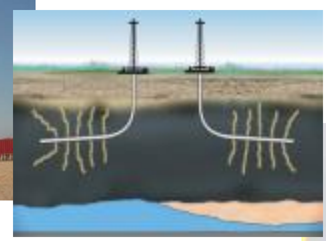
GAIL GLOBAL (USA) INC.
HOUSTON, TEXAS

2ND ANNUAL REPORT



2012

NOTICE OF SECOND ANNUAL GENERAL MEETING
To be held on September 3, 2013

To: Sole Shareholder – M/s GAIL (India) Limited.

From: Amit Jhalani, Secretary cum Treasurer

Date: August 9,2013

NOTICE is hereby given that the Second Annual General Meeting of the GAIL GLOBAL (USA) INC. will be held on Tuesday, the 3rd day of September 2013 at 11:00 am Central Daylight Time at 333 Clay Street, Suite 3300, Houston, Texas 77002 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st December 2012, Statement of Operations, Statement of Changes in Shareholder's Equity and Statement of Cash flow for the period ended 31st December 2012, Director's Report and Auditor's Report thereon.

2. To appoint a Chairman in place of Mr. Venkatraman Srinivasan, who retires, and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Mr. Sanjib Datta, who retires, and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. Subir Purkayastha, who retires, and being eligible, offers himself for re-appointment.

5. To transact any other ordinary business that may be properly transacted at the Annual General Meeting.

Amit Jhalani

(Amit Jhalani)
Secretary cum Treasurer
GAIL Global (USA) Inc.

GAIL Global (USA) Inc.

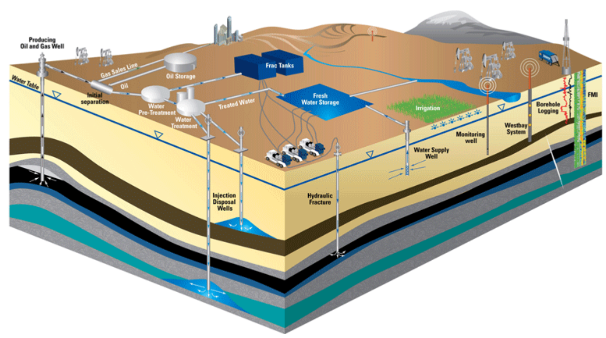
Directors' Report

Dear Shareholder(s),

On behalf of the Board of Directors of GAIL Global (USA) Inc. ("Company"), a 100% subsidiary of GAIL (India) Limited, India, I am delighted to present the Second Annual Report of your Company along with Audited Financial Statements ending December 31, 2012.

General Overview

Your Company, was incorporated as a wholly owned subsidiary of GAIL (India) Limited on September 26, 2011 in the State of Texas, USA, to undertake investment in the Eagle Ford shale gas asset and operations related to that asset and any other activities. The Company has its registered office at Houston, Texas, USA.



The Company executed a Purchase and Participation Agreement with M/s Carrizo Oil & Gas Inc., USA on September 28, 2011, to enter into an unincorporated Joint Venture ("JV") in the Eagle Ford Shale asset in Texas. The Company acquired 20% participating interest in the JV. Carrizo (Eagle Ford) LLC ("Carrizo") with participating interest of 80% is the Operator of the JV. The Company acquired net acreage of around 4040 acres in Dimmit, Frio, LaSalle and McMullen Counties in Eagle Ford. Subsequently it acquired around 440 acres as part of Area of Mutual Interest (AMI) for operational reasons.

In March 2013, your Company has formed a wholly-owned subsidiary in the State of Delaware, GAIL Global USA LNG LLC (GGULL) to enter into contractual agreements for booking capacity rights in a LNG liquefaction terminal and related pipelines; to purchase and deliver natural gas to the terminal and to perform any other activities that may be required for sale of LNG. Accordingly GGULL, executed a Terminal Service Agreement ("TSA") and a Pipeline Precedent Agreement ("PPA") with Dominion Cove Point LNG, LP (DCP, Operator) on April 1, 2013 for booking capacity rights of ~330,000 Dth/day (~2.3mtpa) in its proposed brownfield Cove Point LNG liquefaction terminal at Lusby, Maryland and corresponding capacity in the Cove Point Pipeline which links the terminal with other gas transmission pipelines for a period of twenty years.

