

Islamic Republic of Pakistan

Islamabad, the 11th August, 2004
License No. NG-003/2004

The License

The Oil & Gas Regulatory Authority,(the "Authority"), established under the Oil & Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002) (hereinafter referred to as "the Ordinance"), in exercise of its powers conferred by Section 22(1) of the Ordinance and Rule 3(3) of Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the "Licensing Rules") hereby grants to Mari Gas Company Limited (MGCL), having its registered office 21, Mauve Area, 3rd Road, G-10/4, Islamabad, Pakistan (the "Licensee") a Licence (the "Licence") to undertake the following regulated activity subject to the terms and conditions given hereinafter;

Sale of Natural Gas

Sale of natural gas at the field gate of Mari gas field (Development and Production lease) located at Dharki, District Ghotki, Sindh Province to the following retail consumers: -

- a. WAPDA Thermal Power Station, Guddu, Sindh.
- b. Fauji Fertilizer Company Ltd's Plant at Mirpur Mathelo, Sindh;
- c. Fauji Fertilizer Company Ltd's plant at Goth Machi, District, Rahim Yar Khan Punjab;
- d. Engro Chemical Pakistan Ltd. (Engro Chemical Fertilizer Plant, Dharki, Sindh); and
- e. Any other retail consumer that enters into a gas sale agreement with the Licensee subsequent to the date hereof with the prior approval of the Authority.

Validity

The License shall be valid from 28th March, 2002 (effective date) for a period of 30 years or till the expiry of the Development and Production Lease including any renewal/extension thereof, whichever comes first, unless the License is revoked earlier under the provisions of the Ordinance and the Rules.

(Rashid Farooq)
Member (Oil)

(Jawaid Inam)
Member(Gas)/Vice Chairman

(Munir Ahmad)
Chairman

**GENERAL CONDITIONS APPLICABLE
TO
THE LICENSEE**

General Conditions Applicable to the Licensee

1. Definitions

- 1.1. Words and expressions used in the License but not defined, unless the contrary intention appears, shall have the same meaning as are assigned to them in the Ordinance and the Rules.
- 1.2. The following words shall have the following meanings:
 - 1.2.1. "Development and Production Lease" means petroleum development and production lease (No. 131/Pak/99) granted by the President, Islamic Republic of Pakistan to MGCL initially for a period of 20 (Twenty) years with effect from 11-11-1994 under the Pakistan Petroleum (Exploration and Production) Rules, 1986 in respect of Mari gas field as amended from time to time;
 - 1.2.2. "Gas Price Agreement" means the Mari Gas Well Head Price Agreement dated 22nd December, 1985 between the President of Islamic Republic of Pakistan and Mari Gas Company Limited, as amended from time to time;
 - 1.2.3. "License" means this License and any extension/renewal thereof and or any amendment/modification therein under the provisions of the Ordinance and the Rules; and
 - 1.2.4. "Rules" means the rules made under the provisions of the Ordinance.
 - 1.2.5. Any reference to a statute or a delegated legislation shall be deemed to mean and include its modification, amendment, replacement or substitution by a subsequent law.

2. Renewal, Modification, Revocation of Conditions and Early Termination of License

- 2.1. On an application made by the Licensee to the Authority at least two years prior to the expiry date of the License, the Authority may renew the License or the terms and conditions thereof in accordance with the provisions of the Ordinance and the Rules.
- 2.2. The terms and conditions of the License may be amended, varied, modified, extended or revoked in accordance with the provisions of the Ordinance and the Rules.
- 2.3. On an application by the Licensee, with 2 (two) years prior notice, the Authority may terminate the License in accordance with the provisions of the Ordinance and the Rules.

3. Compliance with Laws

- 3.1 The Licensee shall ensure that it complies at all times with the applicable Laws of Pakistan and in particular with the provisions of the Ordinance and the Rules.
- 3.2 The breach of any applicable law, including the breach of any provision of the Ordinance or the Rules shall be deemed to be a breach of the terms and conditions of the License.

4. Rate of Return

- 4.1 The Licensee being a producer of natural gas shall be entitled to a well head price of gas in respect of Mari gas field as determined in accordance with the rate of return and other parameters provided in the Gas Price Agreement and notified under the applicable law.

5. Revenue Requirements and Prescribed Prices

- 5.1. In accordance with the provisions of section 8 of the Ordinance, the Licensee shall submit an application to the Authority for the determination of its Revenue Requirements in respect of its regulated activity of sale of natural gas from Mari gas field and notification of Prescribed Prices for its retail consumers which are supplied gas from Mari gas field.

