

ANNUAL REPORT

1997-98

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



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OIL AND NATURAL GAS CORPORATION LIMITED

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BOARD OF DIRECTORS

Shri B.C. Bora
Chairman-cum-Managing Director

Shri Jauhari Lal
Director (Personnel)

Shri I.N. Chatterjee
Director (Finance)

Shri A.S. Soni
Director (Operations)

Shri S.M. Malhotra
Director (Drilling)

Shri R.C. Gourh
Director (Technical)

Shri T.K.N. Gopalaswamy
Director (Exploration)

Shri Inderjit Khanna
Director

Shri Ravi Saxena
Director

Shri Shivraj Singh
Director

Shri Atul Chandra
Director

COMPANY SECRETARY

Shri S. Nayak
GM (F&A) & Company Secretary

REGISTERED OFFICE

Jeevan Bharati, Tower-II
124, Indira Chowk
New Delhi-110 001

CORPORATE OFFICE

Tel Bhavan
Dehradun-248 003, U.P.

STATUTORY AUDITORS

M/s A.F. Ferguson & Co.
M/s Lovelock & Lewes
M/s Lodha & Co.
M/s Chandabhoy & Jassoobhoy
M/s M.R. Narain & Co.

BANKERS

State Bank of India

SUBSIDIARY

ONGC Videsh Limited

SHARE TRANSFER AGENTS

M/s MCS Limited
Srivenkatesh Bhavan
212-A, Shahpurjat, Behind Panchsheel Club
New Delhi-110 049.

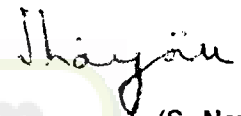
NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the Members of Oil and Natural Gas Corporation Limited will be held on **Tuesday, the 29th day of September, 1998 at 11.30 a.m. at Convention Hall, Ashoka Hotel, 50-B, Chanakyapuri, New Delhi-110 021** to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 1998, the Profit & Loss Account for the year ended on that date alongwith schedules and annexures thereto and the reports of the Directors and Auditors thereon as also the comments of the CAG under sub-section (4) of Section 619 of the Companies Act, 1956.
2. To declare dividend.
3. To appoint a Director in place of Shri Jauhari Lal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri I.N. Chatterjee who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri Atul Chandra who retires by rotation and being eligible offers himself for re-appointment.

By Order of the Board of Directors



(S. Nayak)

GM (F&A) & Company Secretary

Place : New Delhi,
Date : July 29, 1998.

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS (48 HOURS) BEFORE THE SCHEDULED TIME OF THE ANNUAL GENERAL MEETING. BLANK PROXY FORM IS ENCLOSED.
2. **Shareholders seeking any information with regard to Accounts are requested to write to the Company atleast 48 hours before the meeting so as to enable the Company to keep the information ready.**
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 10th September, 1998 to Tuesday, the 29th September, 1998, both days inclusive, for the purpose of payment of dividend, if any, approved by the Members.
4. In accordance with Section 205A of the Companies Act, 1956, the unclaimed dividend for the year ended 31st March, 1995 will be transferred to General Revenue Account of the Central Government on or before 3rd November, 1998 and Members would have to claim it, thereafter, direct from Registrar of Companies, Delhi & Haryana, New Delhi.
5. The dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 1998 if approved at the Annual General Meeting of the Company will be payable within forty two days from the



OIL AND NATURAL GAS CORPORATION LIMITED

Regd. Office : Jeevan Bharti, Tower-II, 124, Indira Chowk,
New Delhi-110001

NOTICE

In supersession of the Notice dated 29th July, 1998 convening the Fifth Annual General Meeting of the Members of Oil and Natural Gas Corporation Limited, **REVISED NOTICE** is hereby given that the said Annual General Meeting, due to unavoidable reasons, is postponed to Wednesday, the 30th day of September, 1998.

The venue, time and business to be transacted at the said Meeting will remain the same as contained in the above referred Notice dated 29th July, 1998.

By Order of the Board of Directors

(S. Nayak)

Company Secretary

Place : New Delhi,

Dated : 7th September, 1998.





OIL AND NATURAL GAS CORPORATION LIMITED

Regd. Office : Jeevan Bharti, Tower-II, 124, Indira Chowk,
New Delhi-110001

Dear Members

INVITATION TO JOIN DEPOSITORY SYSTEM

We have always been exploring the possibilities to provide you the high quality investor services. With this in view we have entered into an agreement with National Securities Depository Limited (NSDL) on 8th June, 1998 to enable you to trade your shares in the demat form which is a safer and more convenient mode of holding and trading of shares in an electronic environment.