Board of Directors

The Directors in office as on the date of this report are:

Mr. Venkatraman Srinivasan, Chairman
Mr. Sanjib Datta, Director
Mr. Subir Purkayastha, Director

The day to day management is performed by the following two officers of the Company:

Mr. Jayanta Sinha, President
Mr. Amit Jhalani, Secretary cum Treasurer

Performance Overview

During the year, 17 wells came online resulting in total online wells of 29 as on Dec 31, 2012. As on Dec 31, 2012, additional 13 wells were under different stages of Drilling & Completion.

During the year, the Company has achieved a turnover of $ 21.40 Million with a net income of $2.62 Million. The Financial Highlights are as under:

(Amount in $ Million)

Particulars	**2012**	**2011 (Sept to Dec'11)**
Revenue	**21.40**	***2.36**
Lease Operating Exp.	1.30	*0.18
Production Taxes	1.01	*0.11
Marketing & Distribution	0.51	0.04
Depletion, Depreciation & Amortization	13.52	1.38
Other Exp.	0.68	0.01
Income from Operations	**4.38**	**0.64**
Financial Exp. (net of interest income)	0.41	0.24
Provision for taxation (deferred)	1.35	0.14
Net Income	**2.62**	**0.26**

* Oil and Gas revenue of $0.91 Million, net of production taxes and lease operating expenses of $0.10 Million, related to operating activities prior to pre-incorporation period was received during the year 2011, the same has been capitalized and adjusted from the acquisition cost.

Financing

The authorized share capital and the paid up share capital is $ 50 Million and $ 36 Million respectively as on December 31, 2012 as well as on December 31, 2011. The paid up capital is entirely subscribed by GAIL (India) Limited. In order to fund the cost of acquisition, Company had initially taken a loan from GAIL (India) Ltd., which was repaid during the year 2011 by drawing a short term loan. During the year 2011, Company signed a short term loan facility agreement of $84 Million with Citibank N.A. out of which $ 58 Million was drawn till December 31, 2011.

During the year 2012, Company executed additional short term credit facility agreement $ 16 Million with Citibank. The outstanding principal of $89 Million against the above facilities was paid in full at maturity on December 20, 2012.

During November 2012, Company entered into a new $114 Million credit facility with Sumitomo Mitsui Banking Corporation. The outstanding balance on the credit facility as on December 31, 2012 was $85 Million. The Principal is due for repayment in December, 2013.

The Line of Credit is guaranteed by GAIL (India) Limited

Dividend

It is not proposed to declare any dividend during the current year.

Audit

The independent auditors, M/s Pannell Kerr Forster of Texas, P.C. has carried out the audit of the Financial Statements of the Company ending December 31, 2012 and their report is annexed hereto.

Drilling & Completion Program

The Joint Venture has planned about 139 wells in the next seven years entailing an investment of around US$ 250 Million on the part of the Company. The plan is however subject to review from time to time.

Director's interest in shares or debentures, contractual benefits and responsibility statement.

None of the Directors holding office at the end of the financial year has any interest in the shares or debentures of the Company and no Director has received or become entitled to receive a benefit by reason of a contract made by the Company. Further, during the year, no director has been indemnified or reimbursed any expenses from the Company.

In the opinion of the Directors,

(a) the financial statements annexed hereto are drawn up in accordance with Generally Accepted Accounting Principles, so as to give a true and fair view of the state of affairs of the Company as at December 31, 2012 and the results of the business, change in equity and cash flows of the Company for the year.

(b) as at the date of the financial statement, there are reasonable grounds to believe that the Company will be able to service its debts as and when they fall due.

Acknowledgement

The Board of Directors acknowledge its deep and sincere thanks for the co-operation and assistance received from M/s GAIL (India) Ltd., M/s Carrizo Oil & Gas Inc. (JV partner), Bankers, Financial Institution, Vendors and Customers.

For and on Behalf of the Board

13/8/2013

(S Venkatraman)
Chairman

Place: New Delhi, India
Date: 13th August 2013

GAIL Global (USA) Inc.

