
GOVERNMENT OF PAKISTAN
Ministry of Petroleum & Natural Resources

**PAKISTAN ONSHORE PETROLEUM
(EXPLORATION AND PRODUCTION)
RULES, 2013**

(March 2013)

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Government of Pakistan
Ministry of Petroleum and Natural Resources

Islamabad, the March, 2013

NOTIFICATION

S.R.O. (I)/2013.- In exercise of the powers conferred by section 2 of the Regulation of Mines and Oil fields and Mineral Development (Government Control) Act, 1948 (XXIV of 1948), the Federal Government is pleased to make the following rules, namely:-

**THE PAKISTAN ONSHORE PETROLEUM (EXPLORATION AND PRODUCTION)
RULES, 2013**

Part I - GENERAL

1. **Short title, application and commencement.-** (1) These rules may be called the Pakistan Onshore Petroleum (Exploration and Production) Rules, 2013.

(2) These rules shall apply to the onshore areas of Pakistan and shall regulate all petroleum rights except those relating to coal bed methane.

(3) They shall come into force at once.
2. **Definitions.-** In these rules, unless there is anything repugnant in the subject or context,-
 - (i) "allowed transportation cost" means actual cost incurred for moving the petroleum produced and saved from the field gate to the point of determination of value of the petroleum as approved by the Authority;
 - (ii) "annexure" means an annexure to these rules;
 - (iii) "arm's length sales" means the sales made freely in the open market, in freely convertible currencies between willing and unrelated sellers and buyers having conflicting interests and in which such buyers and sellers have no contractual or other relationship, directly or indirectly, or any common or joint interest as is likely to influence selling prices but shall exclude the value of sales (whether direct or indirect, through brokers or otherwise) involving an affiliate, sale between Government to Government entities, counter trades, restricted or distress sales, sales involving barter arrangements and generally any transactions motivated in whole, or in part, by consideration other than normal commercial practices;
 - (iv) "Authority" means the Directorate General Petroleum Concessions (DGPC) or any officer or authority appointed by the Federal Government to exercise the powers and perform the functions of the DGPC;
 - (v) "coal bed methane" or "CBM" means gas produced by drilling wells within the coal seams, that is, methane physically associated with coal which includes methane absorbed, adsorbed, and contained in pores and fractures and produced within coal seams which has such distinct biomarker or footprint that conclusively proves to have been principally derived from a biogenetic source of adjacent coal seams;
 - (vi) "commercial discovery" means a discovery of petroleum duly evaluated by appraisal well which discovery, in the opinion of a holder of a licence or lease, with the approval of the Authority, which shall not be unreasonably delayed, after

submission of requisite information to the Authority, would justify, particularly by its quality, quantity, gravity, place and depth where found, its economic development and assures a continuous commercial production for a reasonable period. In the event that the discovery so made does not justify the drilling of an appraisal well, then such holder of a petroleum right, upon submitting detailed technical and economic justification, shall seek the approval of the Authority for declaration of commercial discovery on a one-well basis;

(vii) "commercial production" means production of petroleum out of a commercial discovery which production ensures at least the recovery of all expenditure directly attributable to such commercial discovery within a reasonable time and earning of a reasonable profit;

(viii) "company" or "companies" means a body corporate or other entity established or authorized to do business under the laws of Pakistan which is engaged in, or seeking to engage in, petroleum operations and unless otherwise specified, the expression "companies" refer to both local and foreign companies;

(ix) "crude oil" means all petroleum other than natural gas and which at standard atmospheric conditions of pressure and temperature is in a fluid phase including condensates and distillates.

(x) "delivery point" means a point, for the purpose of determination of royalty leviable on petroleum produced and saved from a licence or lease area as well as for the purpose of satisfying national market obligations pursuant to rule 43, which will be determined as follows: -

- (a) for the purpose of natural gas, the delivery point shall be the outlet flange of the production facility;
- (b) for the purpose of crude oil and condensate, the delivery point shall be deemed to be the nearest operating refinery; and
- (c) for the petroleum other than under sub-clauses (a) and (b), the delivery point shall be loading arm at the processing facility unless otherwise approved by the Authority;

(xi) "discovery" means the finding of a deposit of petroleum from an exploration well not previously known to have existed within the area held by a holder of a petroleum right which produces a flow of petroleum at the surface and is measurable by the conventional petroleum industry testing methods;

(xii) "discovery area" means an area within the area of a licence or lease which encompasses the accumulation of petroleum in a geological entity limited by lithological boundaries, structural boundaries, the contact zone between petroleum and the limiting water level, or a combination thereof, and so that the petroleum included everywhere is in pressure, fluid or gas communication;

(xiii) "exploration well" means a well which tests clearly a separate geological entity, be it of structural, lithologic or facies of pressure nature, penetrating all prospective intervals at the particular location;

(xiv) "Federal Government" means the Federal Government of the Islamic Republic of Pakistan.

(xv) "good international oilfield practices" means generally the reasonable and prudent diligent use of policies, procedures, methods, equipments and material that results in effective and efficient exploration, appraisal and development of petroleum including optimum recovery of petroleum from a

discovery area with minimal impact on the environment as permitted and use of efficient and effective practices for transforming produced petroleum into marketable form and delivering it to the market, having due regard for safety and other factors and means in particular, knowledge of and compliance with the latest standards developed by relevant professional institutions including but not limited to -

- (a) the American Gas Association (AGA);
 - (b) the American Petroleum Institute (API);
 - (c) the American Society of Mechanical Engineers (ASME);
 - (d) the American Society for Testing and Materials (ASTM);
 - (e) the British Standards Institute (BSI);
 - (f) the International Organization for Standardization (ISO); or
 - (g) any other organization deemed acceptable by the Authority;
- (xvi) "GHPL" means the Government Holdings (Private) Limited;
- (xvii) "lease" or "development and production lease" means an exclusive right to develop and produce petroleum from a designated portion of the onshore area under and pursuant to these rules, which shall be substantially in the form as set out in Part III of the Second Schedule;
- (xviii) "licence" or "exploration licence" means an exclusive right to explore for petroleum within a designated portion of the onshore area under and pursuant to these rules, which shall be substantially in the form as set out in Part II of the Second Schedule;
- (xix) "natural gas" means all hydrocarbons which at standard atmospheric conditions of pressure and temperature are in a gaseous phase, including non-hydrocarbon gas which is in association with and produced together with such gaseous hydrocarbons;
- (xx) "permit" or "reconnaissance permit" means a non-exclusive right to perform activities of reconnaissance and exploration within a designated portion of the onshore area under and pursuant to these rules, which shall be substantially in the form as set out in Part I of the Second Schedule;
- (xxi) "petroleum" means all liquid and gaseous hydrocarbons existing in their natural condition in the strata, as well as all substances including sulphur, produced in association with such hydrocarbons, but does not include basic sediments and water;
- (xxii) "petroleum concession agreement" or "PCA" means an onshore agreement entered into pursuant to these rules between the President and a company or companies for the purpose of exploration, development and production of petroleum other than CBM;
- (xxiii) "petroleum rights" means a permit, licence and lease issued under these rules;
- (xxiv) "PHC" means the provincial government holding company of the Provincial Government;
- (xxv) "Policy" means the Petroleum Exploration and Production Policy, 2012;

(xxvi) "President" means the President of the Islamic Republic of Pakistan;

(xxvii) "Provincial Government" means the Government of the relevant Province of the Islamic Republic of Pakistan in which a petroleum right, is to be or, has been granted, and in the event such a petroleum right extends over more than one Province then the Government of each such Province;

(xxviii) "record" means all record pertaining to the activities of a holder of a petroleum right including but not limited to an account, book, return statement, report, chart, table, diagram, form, survey, image, invoice, letter, map, agreement, memorandum, plan, core, sample, voucher, financial and non-financial information, and anything containing information whether in writing or in electronic form or represented or produced by any other means and the result of recording of electronic data, its processing systems and programme to illustrate what the systems and programme do, and how they operate without compromising proprietary rights, if any, related to the hardware and software;

(xxix) "Schedule" means a schedule to these rules;

(xxx) "significant gas discovery" means a discovery of natural gas which has tested significant flow rates of natural gas predominately methane from one or more reservoirs and is estimated to be capable of continuous production over a reasonable period which in the opinion of a holder of a petroleum right could be declared a commercial discovery in the future provided, *inter alia* that adequate gas pipeline transportation facilities are installed and gas markets have been sufficiently developed for sale of natural gas on commercial basis;

(xxxi) "spill" means a discharge, emission or escape of petroleum, other than one that is authorized by applicable law or approved by the Authority;

(xxxii) "strategic partner" means a foreign state owned and controlled company allowed to explore for and develop petroleum within a given acreage following direct negotiations between the Federal Government and the government of the strategic partner;

(xxxiii) "wellhead value" means the value of petroleum as defined in rule 39;

(xxxiv) "waste" or "wasted" means waste as understood in the petroleum industry and shall include working methods which, in accordance with good international oilfield practices are considered wasteful;

(xxxv) "working interest" means all or any undivided interest in the entirety of any petroleum right, rights and obligations and liabilities imposed by the rules, the licence and any lease granted pursuant to the rules and any PCA;

(xxxvi) "work unit" means a unit of work for the purpose of measuring the quantum of minimum work programme as quoted in the bid or contained in the respective PCA; and

(xxxvii) "year" means a period of twelve consecutive months according to the Gregorian calendar.

3. **Administration and regulation.-** The Authority shall be responsible for the administration and regulation of these rules and the execution of all duties imposed upon it by these rules, or pursuant to any agreement or any other function entrusted by the Federal Government or Provincial Government. Notwithstanding anything to the contrary contained herein, in the administration and application of the rules, the Authority may give due consideration to relevant facts and grant such

relaxation as is deemed necessary in larger public interest in terms of section 5 of the Regulation of Mines and Oil fields and Mineral Development (Government Control) Act, 1948.

4. **Division of area into blocks and zones.-** (1) Any area of Pakistan may be divided into blocks of such sizes and shapes as the Federal Government may determine from time to time.

(2) The licensing zones shall be as per map attached as Annexure – I to these rules.

