and Company's Project Logistics Division.



Mr. Ashok Kumar Goel

Non-Executive Non-Independent Director

Mr. Ashok Goel was the Chairman and Managing Director of Essel Propack Limited until August 2019. He holds a Bachelor's degree in Commerce and is Chairman of Essel World / Water Kingdom. He has been President of Industry Associations namely Organisation of Plastics Processors of India (OPPI), Plast India Foundation and Founder President of Indian Association of Amusement Parks and Industries (IAAPI). He is actively involved with several Schools/educational institutes in various capacities and has been inducted as a Member, Board of Governors of IIT Goa. He possesses great business insight, sharp business acumen, and has rich experience in running and managing the business. In July 2005, the renowned publication 'The Smart Manager' rated Mr. Ashok Goel as "One of the 25 truly world class managers from India". Mr. Ashok Goel also serves on the Boards of various other listed and unlisted entities.



Mr. Rohit Rajgopal Dhoot

Non-Executive Non-Independent Director

Mr. Rohit Rajgopal Dhoot is the Managing Director of Dhoot Industrial Finance Limited since 1994 and has an opulent experience of more than 20 years. When qualified, he achieved the distinction of being one of the youngest Chartered Accountants in the country. He joined the management of Dhoot Industrial Finance Limited in 1988 as a director of the Company and was incharge of marketing and expansion of business. He has an all-encompassing background and experience in Finance, Banking, Mergers and Acquisitions, Strategic Planning, Restructuring Operations, Export Marketing, Trading and Logistics, International Business Relations and Collaborations & Joint Ventures.



Mr. Elango Pandarinathan

Managing Director

In his career spanning over 30 years in the Upstream Oil & Gas sector, Mr. P. Elango has held several leadership roles in different areas of the business and is a recognized leader in the Indian industry. Prior to joining HOEC, he was the Chief Executive Officer & Whole-time Director of Cairn India Limited. Over his long association with Cairn, he played a key role in building Cairn into a leading Oil & Gas company. He holds a Master's degree in Business Administration and began his career with ONGC in 1985. He was one of the five finalists for Platts' first-ever Asia CEO of the Year Award 2013.



Mr. Ramasamy Jeevanandam

Executive Director and Chief Financial Officer

Mr. Ramasamy Jeevanandam has an overall experience of more than 30 years in various aspects of finance, listing, funding, finalization of accounts and taxation of Upstream Oil & Gas industry in India. Before joining HOEC, he worked as Vice President at Aban Offshore Limited and functioned as CFO & Director at Hardy Exploration & Production (India) Inc. He started his career with ONGC in 1982. He is a CPA (USA), CGMA (USA), Qualified Cost Accountant, Chartered Financial Analyst and Company Secretary with a Bachelor's degree in Law.



SAFETY FIRST

HOEC's Health and Safety Policy is anchored on the core principle that **"All Lives Have Equal Value"** and **"Nothing is more important than Safe Operations"**. HOEC's Board and the Management understand the need for sustainable development and are committed to achieve this goal, by laying strict emphasis on compliance with all legislations and statutory requirements and adopting global best practices. This includes the welfare, health and safety of employees, contractors and the local communities where the Company operates, as well as the safety of all its operational machinery and equipment.



HSE training at MOPU



Helideck inspection of MOPU



Medical emergency mockdrill at Asjol Block



Fire Fighting training at PY-1 site



Mutual aid mockdrill with other operators of Assam Block

TO ENSURE THIS:

- HOEC has a robust Emergency Response Plan (ERP) for production operations, drilling campaigns and project execution activities to respond swiftly during any emergency.
- Risk assessment studies are conducted for critical activities and safe operation procedures are developed for controlling identified hazards.
- All Health, Safety, Environment and related issues are incorporated and addressed during hook-up & commissioning of new installations, routine productions and regular logistical facilities for onshore and offshore.
- Reviewing regularly all Standard Operating Procedures (SOPs) and developing new ones that are in line with those implemented across the industry.
- Assessing and monitoring the health & safety track record and performance of all service providers and contractors, both, before and after the award of contracts, to achieve the common objective of safe operations.
- HOEC has a "Stop Work Program" holding all operating personnel accountable to maintain a healthy and safe working environment on site, by empowering them to stop an unsafe act irrespective of its financial impact, to ensure zero tolerance.
- HSE awareness campaigns are conducted regularly and best practices are felicitated by HSE Awards Program.
- Engaging all operating personnel in monthly mock safety drills, to ensure that all personnel remain aware and vigilant and act swiftly to handle any emergency.
- Practical training on Fire Protection System and Oil Spill Response are provided to site personnel.
- Performing comprehensive internal site audits on HSE compliance during major operational activities, such as drilling, development and production.
- HSE culture is promoted by a HSE Steering & Risk Management Committee which includes members from the Management Team.
- Mutual aid scheme with nearby Operators to meet emergency requirements.
- HSE System in place to ensure full compliance with the guidelines recommended by regulatory authorities.
- Utilising the Health, Safety and Environment (HSE) Department as a store house of expertise, which passes on all relevant knowledge to operating personnel and Managers stationed at various sites.