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PANNELL KERR FORSTER OF TEXAS, P.C.

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Independent Auditors' Report

To the Board of Directors and Stockholder of
GAIL Global (USA) Inc.

We have audited the accompanying balance sheets of GAIL Global (USA) Inc. (the "Company") as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholder's equity and cash flows for the year ended December 31, 2012 and for the period from inception (September 26, 2011) to December 31, 2011, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of GAIL Global (USA) Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the year ended December 31, 2012 and for the period from inception (September 26, 2011) to December 31, 2011, in conformity with U.S. generally accepted accounting principles.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, this supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Pannell Kerr Forster of Texas, P.C.

April 22, 2013

GAIL Global (USA) Inc.

A wholly owned subsidiary of GAIL (India) Limited

Balance Sheets

	December 31, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 2,491,388	$ 306,327
Accounts receivable - oil and natural gas	2,358,087	1,599,035
Advances to operator	-	11,084,390
Prepaid expenses	18,540	7,416
Total current assets	4,868,015	12,997,168
Oil and natural gas properties		
Proved property		
Leasehold costs	42,730,668	28,357,967
Drilling costs	32,606,916	16,938,588
Completion costs	46,258,423	12,516,494
Production equipment and facilities	3,415,053	450,332
Asset retirement obligation asset	176,782	67,005
Capitalized interest	1,523,842	76,643
Wells in progress		
Drilling costs	7,210,965	6,050,793
Completion costs	951,332	1,744,180
Production equipment and facilities	567,150	85,603
Unproved leasehold costs	7,027,061	19,803,585
	142,468,192	86,091,190
Office equipment	1,914	-
Accumulated depletion, depreciation and amortization	(14,898,031)	(1,375,041)
	127,572,075	84,716,149
Deferred loan costs, net	115,414	199,337
	$132,555,504	$ 97,912,654
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	$ 6,782,431	$ 3,135,341
Accrued interest	223,110	313,705
Line of credit	85,000,000	58,000,000
Total current liabilities	92,005,541	61,449,046
Deferred income taxes	1,484,666	134,513
Asset retirement obligation	183,304	67,982
Commitments and contingencies	-	-
Stockholder's equity		
Common stock, $1 par value; 50,000,000 shares authorized, 36,000,000 shares issued and outstanding	36,000,000	36,000,000
Retained earnings	2,881,993	261,113
	38,881,993	36,261,113
	$132,555,504	$ 97,912,654

See accompanying notes to financial statements.

GAIL Global (USA) Inc.

A wholly owned subsidiary of GAIL (India) Limited

Statements of Operations

	Year Ended December 31, 2012	Period from Inception (September 26, 2011) to December 31, 2011
Oil and natural gas sales	$ 21,399,006	$ 2,361,239
Operating expenses		
Lease operating	1,298,585	184,058
Production taxes	1,009,432	110,203
Marketing and distribution	508,616	38,960
Depletion, depreciation and amortization	13,522,990	1,375,041
General and administrative	675,474	13,118
Accretion expense	5,545	977
Total operating expenses	17,020,642	1,722,357
Income from operations	4,378,364	638,882
Other income (expense)		
Interest income	18,106	-
Interest expense	(1,871,001)	(319,899)
Interest expense capitalized	1,447,199	76,643
Total other expense, net	(405,696)	(243,256)
Income before income tax expense	3,972,668	395,626
Income tax expense	(1,351,788)	(134,513)
Net income	$ 2,620,880	$ 261,113

See accompanying notes to financial statements.

GAIL Global (USA) Inc.

A wholly owned subsidiary of GAIL (India) Limited

Statements of Changes in Stockholder's Equity

Year Ended December 31, 2012 and for the Period from Inception (September 26, 2011) to December 31, 2011

	Common Stock	Retained Earnings	Total
Initial contribution - September 26, 2011	$ 36,000,000	$ -	$ 36,000,000
Net income	-	261,113	261,113
Balance, December 31, 2011	36,000,000	261,113	36,261,113
Net income	-	2,620,880	2,620,880
Balance, December 31, 2012	$ 36,000,000	$ 2,881,993	$ 38,881,993

See accompanying notes to financial statements.