5. **Application for petroleum right.-** Any company may apply in accordance with these rules for,-

- (a) a reconnaissance permit;
- (b) an exploration licence; and
- (c) a development and production lease

6. **Manner in which application may be made for petroleum rights.-**

(1) Every application shall be made in writing in the form set out in the First Schedule addressed to the Authority. Every application shall be entered in the register to be maintained by the Authority.

(2) The applicant shall provide details of any changes in the status or experience of the company that has occurred since the company has applied for the petroleum right.

(3) With every application there shall be deposited-

- (a) a fee of fifty thousand rupees if the application is for the grant or renewal of a permit;
- (b) a fee of one hundred thousand rupees if the application is for the grant or renewal of a licence; and
- (c) a fee of two hundred thousand rupees if the application is for the grant or renewal of a lease.

(4) There shall be attached to the application five copies of the map upon which shall be delineated by the boundaries of the areas in respect of which a petroleum right is applied for. The map shall be taken from the relevant Survey of Pakistan map of appropriate scale. If the area is identified by a block system notified under rule 4, a reference to the relevant block number is sufficient.

(5) The applicant shall furnish additional information as may be requested by the Authority within three months from the request thereof, failing which the application shall be rejected, unless the Authority determines otherwise.

(6) Notwithstanding the above, the Federal Government may assign the status of strategic partner in accordance with the Policy and these rules, however, they will be given privileged award of petroleum rights without following competitive bidding for certain blocks selected by the Authority on mutually acceptable terms and conditions.

7. **Separate application for each area.-** (1) Where an applicant seeks a petroleum right over two or more areas which are not contiguous, the applicant shall apply for separate petroleum rights over each such area, unless otherwise permitted by the Authority.

(2) Nothing in these rules shall prevent more than one petroleum right being granted to the same applicant.

8. **Several holders of a petroleum right.-** Where the petroleum right is held by two or more companies, they shall be liable jointly and severally towards the Federal Government for obligations and liabilities, resulting from their activities pursuant to the petroleum right. The companies shall, with the prior written approval of the Authority, appoint an operator from amongst them, except that such special arrangements as to the operatorship shall be applicable as may be approved by the Authority under rules 64 and 66. No change in such appointment shall be made without the Authority's prior approval.

9. **Petroleum right not assignable without approval.-** A petroleum right or any working interest therein shall not be assigned without the previous approval in writing of the Authority.

10. **Method of making applications for assignments.-** An application by a holder of a petroleum right for approval to the assignment of a petroleum right shall be made in writing addressed to the Authority, and shall be accompanied by a fee of one hundred thousand rupees for each assignee. With the application, the applicant shall furnish the like particulars in respect of the proposed assignee as are required to be furnished in the case of applicants for a petroleum right.

11. **Power to grant or refuse petroleum right.-** Subject to rules 22, 23, 30 and 34, the grant of a petroleum right, or renewal thereof, shall be decided by the Authority. In the event of refusal to grant such petroleum right, or renewal thereof, the Authority shall provide the reasons thereof.

12. **Lapse of entitlement to petroleum right.-** Where a petroleum right is not executed within three months after approval of the application by the Authority has been conveyed to the applicant, the entitlement of the applicant to such petroleum right shall lapse unless, the Authority considers that the delay is not attributable to the fault of the applicant.

13. **Surrender of petroleum right.-** A holder of a petroleum right wishing to surrender his right shall give the Authority one month's notice of his intention to do so, and if the holder of a Petroleum right fulfills all his obligations under the petroleum right, including the obligations pursuant to rule 73 or if such holder of a petroleum right pays liquidated damages pursuant to rule 28, he shall on the expiry of the notice be entitled to surrender his petroleum right in whole or in part. On doing so the holder of a petroleum right shall not be obliged to pay rent for the remaining period of the petroleum right.

14. **Submission and publication.-** (1) Application for petroleum right may be submitted either-

- (a) at the initiative of the applicant, or
- (b) on the basis of an invitation from the Authority to submit competitive bids

(2) In case of clause (b) of sub-rule (1), a notice for competitive bidding may be published in such national or foreign publications as the Authority may determine.

15. **Terms and conditions of a petroleum right.-** Every permit, licence and lease shall, subject to such modifications as may be made by the Authority, be in the form set out in Parts I, II and III, as the case may be, of the Second Schedule and shall include such additional conditions relating to ancillary or incidental matters as the Authority may deem fit to insert.

16. **Performance guarantees.-** (1) The Authority shall require successful applicants for petroleum exploration licenses to furnish irrevocable and unconditional

guarantee, in an acceptable form, with respect to the obligation and liabilities of the holder of a licence on or before the execution of the petroleum exploration licence.

(2) The Authority may, in its sole discretion, accept a guarantee in one or more of the following forms:-

- (a) a bank guarantee equal to twenty five per cent of the minimum financial obligation from a bank of international repute acceptable to the Authority;
- (b) parent company guarantee of a multinational exploration and production company of international repute with a proven track record;
- (c) a corporate guarantee of a Pakistan registered exploration and production company having operatorship with majority working interest in producing fields within Pakistan;
- (d) in case of local production, first and preferred lien on petroleum production equal to 100% of the minimum financial obligation;
- (e) in case of other local assets, first and preferred lien on assets equal to 100% of the minimum financial obligation; and
- (f) deposit in an escrow account equal to 25% of the minimum financial obligation with a bank of international repute acceptable to the Authority.

(3) In the event the successful applicant elects to provide any guarantee, other than a parent company guarantee, the guarantee so provided shall only be released in case all work obligations including but not limited to social welfare, training, data, rental etc. are fully discharged. The Authority shall have the right to recover the due amount for non-performance of all such obligations from the performance guarantee.

Part II PERMIT FOR RECONNAISSANCE SURVEYS

17. **Grant of permit.-** The Authority may grant a permit, in the form prescribed in Part I of the Second Schedule, to any company to carry out reconnaissance surveys over such areas and on such terms and conditions as it may determine in each case and include the following conditions, namely:-

- (i) the grant of the permit shall not imply that the holder of a petroleum right shall subsequently be entitled to the grant of a licence over the areas covered by the permit;
- (ii) On the conclusion of the survey, the holder of a petroleum right may apply for a licence in accordance with these rules, but shall not be entitled to claim a relaxation of rules for the grant of a licence applied for by him. However, the Authority upon a request of the holder of a petroleum right, may allow adjustment of the work carried out or expenditure incurred, excluding any work or expenditure related to a multi-client arrangement unless otherwise agreed, against the minimum work or expenditure obligation under a licence covering the area of permit, if granted;
- (iii) unless otherwise stipulated in the permit, the holder of a petroleum right shall have the non-exclusive right to undertake, within the designated areas, petroleum reconnaissance by such geophysical, geological, geo-chemical and geo-technical methods and such other related work including geological information bore-hole, as may be stipulated in the permit;
- (iv) the holder of a petroleum right shall submit a copy of all the maps, plans, graphs and magnetic tapes and related data as and when these become available and a complete report of the survey not later than six month of the completion of the survey;
- (v) the holder of a petroleum right shall comply with all instructions which the Authority may issue regarding the use of maps, plans, graphs and other data generated or collected by the holder of a petroleum right in the course of the reconnaissance survey;
- (vi) the permit shall be valid for a period of one year and may, at the discretion of the Authority be renewed for a period of up to one year;
- (vii) a permit does not extend to areas already covered by a licence or a lease unless otherwise specified by the Authority pursuant to sub-rule (1) of rule 66 ;
- (viii) the Authority may grant a licence, or a lease, to any person at any time for any part of an area covered by a permit except as provided therein;
- (ix) the holder of the permit shall perform work stipulated in the permit with due diligence; and
- (x) the holder of the permit shall for each square kilometer or part thereof comprised in the permit area pay to the Federal Government rent at the rate of five hundred rupees per year.

PART III - LICENCE FOR PETROLEUM EXPLORATION

18. **Grant of licence.-** The Authority may grant an exclusive petroleum licence for exploration over any area on such conditions as are specified in Part II of the Second Schedule including other terms and conditions as the Authority may determine.

19. **Size of area.-** A licence shall not be granted in respect of any area exceeding twenty-five hundred square kilometres.

20. **Shape of area.-** Each separate area in respect of which a licence is granted shall be, as far as possible, compact, bounded by straight lines and marked with permanent physical boundaries.

21. **Rights and obligations of licence holder.-** (1) Subject to the provisions of these rules, the licence gives a holder the exclusive right to undertake, within the licence area, all activities related to reconnaissance and exploration, including drilling for petroleum. The holder of the licence shall not be entitled to extract any petroleum from discoveries other than such test and early production as the Authority may allow under rule 24 provided that in no event, such test or early production shall cause loss of revenues to the Federal Government or the Provincial Government.

(2) A holder of a licence shall perform the work programme stipulated in the licence as per schedule contained therein, along with other obligations as referred to in these rules.

22. **Period of licence and relinquishment of area.-** (1) The initial term of a licence shall not exceed five years keeping in view the surface and geological condition of the licence area. The initial term of the licence shall comprise two phases with first three years period designated as phase-I and the next two years period as phase-II. Minimum work programme for phase-I shall be determined through competitive bidding whereas a firm exploration well will have to be committed for entering phase-II.

(2) The Authority may, subject to the terms of the licence, grant up to two renewals after the initial term. The term of each renewal shall be up to one year. However, to avail a renewal a reasonable work programme comprising at least an exploration well shall have to be offered keeping in view the surface and geological conditions of the licence area. A holder of a licence desiring to obtain such renewal shall make an application at least three months before the expiry of the licence, or such lesser period as the Authority may allow and the Authority shall process such application within one month of submission of the same.

(3) The initial term or renewal of a licence shall be extended by the Authority for drilling an exploration well in progress for a period as may be approved by the Authority on case to case basis. This extended period shall be considered to be part of the initial term or renewal, as the case may be. In the event of extension, granted for a well under drilling, the Authority may grant a further extension for up to three months for post well studies on the request of a holder of a licence, and such extension in the licence shall be treated as part of any subsequent phase or renewal, where applicable.

(4) A holder of a licence shall comply with the following part relinquishment schedule during the term of the licence namely:-

- (a) at the end of phase-I – thirty percent of the original licence area;
- (b) at the end of phase-II – twenty percent of the remaining licence area; and
- (c) on or before the start of the second renewal- ten percent of the remaining licence area.

