

Case No. OGRA-6(1)-OGDCL(Sinjhoru)/2020-FG

License No. NG-29/2021

IN THE MATTER OF

DECISION

OIL AND GAS DEVELOPMENT COMPANY LIMITED

**LICENCE TO UNDERTAKE REGULATED ACTIVITY RELATED TO SALE OF
NATURAL GAS (FLARE GAS) FROM SINJHORO GAS FIELD DISTRICT,
SANGHAR, SINDH, PAKISTAN**

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002, AND

NATURAL GAS REGULATORY AUTHORITY (LICENCING)

RULES, 2002

JULY. 19, 2021

Mr. Masroor Khan, Chairman

Mr. Muhammad Arif, Member (Gas)

Mr. Zain Ul Abideen Qureshi, Member (Oil)



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BRIEF FACTS:

1. M/s Oil and Gas Development Company Limited (OGDCL) (the applicant) has applied under OGRA's Natural Gas (Licencing) Rules, 2002 for grant of license for Sale of Flare Gas/Natural Gas. The applicant is lease holder of Sinjhoru Gas Field: District, Sanghar, Sindh, in terms of the Lease, the Seller has the right to produce and sell the petroleum therefrom. The applicant is producing certain quantities of Gas from the Sinjhoru Field under the Federal Government's Utilization of Flare Gas (FG) Guidelines, 2016 and selling this gas to the end consumer i.e. M/s Hi-Tech pipe and Engineering Pvt. Limited under a mutually executed agreement for self-consumption.

ADMISSION OF THE APPLICATION:

2. After a thorough deliberation with concerned Depts. of OGRA, the application was presented before the Authority for admission/consideration which was accordingly admitted by the Authority under Rule 5 of Natural Gas (Licensing) Rules, 2002 on 12-01-2021. The Authority published Public Notice in the leading newspapers on 15 & 16-01-2021 by inviting all interveners and interested/affected persons to furnish their comments/ interventions /views, if any, within 14 days of said publication. In response thereto, the Authority received only one intervention which was also conveyed to the applicant for comments. However, the applicant has not submitted any comments on the intervention.

In order to proceed further in the matter, OGRA also decided to hold a Public Hearing in the instant case, therefore, the Authority published Public Hearing Notices in National press on 13-02-2021 and Public Hearing in the instant case was held on 24-02-2021 at 11:00 a.m. at OGRA Office, Islamabad. However, due to non appearance of Senior Management of the applicant, the Authority showed displeasure and adjourned the Hearing to re-schedule the same later at an appropriate time and date. Thereafter, the Authority re-scheduled the hearing and fixed the case for Hearing on 14-06-2021

Participants of Public Hearing at Islamabad on 14-06- 2021:

a) Representatives of the applicant (OGDCL)

The Authority held the Public Hearing on 14-06-2021 at OGRA office Islamabad which was attended by the following:

- i) Mr. Masood ul Hassan, (General Manager)
- ii) Mr. Azeem Haque (Chief)



- iii) Mr. Ashfaque Ali, (Deputy Chief Engineer)
- iv) Mr. Murtaza Lashari (Deputy Chief Engineer)
- v) Mr. Haroon Rafiq (Deputy Chief Engineer)
- vi) Mr. Mubashar Ahmed (Deputy Chief Engineer)

b) Representative of General Public

- i) Mr. Muhammad Farooq Memon (Manager Hi-Tech)

PRESENTATION BY THE APPLICANT (OGDCL):

3. Initially, the Registrar OGRA presented a brief of the instant project/application. That the application filed by the applicant for grant of Licence for Sale of Flare Gas which was evaluated by concerned departments of OGRA. During evaluation, the applicant was asked to provide different requisite documents as per applicable laws /rules which were provided by the applicant and accordingly examined by the concerned departments of OGRA. Furthermore, Registrar sought permission of the Authority to invite the applicant to present his application / presentation which was acceded to. Mr. Masood Ul Hassan, General Manager and Mr. Azeem Haque Chief, presented the contents of applicant's presentation as under:

- a) OGDCL is lease holder of Sinjhoru Gas Field: District, Sanghar, Sindh, the seller is producing certain quantities of Gas from the Sinjhoru Field under the Federal Government's Utilization of Flare Gas (FG) Guidelines, 2016. The producer / lease holder is selling the gas to third party and they have entered into an agreement with M/s Hi-tech. The buyer has constructed a steel factory adjacent to field, connected through 500 feet gas pipeline to use this Flared Gas at their factory for generation of electricity and other related uses. During the hearing the buyers representative (M/s Hi- Tech) was also present who affirmed that they are using the Flare Gas at their factory and not selling to any Industry or CNG.

b) Question by Chairman OGRA?

Whether M/s Hi- Tech used the Flare Gas earlier in CNG Stations and whether any transportation is involved?

Response of M/s Hi-Tech Representative.

M/s Hi-Tech explained that it was selling gas to CNG stations in 2017 but not selling now, M/s Hi-Tech further clarified that since now it has no License to sale gas to CNG stations they are not selling any Gas from any other field and no transportation is involved therein.

c) Question asked by Member (Oil)

The prime responsibility with respect to safety parameters lies on the lease holder under the Flare Gas Guidelines, however, in this case since producer and seller operate with in lease area, which party is responsible?

Response of applicant

The applicant is responsible to ensure compliance of all safety and operational requirements, therefore both parties will assure the safe usage of Flare Gas at their installation.

Intervenor stance on use of Flare Gas

Dr. M. Ilyas Fazil, former CEO OCAC/former Member Oil OGRA, submitted his intervention which was not responded by the applicant, the interventions are as under:

“Basically the Flare Gas is being equated with the Natural Gas which is not correct. Natural Gas is defined as a naturally occurring hydrocarbon gas mixture consisting primarily (98%+) of Methane, but commonly including varying amounts of other higher alkalines, and sometimes a small percentage of carbon dioxide, nitrogen, hydrogen sulfide, or helium. Flare Gas on the other hand is defined as any flammable hydrocarbon gas which is disposed of by venting, flaring or safe burning as per the Flare Gas (FG) Guidelines 2016, Flare Gas shall exclude blanket gas, purge gas and fuel gas, safety flaring or incineration. It is important to point out here that the intervener stated the demerit of Flare Gas utilization as transportation Fuels and stated that it must not be allowed. He further highlighted that such use of Flare Gas for Transportation has not been seen by him internationally as well. Hence, there is no precedence for such use or technology.

The intervener further suggested that there is a strong case to use Flare Gas for power generation rather than transportation. He argued that power generation is the only option for using Flare Gas and such process/technology is proven with scale of power generation depending on quantity of flare gas available. Further it can be investigated through Gas/Steam turbine suppliers. Other technologies worthy of consideration include converting it to Hydrogen which is a step to a carbon-neutral future. This too can be explored through world class technology companies like Linde and Hart”.

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DECISION OF THE AUTHORITY:

4. The Authority, after scrutiny of the application, hearing the arguments of the Applicant and the participants at length as well as on the basis of all available information, has arrived at the conclusion that the Applicant fulfills the legal requirements and is entitled to the requisite license. Therefore, the Authority, in exercise of its powers conferred under Sections 6(2)(a) 22(1), 23(1)(d) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 3(3) of Natural Gas (licensing) Rules, 2002 and the Federal Government's Flare Gas Utilization Guidelines, 2016, hereby grants a license subject to terms and conditions mentioned in the License Document to the applicant in the name and style of **M/s Oil and Gas Development Company Limited, (OGDCL) Sinjhora Field: District Sanghar, Sindh, Pakistan [the licensee]** to carry out regulated activity of Sale of Natural Gas/Flare Gas in accordance with Federal Government's Flare Gas Utilization Guidelines, 2016, to its consumer i.e.M/s Hi-tech for its self-consumption at its Steel Mill located within lease area of Sinjhora field only for power generation and other uses and shall not sell to any industrial consumers and CNG Stations.
5. The licensee shall be liable to pay the fee in accordance with the Schedule-II of the Natural Gas (Licensing) Rules, 2002.
6. The terms and conditions imposed on the licensee are contained in the **License Document** consisting of [08] pages along with attachments which is issued to the licensee today along with this decision.
7. In case the licensee violates the applicable law/rules, the license granted shall stand cancelled/revoked forthwith.