GAIL Global (USA) Inc.
A wholly owned subsidiary of GAIL (India) Limited

Statements of Cash Flows

	Year Ended December 31, 2012	Period from Inception (September 26, 2011) to December 31, 2011
Cash flows from operating activities		
Net income	$ 2,620,880	$ 261,113
Adjustments to reconcile net income to net cash provided by operating activities		
Depletion, depreciation and amortization	13,522,990	1,375,041
Amortization of deferred loan costs	202,923	6,194
Deferred income taxes	1,350,153	134,513
Accretion expense	5,545	977
Changes in operating assets and liabilities		
Accounts receivable	(759,052)	(1,599,035)
Prepaid expenses	(11,124)	(7,416)
Accounts payable	319,461	150,371
Accrued interest	(90,595)	313,705
Net cash provided by operating activities	17,161,181	635,463
Cash flows from investing activities		
Acquisition of oil and natural gas properties	-	(62,743,406)
Additions to oil and natural gas properties	(57,035,702)	(23,280,779)
Change in capital expenditure accrual	3,327,629	2,984,970
Proceeds from sale of oil and natural gas properties	768,477	-
Acquisition of office equipment	(1,914)	-
Advances to operator	11,084,390	(11,084,390)
Net cash used in investing activities	(41,857,120)	(94,123,605)
Cash flows from financing activities		
Proceeds from borrowings on line of credit	116,000,000	58,000,000
Repayment of line of credit	(89,000,000)	-
Deferred loan costs	(119,000)	(205,531)
Capital contribution	-	36,000,000
Net cash provided by financing activities	26,881,000	93,794,469
Net increase in cash and cash equivalents	2,185,061	306,327
Cash and cash equivalents, beginning of period	306,327	-
Cash and cash equivalents, end of period	$ 2,491,388	$ 306,327
Supplemental cash flow disclosures:		
Cash paid for taxes	$ 1,635	$ -
Cash paid for interest, net of capitalized interest	$ 311,474	$ -
Supplemental schedule of noncash investing and financing activities		
Capitalized asset retirement obligation costs	$ 109,777	$ 67,005

See accompanying notes to financial statements.

Notes to Financial Statements
December 31, 2012

NOTE 1 - NATURE OF OPERATIONS

GAIL Global (USA) Inc. (the "Company") was formed on September 26, 2011 as a Texas Corporation. The Company is a wholly owned subsidiary of GAIL (India) Limited (the "Parent"). The Company is a United States petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On September 28, 2011, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and two of its affiliates (collectively "Carrizo") and paid $63,650,000 to acquire a 20% interest in oil and natural gas properties located in the Eagle Ford Shale area in Dimmit, Frio, LaSalle and McMullen Counties of the State of Texas. The Agreement also requires the Company to pay up to an amount not to exceed $31,350,000 (the "carry"), representing 50% of Carrizo's share of all development costs (as defined in the Agreement), through June 30, 2013. At December 31, 2012, the Company has fulfilled its carry obligation with Carrizo. The Agreement also provides the Company the right of first refusal to acquire a 20% interest in future acquisitions of oil and natural gas leases in the Eagle Ford Shale area made by Carrizo within a defined area of mutual interest (as defined in the Agreement).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase.

Reclasification

Certain amounts in the 2011 financial statements have been reclassified in order to conform to the current year presentation. These reclassifications had no effect on total assets, total liabilities, net income and total equity.

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells, and related asset retirement costs are capitalized. With respect to amounts paid by the Company for its carry obligation, they are recorded to oil and natural gas properties in cost categories incurred as tangible and intangible drilling costs and completion costs and production equipment and facilities. Additionally, interest costs are capitalized to oil and natural gas properties during the period that unevaluated leasehold costs and costs of wells in progress are undergoing development and preparation for their intended use until reserves have been identified. Interest costs totaling $1,447,199 and $76,643 was capitalized for the year ended December 31, 2012 and the period from inception (September 26, 2011) to December 31, 2011, respectively. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted on a field level (common reservoir) using the unit-of-production method using proved producing oil and natural gas reserves. Unproved property costs, costs of wells in progress and related capitalized interest costs are excluded from the depletable base until the

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and Natural Gas Properties (continued)

related costs are considered developed or until proved reserves are found. Oil and natural gas leasehold costs are depleted using the units of production method based on total proved oil and natural gas reserves.