- (5) A holder of the licence shall be entitled to renewal if it-
- (a) has complied with the work programme and all other obligations of preceding term of the licence; and
 - (b) has committed to drill during each renewal period an exploration well or wells as may be agreed with the Authority, prior to each renewal, to the agreed objective and depth. Decision to this effect shall be taken giving due consideration to surface and geological conditions of the licence area.
- (6) In the case of several holders of petroleum rights, upon a written request of the operator, and in other cases on the request of petroleum right holder, the Authority may, on case to case basis, extend the term of the licence on the following grounds:-
- (a) if seismic and drilling services are not readily available in the country for the timely discharge of minimum work obligation, a proof to this effect will be required before the Authority considers accepting or denying a request for extension of an exploration licence. Such a request for extension will be required to be made after the holder of the exploration licence has exhausted all other options including but not limited to pooling resources to undertake coordinated activities with other holders of the petroleum right, if possible;
 - (b) if a holder of an exploration licence commits to undertake additional work which is equivalent to at least 10% more than the minimum work obligation of subsequent phase or renewal;
 - (c) if a holder of an exploration licence makes additional accelerated area relinquishment equivalent to 10% of the original licence area; or
 - (d) if a holder of a licence was unable to perform work because of circumstances beyond its control such as law and order situation, or for any unforeseeable reason including but not limited to a flood or earthquake..
- (7) Notwithstanding anything contained in this rule, in no circumstances will an extension or extensions cumulatively exceed two years during the currency of an exploration licence.
- (8) Notwithstanding anything contained in these rules, upon a written request of a holder of a licence, the Authority may, on case to case basis, revise the co-ordinates of the area covered under the licence, provided, the geological structure extends into an adjoining free area.

23. Appraisal, evaluation and renewal.- A holder of a licence having made a discovery of petroleum shall perform such additional work as the Authority, after consultation with the holder of the licence, may specify, so as to enable the holder of the licence to make timely determination of a discovery as a commercial discovery. Subject to the agreement on such additional work and the holder of the licence having complied with the work programme and its other obligations, it shall be entitled to renewal of the licence not exceeding one year for the purpose of expeditious appraisal and evaluation of the discovery. The renewal shall only apply to the discovery area. The term of the appraisal renewal may be extended further for such period as may be approved by the Authority on case to case basis following a written request of the holder of the licence.

24. Extended well testing.- (1) Subject to approval of the Authority, a holder of a licence may be permitted to undertake extended well testing (hereinafter referred to as "EWT"), during the appraisal phase and before the grant of lease. Such approval shall be granted provided that the operator *inter alia* complies with the requisite royalty, tax, rentals of the discovery area and training and social welfare obligations as would be applicable under a lease.

(2) A request for approval of EWT including associated temporary production facilities shall be made to the Authority providing information with regard to,-

- (a). technical justification for EWT;
- (b). proposed duration for EWT; and
- (c). a plan for disposal of natural gas during the proposed EWT period.

(3) The duration of EWT shall be allowed keeping in view the reservoir uncertainty and the proposed investment outlay on EWT. The Authority shall not grant approval to undertake flaring of gas during EWT for a period longer than thirty days if the gas infrastructure is located within twenty-five kilometre radius of the discovery well, unless under exceptional circumstances.

(4) During appraisal phase a holder of a licence may be allowed to produce petroleum based on EWT pricing terms and subject to the condition that the production during EWT and post declaration of commerciality would be considered as commercial production for the purpose of payment of production bonus, royalty and all other obligations as are applicable to lease. However, the first production bonus would be payable upon commencement of commercial production subsequent to grant of lease.

(5) The facilities that are required to undertake EWT shall be constructed and operated in accordance with good international oilfield practices.

25. Retention of gas discovery.- (1) In the case of a significant natural gas discovery in Zone I or Zone II as specified in Annexure I, a retention period of up to five years shall be considered, on a case to case basis, provided such discovery may be declared a commercial discovery when adequate gas pipeline transportation facilities are installed and gas markets have been sufficiently developed for sale of natural gas on a commercial basis. In case of a discovery of Low BTU Gas for which outlet is not readily available or gas infrastructure cannot be utilized, the Federal Government can consider extension in the afore mentioned retention period on a case to case basis.

(2) A discovery containing oil and gas or oil, gas and condensate is considered to be a gas discovery for the purposes of obtaining a retention period only when liquids production is not considered economic without marketing the gas stream.

26. Declaration of commercial discovery.- (1) Upon completion of the agreed appraisal, evaluation and commercialization work, the holder of a licence may submit a notice for declaration of commercial discovery to the Authority for its approval along with a report in accordance with clause (d) of rule 55 and general plan for development. Subject to the approval of a commercial discovery, the holder of the licence shall be entitled to apply for the grant of a lease in respect of discovery area in accordance with these rules.

(2) The lease shall prevail over the licence within the area designated in the lease, but the licence continues to be valid outside such lease area without modifying the right and obligations pursuant to the licence.

(3) Upon termination of the licence, a holder of a licence shall relinquish the licence area except the area covered by the lease or leases granted to him.

27. Extension pending grant of lease.- If a holder of a licence, before the expiry of the licence, has applied for a lease, the duration of the licence notwithstanding the provisions of sub-rule (7) of rule 22 shall be extended until the lease has been granted or refused .

28. **Work programme and other obligations not fulfilled.-** (1) Where upon the surrender or the expiry of a licence, the obligations pursuant to rules 21,22 or 23 have not been fulfilled, holder of a licence shall -

- (a) pay to the Federal Government such sum by way of liquidated damages which correspond to the minimum expenditure of undischarged work obligations as set forth in the licence within a period of thirty days from the surrender or expiry of the licence; or
- (b) request the Authority, to allow transfer of undischarged work obligation committed under rules 21 and 22 to another area if it is demonstrated to the satisfaction of the Authority that there is no drillable prospect in the licence area. Such transfer shall be subject to such terms and conditions as may be specified by the Authority on case to case basis.

(2) Where a holder of a petroleum right has not fulfilled other obligations relating to social welfare, rent, data, training, etc., the guarantee(s) submitted by the holder of a petroleum right shall not be returned till the obligations are discharged first or the holder of a petroleum right of the remaining other obligations provides replacement guarantee equivalent to the value as determined by the Authority.

(3) In case the liquidated damages payable pursuant to clause (a) of sub-rule (1) are not paid or the transfer of undischarged work obligation to another area pursuant to clause (b) thereof, is not approved, the Authority may, in addition to any other action or remedy including black listing of a holder of a licence, cancel a lease granted to the holder in respect of any area comprised within the area of the licence which has been surrendered or expired.

(4) Where a holder of a licence is found to be in default or breach of the terms and conditions on which a petroleum right was granted or of his work or other obligations and has remedied such default or breach to the satisfaction of the Authority in accordance with sub-clause (a) of rule 72, the holder of the licence shall be deemed to have mitigated such default or breach for the purpose of rules 21, 22 and 23.

29. **Rent.-** (1) A holder of a licence shall for each square kilometre or part thereof comprised in the licence area pay rent to the Federal Government at the following rates, namely:-

- (a) in respect of initial term of five years of the licence under sub- rule(1) of rule 22,-
 - (i) three thousand five hundred rupees per square kilometre or part thereof for the whole term of five years; or
 - (ii) eight hundred rupees per square kilometre or part thereof in respect of each year of the initial term of five years of the licence; and
- (b) in respect of each renewal or extension of the licence under sub-rule(2) or (6) of rule 22 or rules 23 or 25,-
 - (i) five thousand rupees per square kilometre for part thereof for each renewal; or
 - (ii) two thousand seven hundred and fifty rupees for each year of each renewal.

(2) The licence may include a provision for annual adjustment of the rent due by reference to an appropriate index so as to ensure that the rent retains its value in real terms.

(3) The rent shall be paid in advance of the period to which it relates.

PART IV - LEASE FOR PETROLEUM DEVELOPMENT AND PRODUCTION

30. **Grant of development and production lease.-** (1) The Federal Government shall on being satisfied that a commercial discovery has been made and that the terms and conditions of a licence, including the work programme, have been duly observed and performed, or that a holder of the licence is in satisfactory progress with the work programme, and that the requirements of rule 36 have been duly complied with by the applicant, grant a lease in the form prescribed in Part III of the Second Schedule in respect of discovery area within the licence area granted to the applicant.

(2) The Federal Government may grant a single lease covering more than one discovery area within the same licence area provided that such discovery areas are juxtaposed vertically in which case the lease shall be granted on the basis of the discovery area which is larger in extent.

(3) In the event that any part of a discovery area extends beyond the lease into an open acreage, the Federal Government may upon being satisfied that the discovery area extends into such open acreage and subject to such conditions as deemed necessary, readjust the subsisting boundaries of the lease so as to include such part of the open acreage on which the discovery area extends.

31. **Rights of lease holder.-** A holder of a lease shall have an exclusive right to perform activities in connection with the development and production of petroleum in the area covered by the lease, including the right to undertake transportation of petroleum, subject to approval pursuant to rule 37.

32. **Shape of discovery area.-** Each discovery area in respect of which a lease is granted shall be laid out in straight lines between well defined points as far as practically possible and must also be marked with permanent physical boundaries.

33. **Survey expense.-** Before a lease is granted the applicant shall, if so required by the Authority, at his own expense cause a topographical survey of the land specified therein to be made to scale normally required for petroleum right purposes, and approved by the Survey of Pakistan, and submit six copies thereof to the Authority.

34. **Lease period.-** (1) A lease shall be for the period for which application has been made and supported by relevant technical and other information but shall not exceed twenty-five years. In the event the lease is initially granted for a period less than twenty-five years, the same may be extended for the remaining period provided commercial production continues.

(2) Upon application from a holder of a lease, the Authority may renew the lease for a period, not exceeding five years, if commercial production is continuing at the time of the application, subject to the following, namely:-

- (a) the request for a renewal along with revised development plan is submitted to the Authority not less than three years prior to expiry of initial term; and
- (b) the area has been producing on a regular commercial basis on the date of the request.