In order to enable you to appreciate this option of scripless trading, given below are the salient features of the system.

THE DEPOSITORY SYSTEM

Under the physical system of trading the settlement of trades in respect of shares takes place by means of physical delivery of share certificates. This system is fraught with so many disadvantages which include loss of valuable time, the possibility of bad deliveries, return of share certificates under objections etc.

The electronic trading and settlement will eliminate the problems associated with the settlement of trades through physical deliveries.

In order to settle trade through NSDL, it is essential to convert the physical shares to electronic form through the process of dematerialisation. To start with, an investor has to open an investor account with a Depository Participant (DP). A DP is an interface between NSDL and investor. As such, NSDL recognises request for dematerialisation as well as delivery of shares only if these are routed through DP duly approved by NSDL. An investor can have as many as number of DPs as he desires. The account with DP is exactly as a bank account with any bank. The difference being that the bank keeps the account of the money transacted through it and in case of DP the account is operated for the transaction of shares. It is not necessary that a broker and the investor will have an account with the same DP.

The number of securities dematerialised at NSDL is increasing very fast. An investor holding such security can dematerialise the securities through his DP by filling up a dematerialisation request form. The dematerialised shares do not have any distinctive numbers or certificate numbers. These shares are fungible which means 100 shares of a security are the same as in other 100 shares of that security. Re-materialisation of securities can also be done by filling up a re-materialisation request form through such DP. Though in the Company's records NSDL will be the registered holder of the shares, the investor is, however, the beneficial owner and is, therefore, entitled to all benefits such as dividend, bonus, rights etc., which accrue on the shares from time to time.

BENEFITS OF DEPOSITORY SYSTEM

- OPTION to deliver dematerialised securities in the dematerialised or physical segment with effect from April 6, 1998 on National Stock Exchange, Bombay Stock Exchange and Calcutta Stock Exchange. But physical securities not allowed to be delivered in dematerialised segment, making dematerialised stocks held with investor more liquid than physical stocks;
- elimination of bad deliveries and all risks associated with physical certificates, such as loss, theft, mutilation, etc.;

- reduction in handling of huge volumes of paper;
- no stamp duty for transfer of equity instruments & units of mutual funds in the depository (In case of physical shares, stamp duty of 0.5% is payable on transfer of shares);
- immediate transfer and registration of securities, increasing liquidity of stocks with the investor;
- pay in and pay out of securities and funds is on the same day for scripless trades;
- faster settlement cycle;
- faster disbursement of Corporate benefits like Rights, Bonus, etc.;
- reduction in rate of interest on loans granted against pledge of dematerialised securities by many banks;
- reduction in brokerage by many brokers for trading in dematerialised securities;
- periodic status reports to investors on their holdings and transactions, leading to better controls;
- substantial reduction in transaction cost in dematerialised securities as compared to physical securities, as can be seen from the following table:

	<u>AVERAGE COST</u>	
	<u>Physical</u> (basis points)	<u>Electronic</u> NSDL Charges to DP* (basis points)
Custody	20-30	2**
Transaction (Buy)	25-35	5
Transaction (Sell)	25-35	NIL
Stamp Duty	50	NIL

*DP will have their mark up on these charges and investors are advised to check the DPs charge structure.

** With effect from October 1st, 1998.

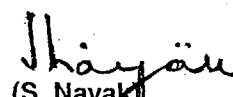
In case you need any further assistance/clarification with regard to dematerialisation of your shares, you may please contact the Company Secretary or the Company's Share Transfer Registrar M/s MCS Limited, 212-A, Srivenkatesh Bhavan, Shahpurjat, New Delhi - 110 049 (telephone nos. 6494830/6498705).

Thanking you

Yours sincerely

For OIL & NATURAL GAS CORPORATION LIMITED

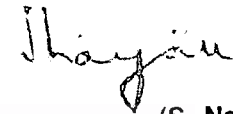
Place : New Delhi,
Date : August 26, 1998.


(S. Nayak)
GM (F&A) & Company Secretary

date of declaration of dividend by the members i.e. on or before 10th November, 1998 to those shareholders whose names appear on the Company's Register of Members as on Tuesday the 29th September, 1998.