Upon sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depreciation, depletion, and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations.

Upon sale of an entire interest in an unproved property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Proved oil and natural gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, which is generally performed at the field level. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. If the net costs in excess of the undiscounted future net cash flows then the fair value is determined using the discounted future net cash flows as the new carrying value with any excess net cost recorded as an impairment with a corresponding amount recorded to accumulated depletion, depreciation and amortization. At December 31, 2012, no impairment of proved oil and natural gas properties is required.

Unproved oil and natural gas properties are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance.

Deferred Loan Costs

Deferred loan costs are amortized into interest expense using the straight-line method over the terms of the related debt agreement.

Asset Retirement Obligation

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties. The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows which consider an estimate of the cost to plug and abandon wells (excluding salvage), future inflation rates and is discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas property and depleted using the units of production method. Periodically the asset retirement obligation is remeasured to determine if a revision to the estimate is necessary with any revisions being recorded as an adjustment to oil and natural gas property cost.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Natural Gas Imbalances

Revenues from the sale of crude oil and natural gas production are recognized when oil and natural gas is sold at a fixed and determinable price, delivery has occurred, title has transferred and collectability is reasonably assured, net of royalties. An accrual is recorded at each reporting period by estimating the oil and natural gas volumes produced and delivered, net of royalties, and corresponding oil and natural gas prices for periods when actual production information is not available. Crude oil that remains within the field tanks that is not sold at each reporting period is considered not produced. The Company follows the sales method of accounting for oil and gas revenues whereby revenue is recognized for all oil and gas sold to purchasers, regardless of whether the sales are proportionate to the Company's ownership interest in the property. Production imbalances, if any, are recognized as an asset or liability to the extent that the Company has an imbalance on a specific property that is in excess of its remaining proved oil and gas reserves. Oil and gas sales volumes are not significantly different from the Company's share of production and as of December 31, 2012 and 2011, the Company did not have any material production imbalances.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation, depletion and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of developed and undeveloped properties, the collectability of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, and are primarily based upon the data and information received from the joint venture operator. Future changes in these assumptions may affect these significant estimates materially in the near term.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The state of Texas has a gross margin tax that applies to the Company. Taxable margin is defined as total revenue less deductions for costs of goods sold or compensation and benefits in which total calculated taxable margin cannot exceed 70% of total revenue.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements. The Company is subject to income tax examinations by U.S. federal or state tax authorities for the periods ending December 31, 2012 and 2011.

Tax-related interest is included in interest expense and tax-related penalties are included in income tax expense. The Company had no tax-related interest or penalties in 2012 and 2011.

Sales-Based Taxes

The Company pays certain governmental taxes based on its sales of oil and natural gas to customers. The Company reports its sales at the gross amount and the related taxes, primarily severance taxes, are included in production taxes in the accompanying statement of operations. Total sales-based taxes incurred by the Company during 2012 and 2011 amounted to $1,009,432 and $110,203, respectively.

NOTE 3 - ACQUISITION

On September 28, 2011, but effective September 1, 2011, the Company closed on the acquisition of oil and natural gas properties paying $63,650,000 for a 20% working interest in Carrizo's oil and natural gas leases covering 20,200 net acres (4,040 net acres to the Company's interest). The Company is also obligated to fund an additional $31,350,000 of development costs on behalf of Carrizo through June 30, 2013 (see Note 1). The property contained a number of wells that were producing and in progress of being drilled on the closing date. Subsequent to the closing date, oil and natural gas revenue ($1,012,056), net of production and operating costs ($105,462), totaling $906,594 was received by the Company that related to operating activities prior to the closing date. Since the Company did not have effective control of the assets acquired, these proceeds were accounted for as a reduction of the purchases price (adjusted purchase price) ultimately allocated to the assets and liabilities acquired. The adjusted purchase price was allocated to the following assets and liabilities acquired:

Proved leasehold costs	$28,357,967
Well costs and ARO asset	15,504,399
Production equipment	204,160
Unproved leasehold costs	18,721,082
Asset retirement obligation	(44,202)
Total	$62,743,406

Notes to Financial Statements
December 31, 2012

NOTE 4 - DEFERRED LOAN COSTS

The following table represents the Company's deferred loan costs at December 31:

	2012	2011
Beginning of year	$ 199,337	$ -
Costs incurred	119,000	205,531
Amortization	(202,923)	(6,194)
End of year	$ 115,414	$ 199,337

Amortization expense during the year ended December 31, 2012 and for the period from inception (September 26, 2011) through December 31, 2011 amounted to $202,923 and $6,194, respectively. Future amortization of deferred loan costs will be $115,414 during the year ending December 31, 2013.

NOTE 5 - ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligation for the periods ending December 31:

	2012	2011
Beginning of year	$ 67,982	$ -
Revisions	23,686	-
Liabilities acquired/incurred	86,091	67,005
Accretion expense	5,545	977
End of year	$ 183,304	$ 67,982

NOTE 6 – LINE OF CREDIT

The Company entered into a $114,000,000 credit facility (the "Line of Credit") with a bank in November 2012. The outstanding balance on the credit facility at December 31, 2012 was $85,000,000. Principal is due at maturity on December 20, 2013. Borrowings under the Line of Credit accrue interest at the one-month LIBOR (0.20% at December 31, 2012) plus 0.60% and is payable monthly. There is a commitment fee of 0.20% times the lesser of (a) the average daily amount by which the commitment exceeds the outstanding loans and (b) $20,000,000. The Line of Credit is guaranteed by the Parent for an annual fee of 0.25% payable quarterly calculated based on the outstanding principal plus unpaid interest. The guarantee fee is provisional and subject to change from retrospective effect as per the agreement.

The Company had an $84,000,000 credit facility (the "Former Line of Credit") with a bank. The outstanding balance on the credit facility at December 31, 2011 was $58,000,000. The outstanding principal of $84,000,000 was paid in full at maturity on December 20, 2012 using proceeds from the new November 2012 Line of Credit. Borrowings under the Former Line of Credit accrued interest at the one-month LIBOR plus 0.8% and was payable monthly. The Former Line of Credit was guaranteed by the Parent for an annual fee of 1% calculated based on the outstanding principal plus unpaid interest.

The Company had a second $16,000,000 credit facility (the "Second Former Line of Credit") with the same bank that was entered into in August 2012. The outstanding principal of $5,000,000 was paid in full at maturity on December 20, 2012 using proceeds from the new November 2012 Line of Credit and cash from operations. Borrowings under the Line of Credit accrued interest at the one-month LIBOR plus

NOTE 6 – LINE OF CREDIT (CONTINUED)

0.8% and was payable monthly. The Former Line of Credit was guaranteed by the Parent for a fee of 1%.

The Company also has an $84,000,000 loan agreement with its Parent. There was no outstanding principal balance on the loan agreement at December 31, 2012 and 2011. Borrowings under the loan agreement will have interest payable at the six-month LIBOR (0.51% at December 31, 2012) plus 2% as well as any income tax withholding required. On January 31, 2012, the loan agreement was amended to make the next interest payment due March 31, 2012 and due annually thereafter. Principal is due three years after the last borrowing under the loan agreement. During the period from inception (September 26, 2011) to December 31, 2011, the Company incurred interest expense totaling $277,864 related to this loan agreement with the Parent that is included in accrued interest at December 31, 2011.

NOTE 7 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using a U.S. Federal statutory corporate rate of 34%. Significant components of the Company's deferred tax liability as of December 31 are as follows:

	2012	2011
Differences in depletion, depreciation and amortization of property for tax purposes	$(2,073,290)	$(1,505,010)
Net operating loss carryforward	1,104,514	1,396,224
Other	(515,890)	(25,727)
Total deferred tax liability	$(1,484,666)	$ (134,513)

The Company had a net operating loss carryforward available at December 31, 2012 amounting to approximately $3,249,000 which expires in 2032.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company recorded interest expense related to the Parent's guarantee of bank loans in 2012 and 2011 totaling $806,466 and $17,095, respectively. At December 31, 2012 and 2011, $202,055 and $17,095, respectively, remains unpaid and is included within accrued interest.

