



ASSOCIATION OF SCIENTIFIC & TECHNICAL OFFICERS

OIL AND NATURAL GAS CORPORATION LIMITED, NEW DELHI

Registered with the Registrar of Societies U.P., Lucknow. Registration No. 172 (1967-68)



AMIT KUMAR
President - CWC

No.ASTO/CWC/Pres/2008-10/CMD-46

05.12.2008

To

Chairman and Managing Director

ONGC Ltd.

Jeevan Bharati Tower-II

New Delhi

Subject: Overseas Acquisition by ONGC/OVL – Case of Imperial Energy.

Sir,

We would like to draw your kind attention to ONGC's bid to take over of Russia focused Imperial Energy, at the cost of nearly \$2.8 billion. The cash offer values Imperial, which has Oil and Gas Assets at Russia and Kazakhstan at 1250 pence a share, was at 62% premium to Imperial's share price on market London's alternative investment market on 11th July, 2008. Bidco, the bidding arm of OVL had first proposed a bid of around 1290 pence but the oil price fall had forced ONGC to review the bid price. In our opinion this acquisition needs to be reviewed because of the following points:

1. To finance the deal ONGC/OVL has to go commercial borrowings of nearly \$ 1 billion which at this point of time would be at a very high cost.
2. Comparing this deal to the deal that Sinopac has done in 2006 where they had bought UDMURTNEFT, a 1.20 lakh barrel per day crude production unit from BP's Russian Unit TNK-PP for about US\$ 3.5 billion but later sold a 51% stake to Rosneft at that time. The crude prices were hovering around \$73 per barrel, when as we are going for a deal of nearly US\$2.8 billion where the crude oil prices are hovering at \$ 45 per barrel and is predicted to go down to nearly US\$ 30. The production per day for Imperial Energy, as of date is only 12,000 BOPD and is expected to touch 35,000 BOPD by end of 2009 which is possible only if



the capital investment plan is implemented, resulting in another investment of nearly US\$ 1 billion by ONGC. At the time of striking this deal the crude price was hovering at around US\$ 134 per barrel. Under these circumstances where ONGC shall be forced to take a loan, crude oil prices are going down, dollar price is going up, cost of capital is going up, overall International market is under recession, and ONGC is forced to take austerity measures directed by Govt. of India ; such deals of acquisitions abroad need a complete review.

In fact it would be more appropriate to go for fast track development of our marginal fields & new finds like KG Basin etc. rather than unviable acquisitions abroad which may end up in a financial loss within the next few years. We hope that early action will be taken by you in this regard.

With regards,

Yours sincerely,


(Amit Kumar)

Copy to:

1. Secretary, MOPNG, Shastri Bhavan, New Delhi.
2. MD-OVL, ONGC Videsh, New Delhi.
3. Director (HR), ONGC, New Delhi.
4. Director (Onshore), ONGC, New Delhi.
5. Director (Offshore), ONGC, New Delhi.
6. Director (T&FS), ONGC, New Delhi.
7. Director (Exploration), ONGC, New Delhi.
8. Director (Finance), ONGC, New Delhi.