35. **Re-grant of lease after expiry of lease term.-** (1) After the expiry of a lease period, the Authority may renew or re-grant, as the case may be, the lease for up to a further five years, provided the lease holder agrees, at least one year prior to the expiry of the lease period, to pay, 15% of wellhead value of petroleum produced to the Federal Government. If such agreement is not concluded the Authority may

invite bids from prequalified companies for the grant of a lease over the same, or substantially the same, area as the expiring lease, for a term of ten years or such lesser period for which commercial production is expected to continue. The bids shall be evaluated on the basis of signature bonus.

(2) Each bidder shall provide a bid bond of ten per cent of the offered signature bonus at the time of bidding along with development plan.

(3) The Authority shall be under no obligation to grant any extension.

36. Development plan.- (1) Together with the application for a lease shall be enclosed a development plan which shall contain such information as the Authority may reasonably deem necessary, including but not limited to the following, namely:-

- (a) proposals for the development and production of each discovery area including possible alternatives and proposals relating to the disposition of associated gas;
- (b) proposals relating to the spacing, drilling and completion of wells, the production and storage installations and transport and delivery facilities required for the petroleum production. Such proposal shall cover,-
 - (i) the estimated number, size and production capacity of production facilities and platforms, if any;
 - (ii) estimated number of production wells;
 - (iii) particulars of production equipment and storage facilities;
 - (iv) particulars of feasible alternatives for the transportation of petroleum including pipelines; and
 - (v) particulars of equipment required for the operations;
- (c) the production profiles for crude oil, condensate and natural gas and other products for the life of the field;
- (d) investment plans including cost estimates of capital and operating expenditure;
- (e) profitability estimates;
- (f) proposals related to the establishment of processing facilities and processing of petroleum in Pakistan;
- (g) safety measures to be adopted in the course of development and production operations including measures to deal with emergencies and protection of environment;
- (h) a description of the organization in Pakistan, pursuant to these rules;
- (i) contingency and abandonment plans; and
- (j) time schedule of all activities covered in the development plan clearly specifying the critical milestones proposed and measures to achieve such milestones.

(2) The plan shall require the approval of the Authority. Such approval shall not be unreasonably delayed provided the requisite information has been provided to the Authority.

(3) After approval of the plan, a holder of a lease shall carry out development and production in accordance with the plan, subject to such modifications as may be necessary and are approved by the Authority from time to time.

37. Transportation of petroleum.- (1) Subject to approval in accordance with this rule, a holder of a petroleum right has the right to lift and transport petroleum

from the licence and lease area, either through transportation facilities owned wholly or partly by himself or through access to transportation facilities owned by a third party and such approval shall not be unreasonably withheld or delayed.

(2) In case the holder of a petroleum right intends to construct its own transportation system for which tariff will be claimed, it shall submit to the regulator concerned, an application comprising the proposed organization and implementation of the transportation system. In case of pipeline transportation, the application shall also comprise the design, construction and route plans and any other information as required by the concerned regulator under the relevant laws.

(3) The Authority may, on giving its approval, stipulate in accordance with the applicable policy such conditions as are reasonable and necessary to secure a rational system of transportation of petroleum and it may-

(a) require that several holders of petroleum right install jointly owned transportation facilities; and

(b) grant to any third party access to transportation capacity at tariffs to be approved by the Authority.

38. **Royalty.-** (1) Royalty on petroleum produced and saved shall be payable at the rate of twelve and a half per cent of the wellhead value unless a higher rate for royalty is provided for in the relevant PCA between a holder of a petroleum right and the Federal Government.

(2) The royalty will be paid in cash or kind by the Federal Government to Provinces to the extent of their share of liquid and gaseous hydrocarbons (such as LPG, NGL, Solvent oil, gasoline and others) as well as all substances including sulphur, produced in association with such hydrocarbon. The option to choose between 'cash' or 'kind' will rest with the Province however when the option of "kind" is to be exercised, the respective Province will consult with the Federal Government. In case of royalty in kind, the holder of a petroleum right shall at the request of the Federal Government and at allowed transportation cost, make arrangement for transportation of the royalty petroleum downstream of the field gate in the same manner as if it was its own petroleum. The lease rent paid during the year shall not be deductible from the royalty payment.

(3) Royalty shall be payable to the Federal Government on a monthly basis within a period not exceeding forty five days of the end of the month of production in question which if delayed beyond this stipulated period would attract fine at the rate of the London Inter Bank Offer Rate (LIBOR) plus two per cent as may be determined by the Authority. In the event royalty obligation remain un-discharged for two consecutive months following expiry of the month of production in question to which the payment of royalty relates, the Authority may take such action as it may deem appropriate in accordance with these rules, including but not limited to the exercise of powers of revocation pursuant to sub- rule (e) of rule 72.

(4) The Federal Government or, if appropriate, the Provincial Government, shall lift or take royalty petroleum in a timely manner and in accordance with such lifting or sales agreement as may be mutually agreed with the holder of a lease.

(5) A holder of a lease shall be permitted to use petroleum produced from lease area for drilling, production, maintenance and processing of petroleum obtained from the said lease free of cost, royalty and excise duty, provided that the holder of the lease shall not be entitled to include any notional costs in claiming his business expenses for income tax purposes.

(6) From the amount of royalties payable in respect of any one year of the term of a lease, there shall be no deduction of any expenditure except allowed transportation cost.

(7) The Federal Government may from time to time issue guidelines which shall *inter alia* cover procedure for administration and payment of royalty due from a holder of a licence or a lease.

(8) Notwithstanding anything contrary contained in this rule, the election to take the royalty on natural gas in cash or kind shall be exercised only once within ninety days of the approval of development plan by the Authority.

39. **Value of petroleum.-** For the purpose of calculating the amount due by way of royalty, the value of the petroleum produced and saved shall be determined at the delivery point by using actual selling price in the following manner, namely:-

(a) If the petroleum is sold to the national market pursuant to rule 43, the actual selling price means the price determined in accordance with the relevant sale and purchase agreement between a holder of a petroleum right and the Federal Government or its designee less allowed transportation cost; and

(b) In all other cases, the actual selling price means the greater of-

(i) the price at which the petroleum is sold or otherwise disposed of less allowed transportation costs;

(ii) the fair market price received through arm's length sales of the petroleum less the allowed transportation costs; or

(iii) the price applicable to the sales made under clause (a).

40. **Royalty administration.-** (1) If there are two or more than two companies as holder of a lease, they shall designate the operator to remit royalty on their behalf unless prior approval has been obtained from the Authority to remit royalty themselves.

(2) Royalty shall be remitted with the supporting forms prescribed by the Authority with documents and information required.

(3) If the Authority determines that petroleum was avoidably lost or wasted then royalty shall be payable on such lost or wasted petroleum in accordance with the direction issued by the Authority

(4) If a holder of a lease receives insurance compensation for unavoidably lost petroleum, royalty is due on the amount of the compensation in accordance with the direction issued by the Authority.

(5) Ten percent of royalty will be utilised by the Provincial Government for infrastructure development in the district where petroleum is produced.

(6) If a discovery area falls within the territorial jurisdiction of more than one Provincial Government, then the apportionment of royalty between such Provincial Governments shall be determined on the basis of the reserve potential of that discovery area with respect to each such Province. The Authority, upon being notified of such a discovery area, shall within thirty days appoint an independent third-party consultant of international repute to determine the reserve potential of each such Province with respect to the discovery area. The independent third-party consultant shall finalize its determination within thirty days of the appointment, such determination being final and binding on the Federal Government and Provincial

Government. For the avoidance of doubt, the foregoing situation, including any determination, shall not prejudice the rights of the petroleum right holder in respect of the discovery area nor disrupt or impair any operations being carried out by the petroleum right holder in the area.

41. Yearly lease rents.- (1) A holder of a lease shall pay to the Federal Government annually in advance, rent at the rate of seven thousand five hundred rupees per square kilometer or part thereof covering the lease area during the initial period and rent at the rate of Rupees ten thousand] per square kilometre or part thereof covering the lease area during the renewal period of a lease and further lease term extension.

(2) A lease may include provision for annual adjustment of the rent due by reference to an appropriate index so as to ensure that the rent retains its value in real terms.

42. Surface rent.- A holder of a lease shall pay for all land which he may use or occupy for the purposes of the operations conducted under the lease, a surface rent at the rate assessable under the revenue and rent law in the district in which the land is situated and water rates, if any, ordinarily assessable under any relevant rules if the land has not been occupied for the winning of petroleum.

43. National market deliveries.- (1) The Federal Government may decide that a holder of a petroleum right shall deliver petroleum from his production to cover the requirements of the national market for petroleum. The national market for petroleum shall for this purpose means the total market requirements, less petroleum produced by or otherwise available to the Federal Government from indigenous sources. The holder of a lease shall deliver the petroleum at such place or places in Pakistan in accordance with terms and conditions of applicable agreement between the Federal Government and the holder of a lease.

(2) Sub-rule (1) shall apply to all holders of the lease producing petroleum as far as practicable, *pro rata* to their production. Each holder's obligation may be fulfilled directly or by means of swap arrangements approved by the Federal Government.

(3) The Federal Government may also decide that the holder of a lease shall arrange and pay for adequate transportation of crude oil, condensate and natural gas liquid which it has thus ordered to be delivered to the nearest operating refinery in Pakistan.

(4) The price to be paid for petroleum to be delivered pursuant to this rule shall be such price as may from time to time be determined in accordance with terms and conditions of applicable agreement between the Federal Government and the holder of a lease.

44. Petroleum measurement.- (1) A holder of a petroleum right shall measure or weigh all petroleum produced and saved from the licence or lease area by a method or methods customarily used in good international oilfield practices and approved by the Authority . The Authority , from time to time and as and when deemed necessary, may issue guidelines for installation, maintenance, inspection and other matters related to measurement of petroleum as per good international oilfield practices.

(2) The Authority , or any officer authorized by it, shall, at all times during the term of the licence or a lease or any renewal thereof, be entitled to inspect the measuring or weighing equipment and to be present whenever such a measurement or weighing takes place.

(3) A holder of a petroleum right shall install, operate and maintain all measuring and weighing equipment ensuring that such equipment records an accurate measurements as per good international oilfield practices and remains in good working condition at all times. If any such equipment shall at any time be found not to be accurate, the same shall, if the Authority, so determines after considering any representations in writing made by the holder, be deemed to have existed in that condition during the period of three months prior to the discovery thereof or the period elapsed since the last occasion upon which the same was examined or tested, whichever shall be the less. This restriction on time period shall not be applicable if the inaccuracy so discovered is found to be result of the holder's willful tampering or negligence in which case appropriate adjustment in royalties and imposition of fine shall be made as determined by the Authority. The royalties payable in respect of such period shall be adjusted accordingly.