The Company reimbursed its Parent for general and administrative expenses incurred on behalf of the Company of $172,018 and $0 in 2012 and 2011, respectively. At December 31, 2012, $172,018 was included in accounts payable.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's accounts receivable is from Carrizo as operator of the Company's properties resulting from oil and natural gas sales. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of Carrizo, the operator of the Company's properties.

Notes to Financial Statements
December 31, 2012

NOTE 10 - SUBSEQUENT EVENTS

In March 2013, the Company's Board of Directors approved the formation of a wholly-owned subsidiary to enter into contractual agreements for booking capacity rights in a LNG Liquefaction terminal and related pipelines; to purchase and deliver natural gas to the terminal and to perform any other activities that may be required for sale of LNG.

The Company has evaluated subsequent events through April 22, 2013, the date the financial statements were available to be issued and have determined that there are no other subsequent events to be reported.

Supplemental Information

GAIL Global (USA) Inc.

A wholly owned subsidiary of GAIL (India) Limited

Fixed Assets Rollfoward

Year Ended December 31, 2012

	Beginning Balance December 31, 2011	Additions/Transfers	Retirements	Ending Balance December 31, 2012	Depletion, Depreciation & Amortization: Beginning Balance December 31, 2011	Depletion, Depreciation & Amortization: Additions	Depletion, Depreciation & Amortization: Retirements	Depletion, Depreciation & Amortization: Ending Balance December 31, 2012	Net Book Value: December 31, 2012	Net Book Value: December 31, 2011
Oil and Natural Gas Properties										
Proved property costs										
Leasehold costs	$ 28,357,967	$ 14,372,701	$ -	$ 42,730,668	$ 241,890	$ 678,231	$ -	$ 920,121	$ 41,810,547	$ 28,116,077
Drilling costs	16,938,588	16,436,815	768,487	32,606,916	1,057,449	11,319,643	-	12,377,092	20,229,824	15,881,139
Completion costs	12,516,494	33,741,929	-	46,258,423	68,728	1,302,506	-	1,371,234	44,887,189	12,447,766
Production equipment and facilities	450,332	2,964,721	-	3,415,053	-	-	-	-	3,415,053	450,332
ARO and capitalized interest	143,648	1,556,976	-	1,700,624	6,974	222,424	-	229,398	1,471,226	136,674
Total proved property costs	58,407,029	69,073,142	768,487	126,711,684	1,375,041	13,522,804	-	14,897,845	111,813,839	57,031,988
Unproved leasehold cost	19,803,585	(12,776,524)	-	7,027,061	-	-	-	-	7,027,061	19,803,585
Total	78,210,614	56,296,618	768,487	133,738,745	1,375,041	13,522,804	-	14,897,845	118,840,900	76,835,573
Wells in progress										
Drilling costs	6,050,793	1,160,172	-	7,210,965	-	-	-	-	7,210,965	6,050,793
Completion costs	1,744,180	(792,848)	-	951,332	-	-	-	-	951,332	1,744,180
Production equipment and facilities	85,603	481,547	-	567,150	-	-	-	-	567,150	85,603
Total	7,880,576	848,871	-	8,729,447	-	-	-	-	8,729,447	7,880,576
Total oil and natural gas properties	86,091,190	57,145,489	768,487	142,468,192	1,375,041	13,522,804	-	14,897,845	127,570,347	84,716,149
Other										
Office equipment	-	1,914	-	1,914	-	186	-	186	1,728	-
Total	-	1,914	-	1,914	-	186	-	186	1,728	-
Grand total	$ 86,091,190	$ 57,147,403	$ 768,487	$ 142,470,106	$ 1,375,041	$ 13,522,990	$ -	$ 14,898,031	$ 127,572,075	$ 84,716,149
Prior Year Grand Totals										
Balance December 31, 2011	$ -	$ 86,091,190	$ -	$ 86,091,190	$ -	$ 1,375,041	$ -	$ 1,375,041	$ 84,716,149	$ -