



Oil and Gas Regulatory Authority

Islamic Republic of Pakistan

LICENCE

For

Sale of Natural Gas

Granted to

Oil and Gas Development Company Limited

Licence No. NG-022/2014

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OIL & GAS REGULATORY AUTHORITY

Islamic Republic of Pakistan

Islamabad, 26th June, 2014

Licence No. NG-022/2014

THE LICENCE

In pursuance to ECC decision vide case No. ECC'37/4/2013 dated 22-02-2013; Oil & Gas Development Company Limited (OGDCL) approached OGRA for grant of License for sale of 11-13 MMCFD SNGPL equivalent natural gas from Reti Maru (Maru South) gas field to Engro Fertilizers Limited.

The Oil and Gas Regulatory Authority, (the 'Authority'), established under the Oil and Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002) (hereinafter referred to as 'the Ordinance'), in exercise of its powers conferred by Sections 22(1) and 23(6) of the Ordinance and Rule 3(3) of Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the 'Licensing Rules'), after fulfilling the requisite formalities, hereby grants a License (the 'License') to Oil and Gas Development Company Limited (OGDCL), having its registered office at OGDCL House, Plot No. 3, Jinnah Avenue, Blue Area Islamabad, Pakistan (the 'Licensee') to undertake the following regulated activity subject to the Terms and Conditions Applicable to the Licensee given hereinafter;

Sale of Natural Gas

Sale of natural gas from OGDCL's Reti Maru (Maru South) gas field (Development and Production lease area), Ghotki District, Sindh to Engro Fertilizers Limited located at Daharki, District Ghotki, Sindh province.

Validity

The License shall be valid from the date of approval (effective date) for the period of thirty [30] years or till the period permanent arrangement as per ECC decision dated 18-12-2012 will be in place/effective or till the expiry of the Gas Supply Agreement between Licensee and Engro Fertilizers Limited, whichever comes first or unless the License is revoked earlier under the provisions of the Ordinance and the Rules.

(Aamir Naseem)
Member (Gas)

(Sabar Hussain)
Member (Oil)/Vice Chairman

(Saeed Ahmad Khan)
Chairman

Terms and 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. "Actual Turn over" means the value of total quantity sold at agreed / notified prices plus miscellaneous incomes generated in undertaking the regulated activity.
 - 1.2.2. "Cost of Gas" means in case of exploration and production companies where license for sale of gas is required, is the cost of production comprising development and operating expenses.
 - 1.2.3. "Development and Production Lease" means Petroleum Development and Production lease No. 99/Pakistan/96 granted by the President, Islamic Republic of Pakistan to OGDCL initially for a period of 25 years w.e.f. 1st July 1996 under and in accordance with the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 1986 in respect of UCH gas field, as amended from time to time.
 - 1.2.4. "Gas Supply Agreement" means Gas Supply Agreement between OGDCL and Engro Fertilizers Limited for supply of 11-13 MMCFD SNGPL equivalent natural gas from OGDCL's Reti Maru field to the Engro Fertilizers Limited.
 - 1.2.5. "License" means this license and any amendment, modification, extension or renewal thereof under the provisions of the Ordinance and the Rules.
 - 1.2.6. "Rules" mean the rules made under the provisions of the Ordinance; and 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.
 - 1.2.7. 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 License 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 or terminate the License, as deemed appropriate, 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 by the Authority, in accordance with the provisions of the Ordinance and the Rules.

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3. Compliance with Laws/Ordinance/Rules

- 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 and vice versa.

4. Gas Supply Agreement

- 4.1 The Licensee shall obtain prior approval of the Authority before execution of the "Gas Supply Agreement".
- 4.2 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.

5. Gas Sale Capacity

- 5.1 The Licensee shall not allocate its gas capacity to any other person without obtaining prior approval of the Authority, in accordance with the provisions of the Ordinance and the Rules.

6. Well Head Price of Gas

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

7. Prescribed Price

- 7.1 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 i.e. Engro Fertilizers Limited to which gas is supplied from Reti Maru (Maru South) gas field.

Explanation: - For the purpose of this condition the Prescribed Price in respect of sale of gas from Reti Maru (Maru South) gas field to Engro Fertilizers Limited shall comprise of the well head price of Reti Maru (Maru South) gas field calculated in accordance with Gas Price Letter Agreement and Gas Supply Agreement, 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.

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8. Payment of Fee

- 8.1 The Licensee shall promptly and regularly pay the fee prescribed in the Rules.
- 8.2 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 Reti Maru gas field to Engro Fertilizer Company, in respect of the most completed financial year.
- 8.3 If the annual turnover for the most recent completed 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 8.2.
- 8.4 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 of the year in which the estimate was made, or any date approved by the Authority in respect of the annual fee where an estimate of annual turnover was used as the basis of the 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.
- 8.5 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 overpayment.

9. Maintenance of Record and Provision of Information

- 9.1. 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 such documents, records or information regarding the sale of natural gas and the pipeline, as required in pursuance of the Ordinance, the Rules, and the Regulations made there under.

10. Miscellaneous

- 10.1 The Licensee shall conform to the requirements of the Pakistan Environmental Protection Act, 1997 (XXXIV of 1997), as amended from time to time.
- 10.2 The Licensee shall locate, design, construct, operate and maintain its facilities in strict accordance with the technical and other standards prescribed by the Authority and in a manner so as not to endanger public health or safety.
- 10.3 The Licensee shall not abandon any facility without the prior consent of the Authority.