6. Members holding shares in different folios are requested to apply to the Company for consolidation of said folios and send relevant share certificates.
7. Members attending the meeting are requested to complete the enclosed Attendance Slip and deliver the same at the entrance of the meeting venue. However, entry to the Auditorium will be strictly on the basis of the entry card available at the counters at the venue and to be exchanged with attendance slip. No briefcase or bag will be allowed to be taken inside the auditorium for security reasons.
8. Members are requested to notify immediately change in their address, if any, with pincode to M/s MCS Limited, UNIT : ONGC, 212-A, Shahpurjat, Srivenkatesh Bhavan, New Delhi-110 049, R&T Agent of the Company, quoting their Folio Number, to ensure prompt receipt of dividend warrants.
9. Members are requested:
 - (a) to bring their copies of Annual Report, Notice and Attendance Slip at the time of the meeting.
 - (b) to quote their Folio Nos. in all correspondence.
 - (c) to note that no gifts will be distributed at the AGM.

By Order of the Board of Directors



(S. Nayak)

GM (F&A) & Company Secretary

Place : New Delhi,
Date : July 29, 1998.

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DIRECTORS' REPORT

Dear Members,

Your Directors are happy to present the 5th Annual Report on the operations of the Company together with the Audited Accounts for the Financial year ended 31st March, 1998 and the Auditors' Report thereon.

1. HIGHLIGHTS OF PERFORMANCE

The year in review 1997-98 has been a satisfying year for the Company, continuing the high performance trend set in the last two to three years.

There has been a marked improvement in the achievement of value added products i.e. LPG, NGL and C2-C3 from 3181 thousand tonnes in 1996-97 to 3416 thousand tonnes in 1997-98. The kerosene recovery plant in Hazira came onstream in March, 1998 and from the current year onwards, the NGL at Hazira will be processed to give higher value products like kerosene and Aromatic rich Naptha. Natural gas sales saw a significant increase of about 2 BCM to over 19 BCM per annum. Crude oil production including Company's share from the joint venture field is maintained at the same level as in 1996-97 at 29.22 million tonnes. Your Company initiated measures about two years ago in the major Western Offshore Fields for production optimisation including use of latest drilling technology and reservoir management practices. In this effort we have taken the assistance of M/s. Gaffney Cline and Associates, a very reputed and experienced consultant in this aspect of the oil business.

Most of the major projects which were under implementation in the preceding period have been completed including South Bassein-Hazira Trunkline and Hazira Terminal Expansion, B-121/119 and B-173A marginal field development projects, Gandhar Phase II and the two enhanced oil recovery schemes in Santhal and Balol fields. The two remaining continuing schemes, B-55 Development and Heera Phase III Development are proceeding as per schedule. One new project, the Bassein Booster Compressor Platform in the giant Bassein gas field was taken up in 1997-98 for sustaining the supply of 30 million cubic metre gas per day from Bassein to the Onshore Hazira Terminal. In addition, three projects submitted to the Government are awaiting approval.

The exploration and development efforts of the Company during the year added 15.82 MMToe of oil and gas reserves and though this is slightly lower than the previous year, the results are encouraging as it confirmed the commercial nature of the gas finds in the Ramnad area of the Cauvery Basin and also saw a turn around in Assam where previous efforts failed to yield the expected results. The reserves addition includes six new discoveries.

Continuing our efforts in the frontier areas, we are happy to announce the spudding of the first deep water well Offshore Tamilnadu in the second quarter of 1998. The drilling is being undertaken by Company's own drillship 'Sagar Vijay' which has been upgraded for drilling in water depths upto 900 meters. Your Company is committed to drill the prioritised locations in the deep water areas as this is a virgin territory with the potential for opening of vast new areas for future exploration. However, deep water exploration programme as a long term project may require strategic alliance with international E&P companies with leading edge technology.

The first well for CBM drilled in the Jharia area has met with success and we have constituted a dedicated project team for appraisal and further exploration.

As an effort to optimally utilise the resources available with the Company, two contracts have been signed in Bangladesh for deployment of three ONGC rigs and your company is also looking for further opportunities in countries like Oman. On the exploration and production side in overseas activities, ONGC Videsh Limited has submitted a commercial bid for a discovered field in Iraq in partnership with Reliance Industries Limited in addition to independently pursuing development and exploration accreages in that country. Development of Company's gas discovery in Vietnam is awaiting finalisation of gas price and other commercial agreements.

Your Company's diversification programme has gained momentum having entered into arrangements with NTPC and IOC to set up power plants at Hazira & Panipat respectively. The first stage clearance of the Government for proposed