July 19, 2021



(Zain Ul Abideen Qureshi)
(Member Oil)



(Muhammad Arif)
(Member Gas)



(Masroor Khan)
(Chairman)

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Oil & Gas
Regulatory Authority

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

SALE OF NATURAL GAS (FLARE GAS)

TO

OIL & GAS DEVELOPMENT COMPANY LIMITED

**(FOR SINJHORO GAS FIELD TO M/S HITECH PIPE & ENGI-
NEERING INDUSTRIES PVT LIMITED)**

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002,

AND

NATURAL GAS REGULATORY AUTHORITY

(LICENCING) RULES, 2002

Licence No. NG-29/2021

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Islamabad, July 19, 2021

Licence No. NG-29/2021

THE LICENCE

The Oil & Gas Regulatory Authority, (hereafter referred to as "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 6(2)(a) 22 (1), 23(1)(d) and 23(6) of the Ordinance read with Rule 3(3) of Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the "Licensing Rules") hereby grants to Oil and Gas Development Company Limited (OGDCL), having its registered office at OGDCL House, F-6/G-6, Jinnah Avenue, Blue Area, Islamabad, 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 (Flare Gas) from Sinjoro field (Development and Production lease area), Sanghar District, Sindh to M/s Hitech Pipe & Engineering Industries Pvt Limited for self-consumption at its Steel Mill (Power Generation and other related use) located within lease area.

Validity

The License shall be valid from July 19, 2021 (effective date) for a period of 5 years or till the expiry of the Gas Sale and Purchase Agreement, whichever is earlier including any renewal/extension thereof, whichever comes first, unless the License is revoked earlier under the provisions of the Ordinance and the Rules.

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**GENERAL CONDITIONS APPLICABLE
TO
THE LICENSEE**

GENERAL CONDITIONS APPLICABLE TO THE LICENSEE

1. DEFINITIONS

- 1.1. **“Development and production Lease”** Means Sinjhoru field, Development and Production lease granted by the President, Islamic Republic of Pakistan to the Licensee initially under and in accordance with the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 2002, as amended from time to time;
- 1.2. **“Gas Sale and purchase Agreement”** means Sinjhoru field associated gas sale and purchase agreement between Oil and Gas Development Company Limited (OGDCL) and M/s Hitech Pipe & Engineering Industries Pvt Limited, as amended from time to time;
- 1.3. **“Licence”** means this License and any extension/renewal thereof and or any amendment/modification therein under the provisions of the Ordinance and the Rules; and
- 1.4. **“Rules”** means the rules made under the provisions of the Ordinance.
- 1.5. Any reference to a statute or a delegated legislation shall be deemed to mean and include its modification, amendment, replacement of substitution by a subsequent law.
- 1.6. 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 Licensing Rules.

2. COMPLIANCE WITH LAWS, STANDARDS AND DECISIONS OF THE AUTHORITY

- 2.1 The Licensee shall ensure that it complies at all times with the applicable laws of Pakistan, including the provisions of the Ordinance and Rules made thereunder as well as the directions/ order issued by the Authority from time to time.
- 2.2 Any Policy or Policy guidelines of the Government of Pakistan (GoP) including Flare Gas Utilization Guidelines, 2016 or the subsequent amendments issued thereof shall be binding on the Licensee.
- 2.3 The Licensee shall apply for, obtain and maintain all consents /approvals /NOC necessary under applicable laws for carrying out the regulated activities properly and in a timely manner and shall diligently pursue all such applications.

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2.4 The Licensee shall ensure that design, installation, construction of Works and operation is in accordance with the licenses granted by Department of Explosive, MIGS Rules, 2010 and all applicable standards/codes and best international practices.