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11. Assignment and Transfer

- 11.1. The Licensee shall not assign or transfer the Licence or any rights or obligations therein without having obtained the prior written approval of the Authority in accordance with the provisions of the Ordinance and the Rules.

12. Gas Reserves Updating

- 12.1 The tentative recoverable natural gas reserves as disclosed by the Licensee in respect of Reti Maru (Maru South) gas field are 4 Billion Cubic Feet (BCF). The Licensee shall inform the Authority promptly whenever it will update/review the gas reserves in respect of Reti Maru gas field.

13. Notices

- 13.1 All notices to be given under any statute or terms and conditions of this License 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 / Chief Executive Officer,
Oil & Gas Development Company Limited (OGDCL)
OGDCL House, Plot No. 3, F-6/G-6,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan
Telephone No: 92-51-920023632
Facsimile No: 92-51-2623068

Authority: Registrar,
Oil and Gas Regulatory Authority
54-B, Fazal-e- Haq Road, Blue Area
Islamabad, Pakistan.
Telephone No: 92-51-9221715-18
Facsimile No: 92-51-9221714

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

13.2.1. at the actual time of delivery, if delivered personally;

13.2.2. ten (10) working days subsequent to the date of postage, if sent by registered mail; and

13.2.3. 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.

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[Signature]



OIL & GAS REGULATORY AUTHORITY

OGRA-6(2)-1/2013

Licence No. NG-22/2014

IN THE MATTER OF

**OIL AND GAS DEVELOPMENT COMPANY LIMITED (OGDCL)'s
GRANT OF LICENCE TO CARRY OUT THE REGULATED
ACTIVITY OF SALE OF NATURAL GAS FROM RETI-MARU
(Maru South) GAS FIELD TO ENGRO FERTILIZERS LIMITED**

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002

AND

**OIL AND GAS REGULATORY AUTHORITY
LICENCING RULES, 2002**

DECISION

JUNE 26, 2014

Saeed Ahmad Khan, Chairman

Sabar Hussain, Vice Chairman/ Member (Oil)

Aamir Naseem, Member (Gas)

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AUTHORITY'S DECISION

1. Oil and Gas Development Company Limited (OGDCL) ["Applicant"] filed a petition on September 18, 2013 under Section 23 of Oil and Gas Regulatory Authority (OGRA) Ordinance, 2002 read with and Rule 4 of the Natural Gas Regulatory Authority (Licencing) Rules 2002 for grant of Licence to carry out regulated activity of Sale of Natural Gas from Reti-Marū (Maru South) Gas field to Engro Fertilizers Limited.
2. The applicant has stated that Reti-Marū and Maru South gas fields, falling within the Gaddu Concession area and located within the District of Ghotki province of Sindh, Pakistan, have hydrocarbon reserves which are being supplied to Engro Fertilizers Limited. In pursuance of Economic Coordination Committee (ECC)'s decision dated 22-02-2013, (11-13 MMCFD SNGPL equivalent) gas has been allocated to Engro Fertilizers for the interim period till the implementation of ECC decision on case No.ECC 167/16/2012 dated 18-12-2012 whereby gas has been allocated from Reti Maru to Four Fertilizer Consortium (FFM). The applicant has also informed that OGDCL has finalized an interim Gas Sales Agreement with Engro Fertilizers in accordance with ECC decision dated 22-02-2013.
3. Being in conformity with the Rules, the Authority admitted the petition for consideration without requiring attendance of the applicant.
4. The Authority, through Public Hearing Notice published in the newspapers on 12-04-2014 invited all interveners and interested / affected persons and parties to furnish their comments / interventions / views, if any, within 14 days from the date of publication of the said notice and decided to hold the Public hearing on April 30, 2014 at Karachi, however, the Authority did not receive any comments or intervention requests on the petition.
5. The Authority, after scrutiny of the petition and available record, has arrived at the conclusion that the Petitioner fulfills the legal requirements and is entitled to the requisite licence. Therefore, the Authority, in exercise of its powers conferred under Sections 22(1) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002, read with Rule 3(3) of the NGRA (Licencing) Rules, 2002, hereby grants a licence to the applicant to carry out regulated activity of Sale of Natural Gas from Reti-Marū (Maru South) Gas field to Engro Fertilizers Limited from the date of approval (effective date) for the period of thirty [30] years or till the period permanent arrangement as per ECC decision dated 18-12-2012 will be in place/effective or till the expiry of the Gas Supply Agreement between Licensee and Engro Fertilizers Limited, whichever comes first or unless the License is revoked earlier under the provisions of the Ordinance and the Rules.

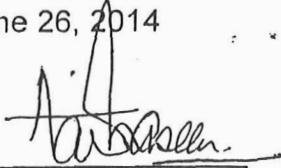
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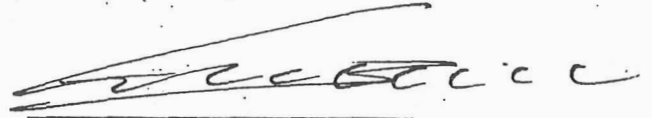
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6. The question relating to payment of fee, the licensee shall be liable to pay the fee in accordance with Schedule-II of Natural Gas Regulatory Authority (Licencing) Rules, 2002.
7. The terms and conditions imposed on the licensee are contained in the licence document consisting of six [06] pages, which is issued to the Applicant today alongwith this decision.

Dated: June 26, 2014



(Aamir Naseem)
Member (Gas)



(Sabar Hussain)
Vice Chairman/ Member (Oil)



(Saeed Ahmad Khan)
Chairman