| Key Performance Indicators (KPIs) : FY 2020 - 21 | HOEC | OGP* |
|--|------|------|
| Fatal Accident Rate (FAR) | 0.00 | 0.55 |
| LTI Frequency (LTIF) | 0.01 | 0.22 |
| LTI Severity Rating (LTISR) | 0.00 | 42.3 |
| First Aid Cases | 0.01 | NR |
| Total Recordable Injury Rate (TRIR) | 0.00 | 0.70 |

* OGP Report No 2020s (May 2021)

MOVING TO A BIGGER LEAGUE

Western Offshore - B-80 – At the last mile

Key Facts About the Block :

Basin

Mumbai High

Field

Discovered Small Field

Type of Development

Offshore

Acreage

56 sq.km

Participating Interest

60%

No. of Wells

2 (Subsea)

Target First Oil

Q3 Fy 2021-22

Expected Production
(Oil & Gas)

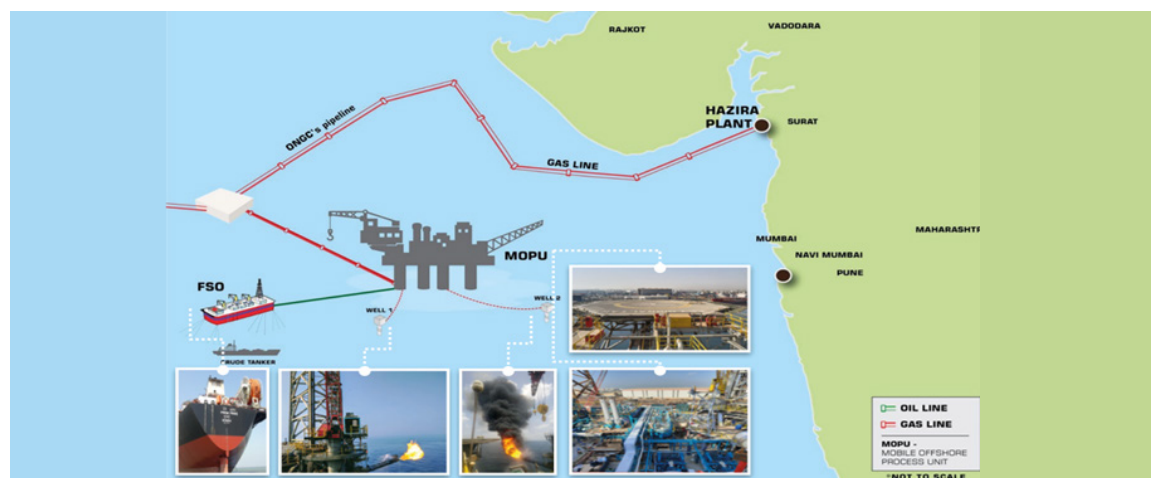
8,000 boepd

B-80 has now emerged as the anchor asset that will transform HOEC from a significant onshore player to one of the few operators in India who have offshore experience and capability. In the course of the last year, a majority of work was executed.

- Drilling & Completion was completed for 2 subsea development wells.
- Offshore Installation for collecting, separating and processing well fluids safely installed.
- Subsea production controls and flexible flowlines/export lines have been installed.
- Tie-in into ONGC system for Gas evacuation.

The one item to be completed in the next season is as below:

- Oil evacuation using FSO moored with Calm Buoy.



Exciting long-term prospects:

The 2P reserves number from B-80 as on 31st March 2021 increased 5-fold post development drilling. This revision in reserves based on revised Geological model is made possible by extensive Geological work applying all available data from the field from the latest 2 well drilling and from wells drilled by ONGC earlier.

- Well test data indicates in-place volumes higher than previously interpreted.
- Independent due diligence work done by Gaffney Cline & Associates confirming the above.
- Positive outcome to life of field and production from field is expected.



Crane Barge: Mubarak Marine Millennium – 3



CALM Buoy being towed



DP-DSV : UDS Lichtenstein



Flexibles & Umbicals

The Last Mile – Scope for completion post monsoon:

- Commissioning of Toppides connection on KGB OI.
- Installation & hook-up of Calm buoy.
- 'First Oil' in Q3 Fy 2021-22.

Key Milestones:

- First Discovered Small Field (DSF) complete drilling.
- First private player in India to convert Jack-up Rig to Mobile Offshore Production Unit (MOPU).
- First in India to drill and complete two subsea wells using a Jack-up Rig.

B-80: The Transformational Asset

- From small independent Operator to Operator with shallow water experience & expertise.
- Increase of Oil in portfolio from 15% to 50%.
- Operator who has successfully executed low-cost, fast track projects – onshore & offshore.