(4) A holder of a petroleum right shall not make any alteration in the method or methods of measurement or weighing used by him or any equipment used for that purpose. The Authority, may require that no alteration shall be made save in the presence of an officer authorized by him.

45. Revocation of lease.- (1) The lease may be revoked if regular commercial production has not commenced within five years from the grant of the lease. The lease may also be revoked if production has terminated for more than ninety days without prior written approval of the Federal Government unless this is due to force majeure or any other reason beyond the control of a holder of a lease and acceptable to the Federal Government.

(2) In the event, a holder of a lease is found to have contravened sub-rule (1) the Federal Government may issue a ninety days notice requiring the holder of a lease to remedy the breach within the notice period failing which the Federal Government may revoke the lease unless a plausible justification is provided by the holder of a lease and accepted by the Authority.

PART V- ACCOUNTS, RECORDS, INSPECTION AND REPORTS

46. **Records and accounts.-** (1) A holder of petroleum right shall maintain full and accurate records of accounts.

(2) Original copies of all records shall be kept in Pakistan unless otherwise approved by the Authority.

(3) A holder of petroleum right shall immediately comply with the demand of the Authority to submit the certified copy of any record.

47. **Period of record-keeping.-** (1) Subject to sub-rule (2), the records shall be kept and maintained for a period of six years following the end of the calendar year to which the information contained in the record relates or for a longer period as may be determined by the Authority. In case of any particular record, upon application by a holder of petroleum right, the Authority may consent in writing to the destruction of record before the end of the six years period or such other period as is required under the applicable laws as the case may be.

(2) If based on reasonable grounds, the Authority is of the opinion that it is necessary for the administration of any rules, to retain record for a longer period, it may direct the concerned holder of the petroleum right to do so specifying the reasons thereof.

48. **Well records.-** (1) Notwithstanding the generality of rule 47, a holder of a petroleum right shall always keep full and accurate record of the drilling, deepening, plugging, completion, re-completion or abandonment of all wells containing particulars of the following matters with respect to each well namely:-

- (a) the strata and sub-soil through which the well was drilled;
- (b) the casing used in any well and any alteration to such casings;
- (c) any petroleum and other reservoir fluids, or minerals encountered;
- and
- (d) such other matters as the Authority may, from time to time, require.

(2) If required by the Authority, a holder of petroleum right shall deliver additional record to the Authority as and when these become available.

49. **Production records.-** A holder of a petroleum right shall always keep full and correct record of production which shall contain accurate entries of:-

- (i) the gross quantity and quality of petroleum won and saved;
- (ii) the method and results of tests conducted;
- (iii) the quantity and quality of petroleum delivered in Pakistan and exported;
- (iv) the quantity and quality of petroleum used for re-injection, pressure maintenance, venting, flaring, drilling or other operational purposes;
- (v) the quantity and quality of petroleum sold, the name of the purchaser and the price at which it has been sold supported by necessary documents;
- (vi) the quantity and quality of natural gas treated and processed for the removal of impurities and inerts and natural gas liquids and liquefied petroleum gases and the quantity and quality of any liquids, gases or any solids obtained from it; and
- (vii) such further particulars as the Authority may from time to time, require.

50. Data to be property of the Federal Government- (1) All data including but not limited to wells logs, maps, magnetic tapes, cores, samples and any other geological and geo-physical information obtained by a holder of a petroleum right as a result of his activities in a permit, licence or lease shall be the property of the Federal Government . The holder of petroleum right shall submit all of the aforesaid data and information to the Authority as soon as it has become available. The holder of petroleum right may, during the subsistence of a permit, licence or lease, after prior intimation to the Authority , disclose all or any part of the aforesaid data to a third party, provided that before disclosure of the data, such party executes an appropriate confidentiality agreement drawn up in accordance with the good international oilfield practices.

(2) All processed geo-physical and geological information referred to in this rule shall be submitted to the Authority on transparent, dimensionally stable material as well as in the digital format, as may be notified by the Authority from time to time. The Authority may disclose certain data except seismic and drilling data to the Provincial Government.

(3) Information and data as mentioned in this rule shall be kept confidential by the Federal Government, Provincial Government and Authority for a period of three years from the date the data is acquired by the holder of petroleum right with the following exceptions namely:-

(a) information disclosed to other Pakistani authorities, or financial institutions or consultants of the Federal Government, Provincial Government and Authority who will be bound to keep the same confidential;

(b) information required for general statistical purposes;

(c) upon the earlier termination of a permit, licence or lease, or upon the date of relinquishment of the area to which the information relates; and

(d) all raw geo-physical, geological and well data including well logs may be disclosed by the Authority or the Federal Government to any interested party after two years of the activity to which such data relates. This however is not applicable to the data generated under multi-client arrangements.

(4) Notwithstanding anything contained in these rules, the data in the possession of the Federal Government or Authority in respect of a surrendered or relinquished area of a permit, licence or lease may be released by the same to a holder of petroleum right or to an organization engaged in petroleum exploration, production and research, on the actual reproduction and other costs of the data and on such terms and conditions as it may determine.

(5) Except as provided under these rules, a holder of petroleum right shall not disclose or cause to disclose any data to a person who is not legally entitled to obtain that data.

(6) Any other person who is permitted to receive the data shall hold the same subject to the same restrictions as are contained in sub-rule (3).

51. Power to inspect plants, records and accounts etc.- (1) The Authority or any authorized officer, may, at any reasonable time, after notice in writing, enter any place where any activities or business is carried out by a holder of petroleum right under these rules, for the purpose of auditing or inspection or examination of *inter alia* wells, record, plants, appliances, buildings, or any other works.

(2) A holder of petroleum right, for the purpose of an audit, or inspection or examination shall -

(a) provide access and all reasonable assistance to the Authority or the authorized officer to conduct the audit or inspection or examination without any hindrance; and

(b) promptly provide or make available the certified copies of records as required by the Authority or the authorized officer to perform inspection under these rules.

52. **Annual reports.-** (1) A holder of a petroleum right shall each year submit to the Authority annual reports containing the following particulars, namely;-

(a) a financial statement with an abstract of the accounts, prepared in accordance with accounting principles generally accepted in the petroleum industry and audited by a recognized firm of chartered accountants approved by the Authority;

(b) a description of all exploration, development, production and other work carried out by the holder during the year relating to the permit or licence or lease area;

(c) estimates of in place and recoverable reserves of petroleum at the end of each year classified on the basis of good international oilfield practices. If so desired by the Authority, the holder of petroleum rights shall be required to carry out reserves certification from an independent source as approved by the Authority; and

(d) estimates of petroleum production and exports for each quarter of the next year.

(2) The report referred to in clause (a) of sub-rule (1) shall be submitted within six months and the other reports within forty-five days after the end of year to which they relate.

53. **Monthly reports. -** Within ten days after the end of each month, each holder of a petroleum right shall prepare and submit a monthly progress report to the Authority which shall contain a narrative report of activities with plans and maps showing the places where work was done. Such report shall also contain;-

(a) a summary of all geological and geo-physical work carried out;

(b) a summary of all drilling activity and results obtained;

(c) a list of maps, reports and other geological and geo-physical data prepared or acquired in connection with the activities; and

(d) a statement of expenditure incurred by the holder of petroleum right during the month on a format as may be prescribed by the Authority, from time to time.

54. **Daily reports.-** During drilling of a well, a holder of petroleum rights shall provide copies of the daily well reports on a prescribed format to the Authority.

55. **Occasional reports.-** A holder of a petroleum right shall submit to the Authority the following occasional reports, namely:-

(a) within twenty-four hours, by telex or fax with hand copy delivered within next twenty-four hours, if a well shows the presence of petroleum in significant measure or if a drill stem or any other test has been carried out on a well which produces petroleum;

(b) within seven days after the report under clause (a), a written report containing relevant geological information and chemical analysis in the case of a showing of the presence of petroleum, and in the case of a drill stem or any other test containing the following additional information, namely;-

(i) conditions and results of the drill stem or any other test, including but not limited to flow rates, flow periods, tested intervals, pressures, choke sizes, hole condition and stimulation measure;

- (ii) physical analyses; and
- (iii) any deductions there from as to the potential of the reservoir;

(c) within one month after the completion or abandonment of drilling operations, a comprehensive well completion report, which shall contain *inter alia* the lithological groups, stratigraphic boundaries, hydrocarbon zones, a copy of all well logs and tests and other relevant information including costs, provided that such information which cannot be obtained within this period shall be submitted as soon as possible;

(d) at the latest upon the issue of a commercial discovery notice, a report which shall substantiate such notice and contains,-

- (i) all relevant geological information, including estimates of recoverable reserves and daily production;
- (ii) a general plan for the development of the deposit, including possible alternatives, with a description of the main production and transportation installations envisaged, and the relevant cost estimates; and
- (iii) calculations of the profitability estimates of the discovery;

(e) within forty-five days after the relinquishment or surrender of any part of the permit or licence or lease area, such maps, plans, reports, records interpretations, and data made or obtained by or for the holder of petroleum right relating to exploration, development, production abandoned, restriction of site and any other operations in the relinquished, surrendered or retained areas;

(f) report to the Authority about the particulars of any fresh issues of capital which may be made by the holder of petroleum rights or its parent company from time to time and any alteration which may be made in the memorandum and articles of association or in the constitution of its parent company. Any fresh issues of capital shall at times be subject to clause (d) of rule 72; and

(g) such other plans and information as to the progress and results of the its operations as the Authority may require from time to time.

56. **General.-** The reports referred to in this Part shall be made in such form and manner as the Authority may determine.

57. **Reports of discovery.-** (1) No announcement or statement, direct or indirect, about a discovery of petroleum shall be made except by the Authority in consultation with a holder of petroleum rights.

(2) No statement shall be made by or with the consent of a holder of petroleum rights, claiming or suggesting, whether express or by implication, that any Government or any person or body acting on behalf of the Federal Government, Provincial Government and Authority has or have formed or expressed an opinion that the licence or lease area is likely to contain petroleum.