Explanation.- for the purpose of this condition the Revenue Requirements of the Licensee in respect of sale of gas from Mari gas field shall comprise of the well head price of Mari gas field, the excise duty and such other levies as may be imposed from time to time, by the Federal Government on the production of natural gas.

6. Payment of Fee

- 6.1. The Licensee shall promptly and regularly pay the fees prescribed in the Rules.
- 6.2. Unless otherwise prescribed in the Rules, the Licensee, from the effective date throughout the term of the License including any renewal thereof, shall pay annual fee of 0.25 percent of the annual turnover (as defined in the Licensing Rules) of the Licensee from the sale of natural gas from Mari gas field to its retail consumers, in respect of the most recent completed financial year.
- 6.3. If the annual turnover for the most recent completed financial year is not certain then the Licensee shall use a reasonable estimate of the annual turnover for calculation and payment of the annual fee under Condition 6.2.
- 6.4. The Licensee shall, if it has used an estimate of the annual turnover under Condition 6.3, file with the Authority a revised account showing the actual annual turnover and the annual fee on the basis of such actual amount on or before September 30th of the year in which the estimate was made, or any other date approved by the Authority in respect of the annual fee where an estimate of annual turnover was used as the basis for calculation of the annual fee. Any short payment in annual fee made evident as a result of filing of the revised account, shall be paid to the Authority within forty-five (45) days of filing of such revised account.
- 6.5. The Authority shall, if it has received overpayment of annual fees, refund the amount equal to the amount by which it was overpaid within forty-five (45) days of filing of

the above mentioned revised account. The Licensee shall not be entitled to any interest or other additional amount in respect of such over-payment.

7. Maintenance of Record and Provision of Information

- 7.1. The Licensee shall keep complete and accurate record and data regarding the production and sale of natural gas as may be required for the purpose of this Licence in appropriate manner. The Licensee shall provide to the Authority promptly upon its request such documents, records or information regarding the sale of natural gas as the Authority may require pursuant to the Ordinance and Rules, Regulations made thereunder.

8. Assignment and Transfer

- 8.1. The Licensee shall not create any charge on or otherwise encumber, assign or transfer the Licence or any rights or obligations thereunder without having obtained the prior written approval of the Authority in accordance with the provisions of the Ordinance and the Rules.

9. Gas Reserves Updation

- 9.1. The recoverable natural gas reserves as disclosed by the Licensee in respect of Mari gas field as on 30th June, 2004 are 4.006 Trillion Cubic Feet (TCF). The Licensee shall inform the Authority promptly whenever it will update/review the gas reserves in respect of Mari gas field.

10. Contract Terms with Retail Consumers

- 10.1. The Licensee shall submit information, record and copies of the existing signed Gas Sale Agreements/Contracts with its retail consumers to the Authority within ninety days of date of issue of the license.
- 10.2. The Licensee shall enter into all agreements or contracts on an arm's length basis and shall seek such approval from the Authority prior to entering into or amending the agreement or contract, as may be required by the Ordinance and the Rules.

11. Pricing for Retail Consumers

- 11.1. The Licensee shall not charge a retail consumer an amount for supply of gas which is greater than the sale price and minimum charges notified by the Authority under the Ordinance.

12. Notices

- 12.1 All notices to be given under any Condition shall be given in writing and shall be deemed to have been properly served if delivered in person or sent by registered mail or transmitted by facsimile to the relevant party at the address setout below or at such other address as that party may from time to time specify inwriting to the other:

Licensee: Managing Director,
Mari Gas Company Limited.

House No. 21-Mauve Area, 3rd Road,
G-10/4, Islamabad, Pakistan.
Telephone Number: 92-51-2297683-85, 11-410-410
Facsimile Number: 92-51-2297686

Authority: Registrar,
Oil and Gas Regulatory Authority
Tariq Chamber, Block # 2
Civic Center, G-6 Markaz
Islamabad, Pakistan
Telephone Number: 92-51-9221715-23
Facsimile Number: 92-51-9221714

12.2 Any notice given under the provisions of Condition 12.1 shall be deemed to have been duly served and received:

- 12.2.1 at the actual time of delivery, if delivered personally;
- 12.2.2 Ten (10) working days subsequent to the date of postage, if sent by registered mail; and
- 12.2.3 at the time of receipt, if transmitted by facsimile where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail as soon as reasonably practicable.