

## Islamic Republic of Pakistan

Islamabad, the 23<sup>rd</sup> November, 2004  
License No. NG-004/2004

### 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 Pakistan Petroleum Limited (PPL), having its registered office at 4<sup>th</sup> Floor, P.I.D.C House, Dr. Ziauddin Ahmad Road, Karachi, Pakistan (the "Licensee") a License (the 'License') 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 Kandhkot gas field located at Kandhkot, District, Jacobabad, Sindh Province to WAPDA thermal power station, Guddu, Sindh.

### Validity

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

(M. H. Asif)  
Member (Finance)

(Jawaid Inam)  
Vice Chairman/Member (Gas)

(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. "Gas Price Agreement" means Sui and Kandhkot Gas Price Agreement dated 11<sup>th</sup> July 2002 between the President of the Islamic Republic of Pakistan and PPL, as amended from time to time.
  - 1.2.2. "Kandhkot Mining Lease" means Kandhkot Mining lease No. 11/West Pakistan originally granted for 30 years to PPL with effect from 15<sup>th</sup> January, 1962 under the Pakistan Petroleum (Production) Rules, 1949 and subsequently renewed by the President, Islamic Republic of Pakistan for a further period of 30 (Thirty) years commencing from 15<sup>th</sup> January 1992 under and in accordance with the Pakistan Petroleum (Exploration and Production) Rules, 1986, 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 provision of the Ordinance or the Rules shall be deemed to be a breach of the terms and conditions of the License.

#### **4. Well Head Price of Gas**

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

#### **5. Prescribed Price**

- 5.1. In accordance with the provisions of section 8 of the Ordinance, the Licensee shall submit an application to the Authority for notification of Prescribed Price for its retail consumer or consumers which are supplied gas from Kandhkot gas field.

**Explanation.-** for the purpose of this condition the Prescribed Price in respect of sale of gas from Kandhkot gas field to its retail consumer or consumers shall comprise of the well head price of Kandhkot gas field calculated in accordance with Gas Price Agreement as aforesaid in condition 4, 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 Kandhkot gas field to its retail consumer or 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 30<sup>th</sup> 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 fee, 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 License 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 Kandhkot gas field as on 30<sup>th</sup> June, 2004 are 0.769 Trillion Cubic Feet (TCF). The Licensee shall inform the Authority promptly whenever it will update/review the gas reserves in respect of Kandhkot Gas Field.

## **10. Contract Terms with Retail Consumers**

- 10.1. The Licensee shall submit information, record and copy of the existing signed Gas Sales Agreement/Contract with WAPDA for gas supply to Guddu power plant to the Authority within ninety days of date of issue of the licence.

## **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 set out below or at such other address as that party may from time to time specify in writing to the other:

Licensee: Managing Director,  
Pakistan Petroleum Limited.  
P.I.D.C House, Dr. Ziauddin Ahmad Road,  
Karachi, Pakistan  
Telephone Number: 92-21-5682562, 5681330, 5651480-89,  
Facsimile Number: 92-21-5680005, 5682125

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.