PART VI - STANDARD OF OPERATIONS

58. **Avoidance of harmful methods of working.-** (1) A holder of petroleum right shall undertake execute all operations in a proper, prudent and diligent manner, in accordance with good international oilfield practices and shall not unreasonably obstruct or interfere with other activities such as navigation, fisheries and agriculture. All reasonable precautions shall be taken to prevent pollution or damage to the environment and surroundings.

(2) Without prejudice to the generality of the foregoing provision, a holder of petroleum right shall take all steps including, but not limited to the following, namely:-

- (a) prevent the escape or waste of petroleum discovered in the area;
- (b) to conserve the area for operations;
- (c) to prevent damage to adjoining petroleum bearing strata;
- (d) to prevent the entrance of water through wells to petroleum bearing strata, except when approved by the Authority for the purposes of secondary recovery; and
- (e) to prevent the escape of petroleum into any waters in or in the vicinity of the said area.

(3) The Federal Government may establish safety zones around temporary and permanent installations as per good international oilfield practices.

(4) The Federal Government may, from time to time, determine and notify the standards applicable to the operations under these rules.

59. **Principles of sound operations.-** (1) All petroleum operations and activities shall be conducted diligently and in accordance with good international oilfield practices. The rate of production from each reservoir shall be the maximum efficient rate needed to achieve the maximum ultimate economic recovery of petroleum from various petroleum reservoirs unless otherwise approved by the Authority.

(2) The Authority may specify measures at the time of approval of development plan that a holder of petroleum right shall take to conserve petroleum resource of Pakistan. These measures shall include, but not limited to, notification of depletion policy, rate and flow of petroleum from the fields and the measures to achieve maximum ultimate economic recovery of petroleum from different reservoirs.

(3) A holder of petroleum right shall not flare or vent any natural gas without the prior approval of the Federal Government in writing under these rules.

60. **Commencement, testing and abandonment of drilling operations.-** (1) A holder of a petroleum right shall not commence drilling, re-entry, testing and related operations or abandonment of any well without first having obtained the approval of the Authority in writing and it shall,-

- (a) as soon as possible make known to the Authority the proposal for testing a well;
- (b) test all potentially productive horizons indicated by wire-line recording as may be finalized in consultation with the Authority; and
- (c) promptly undertake the technical evaluation of the well testing results and of all other relevant data and submit the same as soon as possible to the Authority.

(2) After the completion of all operations, the well shall be safely plugged and the drilling operations shall be conducted in accordance with good international oilfield practices.

61. **Shape of relinquished areas.-** Areas which are relinquished or surrendered shall be of sufficient size and shape so as to enable petroleum operations to be carried out therein.

PART VII - MISCELLANEOUS

62. **Use of Pakistani goods and services.-** (1) In all activities carried out pursuant to these rules, a holder of petroleum right shall ensure the use of qualified Pakistani goods and services referred to in sub-rule (2), to the extent that such goods and services are competitive with regard to price, quality, quantity and delivery schedule.

(2) Local producers who are qualified under the relevant Customs General Order (CGO) of supplying goods and services of type demanded shall be included in invitations to tenders.

63. **Employment and training of Pakistani personnel.-** (1) A holder of petroleum right shall give preference to the nationals of Pakistan for employment in its organization at all levels and in all branches including technical, financial, commercial, legal and administrative units and to arrange for the training in Pakistan and abroad, of nationals of Pakistan to fill in the aforesaid positions. The number of Pakistani personnel to be employed or trained shall be determined in consultation with the Authority in accordance with the guidelines that may be issued by the Authority from time to time. The operator and its contractor shall ensure the employment of unskilled workers amongst the locals of the area in which the exploration and production activities are in progress to the extent of at least fifty percent of their total strength of unskilled workers. The application for grant of a licence or a renewal or extension thereof and the development plan submitted with the application for grant of lease shall contain a description of the measures proposed to be taken by the applicant during exploration, appraisal, development and production phases so as to ensure compliance with this rule.

(2) The Federal Government may require that a holder of petroleum rights shall provide training for Federal Government and Provincial Government personnel in order to develop the capability of such personnel to efficiently perform their duties related to the supervision of petroleum industry. Such training shall cover both technical and management disciplines including geology, geo-physics, engineering, project management, accounting, commercial, legal and shall also be in the form of on-the-job training and participation in in-house seminars.

64. **Joint exploration and development.-** (1) If a petroleum deposit extends across more than one licence or lease area held by different holders of petroleum right, then such holders shall endeavor to agree to explore and exploit the deposit jointly in the most efficient manner.

(2) Joint exploration and development plans or where one of the deposits has already been developed, a joint unitization plan, together with agreement between them shall be submitted expeditiously to the Authority for approval.

(3) If the agreement on joint exploration and development or unitization plan referred to in sub-rules (1) and (2), is not reached at within reasonable period of time, the Federal Government may, in the public interest, by notice in writing to all concerned parties, direct to finalize and submit for approval of the Authority relevant plan within the period stipulated in the notice. In the event such plan is not submitted to the Authority within the stipulated period or such plan has not been approved by the Authority, the Authority may appoint an independent consultant to prepare such plan at the cost of a holder of petroleum right. The plan so prepared by the consultant shall be considered and approved by the Authority with appropriate changes for implementation as per approved schedule. The Authority may, impose stipulate such

additional conditions as may reasonably be considered appropriate in the interest of such plan.

65. Petroleum exploration within lease area.- (1) A holder of a lease shall have preferential right to perform petroleum exploration activities on all horizons underlying a lease area granted to it provided that, if the Authority receives a *bona fide* offer from a third party to undertake exploration within such lease area, the lease- holder shall have to decide whether or not to match such offer within six months of receiving a notice to this effect from the Authority.

(2) In case a holder of the lease decides not to undertake exploration pursuant to sub-rule (1) and a third party is granted petroleum exploration rights over any or all the horizons underlying the lease area, then such third party and the existing holder of the lease shall within ninety days enter into an agreement setting forth the detailed terms and conditions of operating within the lease area so that the activities can be coordinated in a just and equitable manner. In case such an agreement is not reached at between the parties within the specified time or such agreement has not been approved by the Authority, the Authority may appoint an independent consultant to prepare such an agreement at the cost of the holders of petroleum right. The plan so prepared by the consultant shall be considered and approved by the Authority with appropriate changes for implementation as per approved schedule. The Authority may, impose such additional conditions as may be reasonably considered appropriate in the interest of such an agreement.

(3) For the purpose of petroleum exploration within a lease area, the provisions of rules 23, 24, 25, 26, 30 and 36 shall *mutatis mutandis* apply provided that where an existing lease holder makes a new commercial discovery, the provisions of rule 30 shall not be applicable and the existing lease shall be amended so as to bring the discovery area of such commercial discovery under the purview of the lease. In case any discovery area covered under a lease extends beyond the geographical limits of the lease area, the Authority may, upon request, allow a holder of the lease to undertake appraisal of such discovery area beyond the limits of the lease in an open area and revise the co-ordinates of the lease area if justified by the results of the appraisal pursuant to rule 23.

66. Exploration and use of facilities by third party.- (1) The Federal Government may allow a third party to undertake exploration in the area of a licence or holder of a lease as may be necessary to obtain sufficient knowledge as to the geological conditions in areas surrounding the area of such holder. The said exploration activities must not unreasonably interfere with the activities of such holder. After consultation with concerned parties, the Federal Government shall determine the manner in which such exploration is to be carried out including the determination of the type and duration of exploration in the area.

(2) The Authority may also decide that production, processing and transportation facilities owned by a holder of a lease shall be available for utilization by other parties, if this is deemed to be desirable for the purpose of efficient operations, or if required in the public interest. Such utilization must not unreasonably interfere with the activities of the holder of the lease. The user shall pay compensation for such utilization as may be mutually agreed and approved by the Authority. If the holder of the lease and the nominated user fail to reach an agreement on compensation within hundred and eight days or if the Authority does not approve the agreed compensation, the Authority may appoint an independent consultant to determine such compensation at the cost of the concerned parties. The compensation so determined by the consultant will be considered and approved by the Authority . The Authority may, impose such additional conditions as may be reasonably considered appropriate in the interest of such joint utilization plan.

67. **General right of holder of the lease to enter upon land.-** Subject to approval of the Federal Government and of any other authority which may be involved, and on such conditions as may be stipulated, a holder of a lease shall have the following rights, as required for the purpose of carrying out operations under the lease, namely :-

- (a) to enter upon and use land;
- (b) to appropriate water;
- (c) to store petroleum;
- (d) to erect houses and machinery;
- (e) to search for, dig and get gravel;
- (f) to cut timber and clear undergrowth;
- (g) to enclose with a fence areas for which surface rent is paid; and
- (h) to carry out such other activities which the Federal Government considers necessary.

68. **General rights of the permit-holder or licence-holder to enter upon land.-** Subject to approval of the Federal Government and of any other authority which may be involved, a permit-holder or a licence-holder shall have the same rights as are stipulated in rule 67, provided that the houses and machinery referred to in clause (d) thereof shall be temporary.

69. **Restrictions on the holder of petroleum right.-** (1) The rights granted to a holder of petroleum right shall not prejudice the exercise of any of the following powers, namely:-

(a) **Work on minerals.-** The Federal Government or Provincial Government, as the case maybe, or any of its authorized persons may, within the area of the holders of petroleum right search for and produce any minerals or substances other than petroleum and make and maintain such installations and facilities as required for the said work provided such operations shall not disrupt or impair the operations or activities of the holders of the petroleum rights in the area.

(b) **Other activities.-** The Federal Government or Provincial Government, as the case maybe, or any authorized person may, within the area of the holder of petroleum right -

- (i) make and maintain upon, over or through the said area such reservoirs, pumping stations, generating stations, waterways, roads, tramways, railways, telegraph and telephone lines, pipelines or such other installations and facilities as he shall deem necessary or expedient for any purpose;
- (ii) obtain such stone, earth and other materials as may be necessary or requisite for making, repairing or maintaining the said installations and facilities;
- (iii) draw water from the said area and have free access thereto; and
- (iv) pass and repass at all times over the said area for all such purposes as occasion shall require.