3. RENEWAL, MODIFICATION, REVOCATION AND EARLY TERMINATION OF THE LICENCE

3.1 On an application made by the Licensee to the Authority, before the expiry of the licence along with requisite documents and the fee to Registrar OGRA at least three (03) months prior to the expiry date of the Licence, the Authority may renew the Licence on the terms and conditions as deemed appropriate in accordance with the law and policy of the GOP by that time.

3.2 The terms and the conditions of the Licence may be amended, varied, modified, extended or revoked in accordance with the provisions of the Ordinance and the applicable rules as amended from time to time.

3.3 On an application made by the Licensee for an early termination of Licence, with three (03) months' prior notice, the Authority may terminate the licence.

3.4 Approval of the Authority shall be required prior to any modification, assignment, alteration, augmentation, addition or abandonment of the assets / works.

3.5 The Authority may issue, from time to time, any other administrative or regulatory instructions, orders or directions, which in the opinion of the Authority would be necessary to safeguard the public interest which will be binding on the Licensee.

4. CHANGE IN OWNERSHIP

4.1 The Licensee shall not allow to change in its ownership or controlling interest to any third party/ other company without the prior written approval of the Authority.

5. OPERATION AND MAINTENANCE

5.1 The Licensee shall ensure safe operation of the regulated activities as per Clause-G and J of Flare Gas Utilization Guidelines, 2016.

5.2 The Licensee shall ensure safe design, construction, maintenance and operation while undertaking the regulated activities by implementation of the MIGS Rules, 2010 and all applicable standards and codes.

5.3 The Licensee shall submit any other information required by the Authority from time to time.

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6. SAFETY, ENVIRONMENT AND PUBLIC AWARENESS CAMPAIGN

6.1 Licensee shall conform to the requirements of Pakistan Environmental Protection Act, 1997 as amended from time to time.

6.2 Licensee shall adopt appropriate Health, Safety and Environment measures / practices and public awareness campaign in accordance with applicable national/international standards in field.

6.3 Licensee will arrange disposal of removed hazardous liquid from line pipe, storage system etc if any in accordance with national and international best practices.

7. REPORTING OF ACCIDENT AND COMPENSATION

7.1 Licensee shall be responsible to immediately report such mishap/incident/accident to the Local Authorities under intimation to the Authority.

7.2 Licensee shall take all measures to ensure safety of general public and property.

7.3 The Licensee shall be held responsible for any loss of public life and property resulting due to incident/ accident or happening of any event at the field are, transportation or destination/ downstream, civil and/ or criminal action be initiated as per law by the relevant federal and provincial Authorities without prejudice to action(s) taken under Ordinance and Rules.

7.4 Licensee shall be responsible for any mishap that takes place during sale of Flare Gas occurring due to Licensee's incompetence or negligence or use of sub-standard material, non-compliance to applicable safety codes / rules, etc.

7.5 The Licensee will be liable to compensate the loss of any life/property, which shall be determined by the concerned Authority, on case-to-case basis, without prejudice to other civil / criminal liabilities.

8. PENALTY

8.1 The breach of any law, including the breach of any provision of the Ordinance, Rules or regulations and decisions of the Authority, issued there under, shall be deemed to be a breach of the terms and conditions of the License.

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8.2 If the Authority is of the opinion that the licensee contravenes any condition of the license, rules, regulations, standards, decisions/ directions of the Authority issued from time to time, the Authority shall, without prejudice to any other action taken, take such action as prescribed in the rules, including modification, suspension, cancel and rescind and revocation of licence.

8.3 Licensee shall be liable to comply with such directions of the Authority including payment of any penalty imposed by the Authority.

9. MAINTENANCE OF PROPER ACCOUNTS AND RECORD OF THE REGULATED ACTIVITIES

9.1 Commencing from grant of license or any other date approved by the Authority on an application by the Licensee, the Licensee shall keep proper books of accounts and records separately for regulated activities for free access of the Authority.