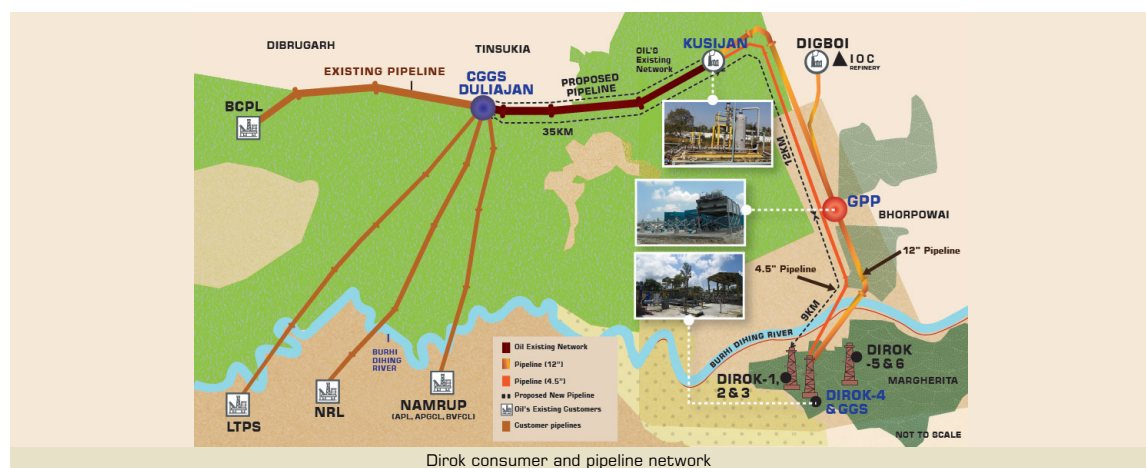
Eastern Offshore - PY-1 – HOEC's Flagship Asset with 100% PI

PY-1 is a unique, predominantly gas bearing reservoir. It is the only offshore fractured granitic basement reservoir in India. With 100% PI, any increase in production will positively impact the net revenue from operations. Significant untapped resources exist in this field. The necessary geological studies are completed and Environmental Clearance process has been initiated for future drilling campaigns.

Dirok – Value over Volume

Phase - II development in Dirok involves drilling of more wells and delivering the gas directly to the closest marketing hub – Duliajan.

- First ever E-auction for Gas produced from North-East conducted in June 2021.
- Healthy quantity bid in e-auction indicating presence of latent demand.
- A minimum of \$1/mmbtu premium over 6-monthly PPAC price to be realized after execution of contracts.
- Bids received from State and Central PSUs, ensuring reliability of payments.
- Sales based on new gas sales contracts expected to start from Q3 Fy 2021-22.



Phase – II implementation of Dirok will involve:

1. Drilling - Drilling of 3 development wells, thereby increasing production from 35 mmscfd to 55 mmscfd.
2. Hollong Modular Gas Processing Plant (HMGGP) expansion - from 1 mmscmd to 2 mmscmd.
3. Delivery - Laying of 35 km pipeline from Kusijan to marketing hub of Duliajan.

COVID-19 & HOEC'S BUSINESS SUSTAINABILITY PLAN



COVID-19 Kit Distribution at Assam



Sanitation work at PY-1 site



Training on Covid-19 protocol

HOEC's COVID-19 Protocol

HOEC has devised a set of procedures & strategies to ensure minimal to nil exposure to the COVID-19 pandemic. The procedures are a combination of mandated Guidelines & Protocols along with Do's & Don'ts that are to be followed stringently. The same has been communicated to all direct and indirect employees of HOEC. In addition to these protocols, a list of mitigation strategies have been devised and enforced in the Corporate Office & all HOEC work sites.

A summary of these Guidelines & Protocols is as follows:

- All personnel must record their temperature via an IR contactless thermometer before entering the office / site premises.
- Wearing of mask is mandatory at all times while in the office premises work sites.
- All personnel must wash/sanitize their hands at regular intervals during the day.
- All used tissues must be disposed of in closed bins.
- A social distance of 2 metres must be maintained at all times.
- A staggered seating arrangement must be followed while seated in the office and in company vehicles.
- Virtual meetings must be conducted whenever possible.
- All office equipment (desks, chairs, photocopy machines, scanners, doorhandles, handrails etc.) must be sanitized on a daily basis.
- Restriction on visiting the corporate office / work sites for personnel residing in COVID-19 containment zones;
- Prior intimation to the respective Installation / Managers & HSE Teams at worksites by vendors / suppliers visiting the site;
- Mandatory installation of AAROGYA SETU Application in all employee / contractor smartphones before entering the corporate office / worksites;
- Compulsory screening of one & all entering through the gate with a thermal scanner / thermometer;

Resumption of work during the COVID-19 Pandemic

Prior to the resumption of work at the Corporate Office or any HOEC work site, all contact areas were disinfected thoroughly with various disinfectants prescribed by the Governmental Agencies / SMEs. Standard Operating Procedures outlined by Govt. directives with respect to disinfection method, type of medium, periodicity, maintenance of log register, etc. were followed. Appropriate Personal Protective Equipment (PPE) like visors & masks, and disinfection gadgets like sprayers, brushes, etc. were made available to all housekeeping and maintenance personnel. About 90% of all HOECians have been fully vaccinated. RT-PCR tests, mandatory quarantine and medical fitness examinations are mandatory for all company vendors engaged across HOEC's assets. Weekly digital health survey of all HOEC employees being conducted to track the health condition of individuals. Various procedures for employees & third-party contractors were implemented.