(c) **Grant or demise lands to third parties subject to holder's rights.** Liberty and power for the Federal Government or Provincial Government, as the case maybe, to grant or demise to any person all or any part of the said

area for any purpose so that such grant or demise be made subject to the rights of the holder.

(2) The powers under this rule 69 shall be exercised and enjoyed in such manner as not to unreasonably hinder or interfere with the rights of the holder of petroleum right. Fair, proper and adequate compensation shall be paid by the Federal Government or Provincial Government, as the case may be, for all loss, damage or injury, without including the value of any water, stones, earth or other materials taken, which the holder of petroleum right may have suffered as a consequence of the exercise of the said powers under this rule.

70. Power to execute works.- If a holder of a petroleum right, at any time, fails to perform its obligation under these rules or under any agreement with the Federal Government, the Authority shall be entitled, after giving reasonable notice in writing of its intention, to execute any works which may be deemed necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the holder of petroleum right.

71. Power to control spill or waste.- (1) A holder of petroleum right at all times, has obligation not to cause spill and waste.

(2) Where the Authority, on reasonable grounds, is of the opinion that, with respect to any operation of a holder of petroleum right, spill or waste is required to be controlled or prevented, may order the holder of petroleum right to control or prevent spill and waste within a reasonable period of time, failing which the Authority may cause to take such necessary steps and measures to control or prevent the spill or waste as may be required and all cost thereof shall be borne by the holder of petroleum rights.

(3) If there is any dispute, controversy or claim arising out of or in relation to the exercise of the powers by the Authority under sub-rule(2), the Authority and a holder of petroleum right shall make all reasonable efforts to settle such dispute, controversy or claim within sixty days of the issuance of order by the Authority under sub-rule (2), failing which such dispute, controversy or claim shall be referred to an independent consultant who shall be appointed by the Federal Government at the cost of and with consent of the holder of petroleum right. The findings of such consultant shall be binding on the Authority and the holder of petroleum right.

(4) Notwithstanding anything contained in this rule, the Authority or a holder of petroleum right may exercise the option of settling the dispute, controversy or claim in accordance with rule 77.

72. Power of revocation.- In addition to other grounds for revocation specified in these rules, the Authority may revoke a petroleum right after serving a thirty days show cause notice if,-

(a) a holder of petroleum right has contravened any material terms and conditions on which the petroleum right was granted, under the provisions of these rules or of any law applicable to the petroleum operations and has not, within a period of sixty days from the date on which a notice in that behalf was served on it by the Authority, remedied the default, or where the default cannot be remedied, has not, within such period offered reasonable compensation in respect thereof;

(b) the petroleum right was found granted by reason of giving false information in a material respect;

(c) a holder of petroleum right or its parent company makes an arrangement or composition with its creditors, and a receiver is appointed or

the holder of petroleum rights goes into liquidation whether compulsory or voluntary;

(d) without the prior consent of the Authority there is a disposition of the share capital of its or its parent company in consequence of which any person who prior to that disposition had effective control of or its parent company ceases to have such effective control; and

(e) a holder of petroleum rights has failed to make payment (whether part or full) payable under the rules or the relevant agreement and such payment remains in arrears or unpaid for two subsequent months from the date on which the payment was due.

73. Right of Government upon termination of a petroleum right.- (1) When a permit or licence or lease has expired or has been surrendered wholly or partly, the area of permit or licence or lease shall, so far as practicable, be reinstated in its original condition and where this is not practicable, it shall pay compensation to the Federal Government for damages suffered as a result thereof.

(2) When a petroleum right has expired or has been surrendered wholly or partly, or the use of installations and facilities including related equipment has come to an end, the Federal Government has the right to takeover the installations and facilities including related equipments. This also comprises pipeline transportation and related facilities installed by a holder of petroleum right to secure shipment of petroleum.

(3) Upon taking over the installations, facilities and equipment pursuant to sub-rule (2), a holder of petroleum right shall be required to hand over such installations, facilities and equipments in such condition as required under good international oilfield practices. No compensation shall be given for such takeover. Takeover involves an automatic cancellation of any security for debts or leasing arrangement related to such installations, facilities and equipments and title of the same shall be transferred to the Federal Government.

(4) If the Federal Government does not exercise its right to takeover the installations, facilities and equipments, the Federal Government may demand that removal shall be carried out by a holder of the petroleum right at its expense, in which case sub-rule (1) shall apply.

(5) At least one year prior to termination, a holder of the lease shall submit to the Authority a plan for the orderly closing down and abandonment of its operations, and for the removal of the facilities or their transfer to the Federal Government, as the case may be.

74. Indemnity.- (1) The holder of a petroleum right shall effectively indemnify, defend and hold harmless the President, the Federal Government and the Authority at all times against all proceedings, costs, charges, claims, losses, damages and demands whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons, caused by or resulting from work conducted by or on behalf of the holder of petroleum right, by any third party, or anything done or purporting to be done in pursuance thereof.

(2) The holder of a petroleum right shall, if required to do so by the Federal Government, take out and maintain such insurance, as the Federal Government may approve, against any of its liability under these rules.

(3) No suit, prosecution or other proceedings shall be initiated against the President, the Authority, the Federal Government or any of its assigns for anything done or purported to have been done in good faith under these rules.

75. **Miscellaneous obligations.-** A holder of petroleum right shall have an organization in Pakistan with sufficient competence and capacity to conduct all operations and activities pursuant to these rules and shall,-

(a) immediately after grant of petroleum right, but before commencing any operations in the relevant area, furnish to the Authority , the name and address of the manager, resident in Pakistan, under whose supervision operations are to be carried on in the permit, licence or lease area; and

(b) in writing, keep the Authority informed of the names, addresses and nationalities of sub-contractors employed by it from time to time.

76. **Force majeure.-** (1) Failure on the part of a holder of petroleum right to fulfil any of the terms and conditions of the petroleum right shall not give the President, or the Federal Government any claim against the holder of petroleum right or be deemed a breach of his obligations insofar as such failure arises from *force majeure*.

Explanation.- The expression "*force majeure*" includes an act of God, war, insurrection, riot, civil commotion, flood, lightening, explosion, fire, earthquake and any other happening which the holder of petroleum right could not have reasonably prevented or controlled.

(2) If the ability to fulfil the terms and conditions is affected by *force majeure*, a holder of petroleum rights shall without delay give notice to the Federal Government, stating the cause of such inability and his efforts to remove such causes and remedy its consequences.

(3) In case of *force majeure*, the duration of the petroleum right shall be extended for the period of the *force majeure* situation and for such further period as is required to resume the operations.

77. **Arbitration.-** Except as otherwise agreed to or expressly provided for in these rules, any question or dispute regarding the petroleum right or any matter or thing connected therewith shall be resolved by arbitration in Pakistan and in accordance with Pakistani laws.

78. **Tight Gas and Low BTU Gas.-** The provisions of the Tight Gas (Exploration and Production) Policy 2011 and the Low BTU Pricing Policy 2012 shall be deemed incorporated into these rules, as far as possible, and, in the event of any conflict with these rules, the relevant policy shall prevail.

79. **Exercise of optional working interest by GHPL and PHC.-** (1) Along with the announcement of award of a licence to any company, the Authority shall notify the identity and share percentage entitlement of the relevant PHC.

(2) Immediately upon the announcement of the award of a licence by the Authority, every company shall offer to GHPL and PHC, the option to acquire working interest in the licence in accordance with the Policy. GHPL and PHC shall exercise this option by accepting the offer of the company within thirty days of the receipt of the offer failing which this option shall be deemed to have been waived by GHPL or PHC as the case may be.

(3) If a block falls within the territorial jurisdiction of more than one Provincial Government, the Authority shall, based on the surface area of the particular block within the territorial jurisdiction of each such Province, determine and notify the entitlement of the relevant PHC with respect to the optional working interest.

80. **Repeal and savings.-** (1) Except as provided in sub-rule (2), the Pakistan Petroleum (Exploration and Production) Rules, 2009 are hereby repealed.

(2) Notwithstanding the repeal of the Pakistan Petroleum (Exploration and Production) Rules, 2009, but subject to sub-rule (3), where any person holds any permit, licence or lease granted or renewed under the said rules, the provisions of the said rules shall continue to apply to such permit, licence or lease, as if the said rules have not been repealed.

(3) Notwithstanding any provision to the contrary, rule 35 shall also apply to petroleum rights as granted or renewed under, and defined in the Pakistan Petroleum (Exploration and Production) Rules, 1986 and Pakistan Petroleum (Exploration and Production) Rules, 2001.

THE FIRST SCHEDULE
(See rule 6)

**APPLICATION FOR A RECONNAISSANCE PERMIT OR EXPLORATION
LICENCE OR WHERE APPLICABLE, DEVELOPMENT AND PRODUCTION
LEASE**

1. Name of the applicant in full exactly as appearing in the certificate of incorporation:

2. Nature of business and incorporation of the applicant:

 - (a) Place of incorporation:

 - (b) Juridical status of the applicant at the place of incorporation:

 - (c) If incorporated outside Pakistan, whether the applicant has valid permission to operate as a branch of a foreign company in Pakistan:

 - (d) Nature of the applicant's business:

 - (e) Principal place of the applicant's business:

 - (f) If principal place of business is outside Pakistan, name and address of duly authorized agent in Pakistan:

 - (g) If the applicant is a local company, name and address of duly authorized representative:

3. Details of principal shareholders and the directors:
 - a.

Name of Principal shareholder(s):	Shareholding(%)
_____	_____
_____	_____
 - b.