9.2 The Licensee shall procure, in respect of financial statements prepared in respect of a financial year, a report by the auditors and the report shall be submitted to the Authority for adjustment of annual fee on the basis of turnover of the company.

9.3 Licensee shall submit the monthly report of consumer-wise gas sold.

9.4 Licensee shall submit monthly gas specification report.

10. ABANDONMENT OF REGULATED ACTIVITIES

10.1 The Licensee shall not abandon the undertaking of a regulated activities without the prior written approval of the Authority.

11. INSURANCE

11.1 The Licensee shall obtain and maintain insurance from an insurer to cover all liabilities that may arise from the undertaking of the regulated activities.

12. ASSIGNMENT AND TRANSFER

12.1 The licensee shall not transfer or assign the Licence or any right/ interest or obligations thereunder without having obtained prior written approval of the Authority.

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13. NON-DISCRIMINATION

13.1 The Licensee shall not exercise discrimination against or show undue preference towards any consumer, producer of Natural Gas (flare gas) or any class of consumers or producers.

14. APPROVAL OF THE CONTRACT(S)

14.1 Flare gas will be supplied to the Consumers as per the Contract(s)/ Gas Sale agreement(s) duly approved by the Authority.

14.2 The Licensee shall enter into all contracts on an arm's length basis and shall seek such approvals from the Authority prior to entering into or amending a contract, as required by the Ordinance or Rules or Licence.

15. UTILIZATION OF FACILITY BY THIRD PARTY

15.1 The Licensee shall not allow the use of licensed facilities to any third party for the purpose of Compression, Storage, Transportation or Sale of Flare Gas/ Compressed Flare Gas.

16. INDEMNITY

16.1 There is no court order in the field restraining / prohibiting the operation of the facility or sale of flare gas. In case any such court order exists in the field, this licence shall stay withdrawn / cancelled automatically.

16.2 The Licensee shall keep the Authority safe from any litigation or obligations arises due to the any activity carried out by the licensee in relation with its regulated activity.

16.3 In case, any information / document given by licensee is incorrect / false / forged, the licence issued on the basis of such information / document shall be immediately revoked by the Authority, without any notice to the licensee.

17. ANNUAL FEE

17.1 The Licensee shall pay annual fee in advance @ of 0.25% of the annual turnover of the licensee, generated from the licensed regulated activity in the most recent complete financial year. For the first year the fee shall be paid as per the estimated turnover.

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18. TARIFF:

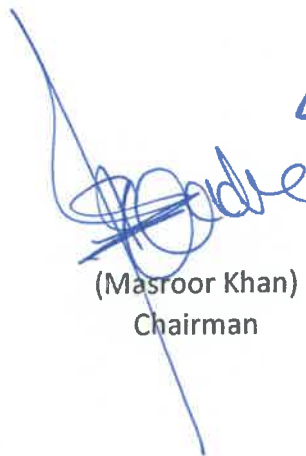
18.1 The Licensee shall be entitled to charge Tariff in accordance with policy guidelines issued from time to time by the Federal Government.

19. NOTICES

19.1 All notices are to be given under any statute or terms and conditions of this Licence 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 any party may from time to time specify in writing to the Authority:

Contact Address of Licensee	Contact Address of Regulator
Managing Director OGDCL House, Plot No.3, F-6 / G-6, Jinnah Avenue, Blue Area, Islamabad. Telephone:- + 92-51-9209811-8 Fax:- +92-51-9209804-6, 9209708 Email: info@ogdcl.com, webmaster@ogdcl.com	Registrar, Oil and Gas Regulatory Authority 54-B, Fazal-e- Haq Road, Blue Area Islamabad, Pakistan. Telephone No: 92-51-9244090-98 Fax No: 92-51-9244042


(Zainul-Abideen Qureshi)
Member (Oil)


(Masroor Khan)
Chairman


(Muhammad Arif)
Member (Gas)

CC:

- i. Chief Secretary, Govt of Sindh, Karachi.
- ii. Secretary Petroleum, Ministry of Energy, Islamabad.
- iii. Director General, Department of Explosives, Rawalpindi.