Directors:	Name(s)	Nationality	Residential Address
	_____	_____	_____
	_____	_____	_____

4. Authorized, subscribed and paid up capital of the applicant:
-
5. Economic and financial data for the applicant (Year-wise for the last five years):
- a. Total investment in petroleum activities breaks up as follows:
 - (i) exploration;
 - (ii) production;
 - (iii) transportation systems;
 - (iv) refining and processing; and
 - (v) marketing.
 - b. The total turnover of the group as well as the turnover with regard to petroleum activities.
 - c. Net income after taxes.
 - d. Total value of assets.
 - e. Profitability indicators, including the following;
 - (i) earnings per share.
 - (ii) return on common equity
 - (iii) return on total capital employed
 - (iv) liquidity position
 - (v) debt to equity ratio
 - f. Trading profit and loss forecasts for the next five years (including projected balance sheets and cash flow statements and any assumptions made in preparing the forecasts), and if appropriate, how any deficit will be met.
6. If applicant intends to apply as an operator, he shall provide the following, namely:-
- a. **Applicant structure:** Details of management structure showing clear lines of responsibility and processes for upstream operations providing all details of operations staff to be based in Pakistan. Details of the role of sub-contractors in the applicant's decision making process.
 - b. **Health, safety and environmental management (HSE):** Details of health, safety and environmental management systems implemented and used by the applicant.
 - c. **Management system:** Details of how company will manage in practice an exploration, development or production operation, clearly describing the division of responsibility between the applicant's own staff and sub-contractors, if the latter are to be employed.
 - d. **Worldwide operating experience:** Details of all operating experience overseas to demonstrate a track record of effective exploration and field management.
 - e. **Field management resources:** Details of the technical resources available to the prospective operator. The company's own

capacity to analyse the potential of a field. Details of capability and experience in relation to enhanced recovery operations.

f. **Training policy:** Details of any formal training standards that the applicant has adopted including how the company will establish such standards with sub-contractors. Particular reference should be made to the company's record of training its indigenous staff.

g. **Reserves and economics calculation:** Details of the methodology adopted by the company for reserve estimation and field economics.

h. **Additional information:** Any additional information that the company considers relevant to the application.

7. Details of technical capacity of the applicant:

a. Number of professional employed at the time of filing of the application:

	Total	Likely to be deployed for Pakistan operations
Geologist with a minimum of 5 years experience		
Geophysicist with a minimum of 5 years experience		
Petroleum Engineers/Petro-physicist with a minimum of 8 years experience		
HSE professionals employed with a minimum of 5 years experience		

b. Proven oil and gas reserves booked as per standards set under good international oilfield practices as of the end of the last accounting year:

	Onshore	Offshore
Oil (million barrels)		
Gas (billion cubic feet)		
Total (million barrel of oil equivalent)(MMBOE)		

c. Production of oil and gas (Year-wise for the last five years ending at the last accounting year:

	Onshore	Offshore
Oil (barrels per day)		
Gas (million cubic feet per day)(MMCFD)		
Total (barrel of oil equivalent per day)(BOE)		

d. Refining and sale of oil and gas worldwide as of the end of the last accounting year:

	Sale	Refining
Oil (barrels per day)		
Gas (million cubic feet per day)		
Total(barrel of oil equivalent per day)(BOE)		

e. Wells drilled (Year-wise for the last five years ending at the last accounting year):

		Exploration		Appraisal		Development	
		Onshore	Offshore	Onshore	Offshore	Onshore	Offshore
20--	Operator						
	Non-operator						
20--	Operator						
	Non-operator						
20--	Operator						
	Non-operator						
20--	Operator						
	Non-operator						
20--	Operator						
	Non-operator						
20--	Operator						
	Non-operator						
Total	Operator						
	Non-operator						

(f) Number of geologist to be deployed for Pakistan operations;

8. Operational experience of the applicant:

a. Name of the countries in which holding operatorship at present (details separately for onshore and offshore):

b. Years since acting as the operator (separately for onshore and offshore):

c. Same details as required under (a) and (b) above for worldwide non-operated interests:

9. State amount of capital available for investment in Pakistan:

a. at present available,

b. which applicant can make available when petroleum right is awarded

c. Indicate the source of funding in respect of clause (a) and (b).

d. the applicant must provide documentary evidence alongwith application to substantiate the above information to the satisfaction of the Authority.

10. We hereby swear that we are not incapable of contracting with the Federal Government, Government Holdings (Private) Limited (GHPL) and/or [name of Provincial Holding Company, if any].

11. We hereby declare that;-

(a) there is no pending litigation, legal process or other circumstances that might cause us to breach our obligations;

(b) all particulars contained herein are correct.

12. Furthermore, we hereby declare that we will abstain from all political activities whatsoever affecting the sovereignty or security of Pakistan or such as may be tantamount to interference in its internal affairs and that especially we will eschew all espionage.

Signature(s) of the authorized
representative of the applicant

Title _____

Date _____

Particulars to be furnished by applicant for an exploration licence / petroleum concession agreement

1. **Information concerning the areas (blocks).**
 - (a) Details of areas (blocks) applied for.
 - (b) If the applicant applies for more than one area (block) the priority assigned to the different areas (blocks) must be given.
 - (c) The applicant must state the percentage working interest applied for in the different areas (blocks).
 - (d) The applicant must state if he applies for operatorship on any or all of the areas (blocks) applied for.
 - (e) Information given in clauses (a) to (d) and paragraph 2 shall be summarized in a separate form.
 - (f) The application must comprise information about the geological and geo-physical material and parameters upon which the application is based, accompanied by structural maps.
 - (g) The application shall, in a separate enclosure, comprise a geological study of the area in a regional geological context. Further, the said enclosure shall contain an evaluation of the prospectivity of the different geological provinces in the area and how knowledge about prospectivity in one geological province may depend upon information from another geological province.
 - (h) Information about the techniques used for the evaluation of the prospects from a geological and geo-physical point of view must be included.
2. **Proposed work programme, economic terms, etc,-**

The applicant shall indicate his proposed terms regarding,

 - (a) the work programme, expressed where applicable in Work Units, for each of the area (blocks) applied for, including the size of seismic grid, number of exploration wells (wildcats) with indications of depths and geological horizons to be penetrated in each exploration well, and the minimum expenditure amount to be allocated to and spent on exploration activities;
 - (b) information as to the applicant's intentions and plans regarding transfer of technology and training, development and integration of the Government officials and Pakistani nationals in general.

THE SECOND SCHEDULE

(see rule 17)

Part I
[See rules 2(xx) and 17]

Standard Form Of Reconnaissance Permit

The President of Pakistan (hereinafter referred to as "the President") hereby grants under and in accordance with the provisions of the Pakistan Onshore Petroleum (Exploration and Production) Rules, 2013 and on the terms and conditions set forth or referred to therein, and _____ (hereinafter referred to as "the Permit Holder(s)") hereby accepts a Reconnaissance Permit on the terms and conditions aforesaid and on further terms and conditions set forth herein as follows:

(1) This Permit gives the Permit Holder(s) the non-exclusive right to perform activities in connection with reconnaissance and exploration for petroleum in the following areas:

Permit Area No.	Coordinate	Km ²
_____	_____	_____
_____	_____	_____
_____	_____	_____

(2) The Permit is valid for a period of _____

(3) The Permit Holder(s) shall undertake a work programme which shall be fully completed by _____. The contents of the work programme and the time table for its completion are as follows:

(a) the Permit Holder(s) shall undertake to obtain seismic coverage of adequate quality, covering the permit area with a grid of at leastX..... km. The survey shall be completed no later than _____ after the issue of this Permit.

(b) In areas where structures are expected to continue into neighbouring areas (blocks), the Authority, may require certain specifications for the survey.

(4) The laws of Pakistan shall govern all activities pursuant to this Permit.

In witness whereof the President has set his hand and seal and the Permit Holder(s) has caused its Common seal to be affixed hereon this ____ day of _____.

Standard Form Of Exploration Licence

The President of Pakistan (hereinafter referred to as “the President”) hereby grants under and in accordance with the provisions of the Pakistan Onshore Petroleum (Exploration and Production) Rules, 2013, and on the terms and conditions set forth or referred to therein, and _____ (hereinafter referred to as “the Licensee”) hereby accepts an exploration licence, on the terms and conditions aforesaid and on further terms and conditions set forth herein as follows:

(1) This licence is granted to the following companies, with working interest as stated herein:

Name(s) of Licensee(s)

(2) This licence gives the Licensee(s) the exclusive right to perform activities in connection with the exploration for and exploitation of petroleum in the following areas:

Licence Area No.	Coordinate	Km ²
_____	_____	_____
_____	_____	_____

(3) The licence is valid for a period of _____. The Licensee(s) shall be entitled to renewal of the licence, as follows:

_____.

(4) The Licensee(s) shall undertake a work programme which shall be fully completed by _____. The contents of the work programme and the timetable for its completion are as follows:

(a) The Licensee(s) shall undertake to obtain seismic coverage of adequate quality, covering the licence area with a grid of at least X _____ km. The survey shall be completed no later than _____ after the issue of this licence. In areas where structures are expected to continue into neighbouring areas (blocks), the Authority, may require certain specifications for the survey.

(b) The Licensee(s) shall drill _____ wildcat wells in the licence area as follows: _____

(c) The Licensee(s) shall undertake such coring and other tests and registrations as the Authority, may regard as necessary in order to estimate possible petroleum finds. Special care shall be given to coring in all prospective intervals. The sampling shall lead to exhaustive analysis and interpretations.

(d) If the Licensee(s) should fail to complete the above mentioned work programme within the time limits specified, he shall pay liquidated damages to the Federal Government, as follows:

5) The licensee(s) shall, not later than thirty days after this licence has been granted enter into a Concession Agreement including Joint Operating

Agreement with the Federal Government. Any subsequent amendment, supplement, or exception from the Concession Agreement requires the Federal Government's prior written approval.

- 6) The laws of Pakistan shall govern all activities pursuant to this licence.

In witness whereof the President has set his hand and seal and the Licensee(s) has set his hand and caused his common seal to be affixed hereon this _____ day of _____

Part III Standard Form Of Development And Production Lease

The President of Pakistan (hereinafter referred to as the "the President") hereby grants under and in accordance with the provisions of the Pakistan Onshore Petroleum (Exploration and Production) Rules, 2013, and on the terms and conditions set forth or referred to therein, and _____ (hereinafter referred to as "the lessee") hereby accepts a development and production lease, on the terms and conditions aforesaid and on further terms and conditions set forth herein as follows:

(1) This lease is granted to the following companies, with working interest as stated herein:

Name(s) of lessee(s)

(2) This lease gives the lessee(s) the exclusive right to perform activities in connection with the development and production of petroleum in the following areas:

Lease Area No.	Coordinate	Km ²
_____	_____	_____
_____	_____	_____

(3) The lease is valid for a period of _____. The lessee(s) shall be entitled to renewal of the Lease, as follows _____

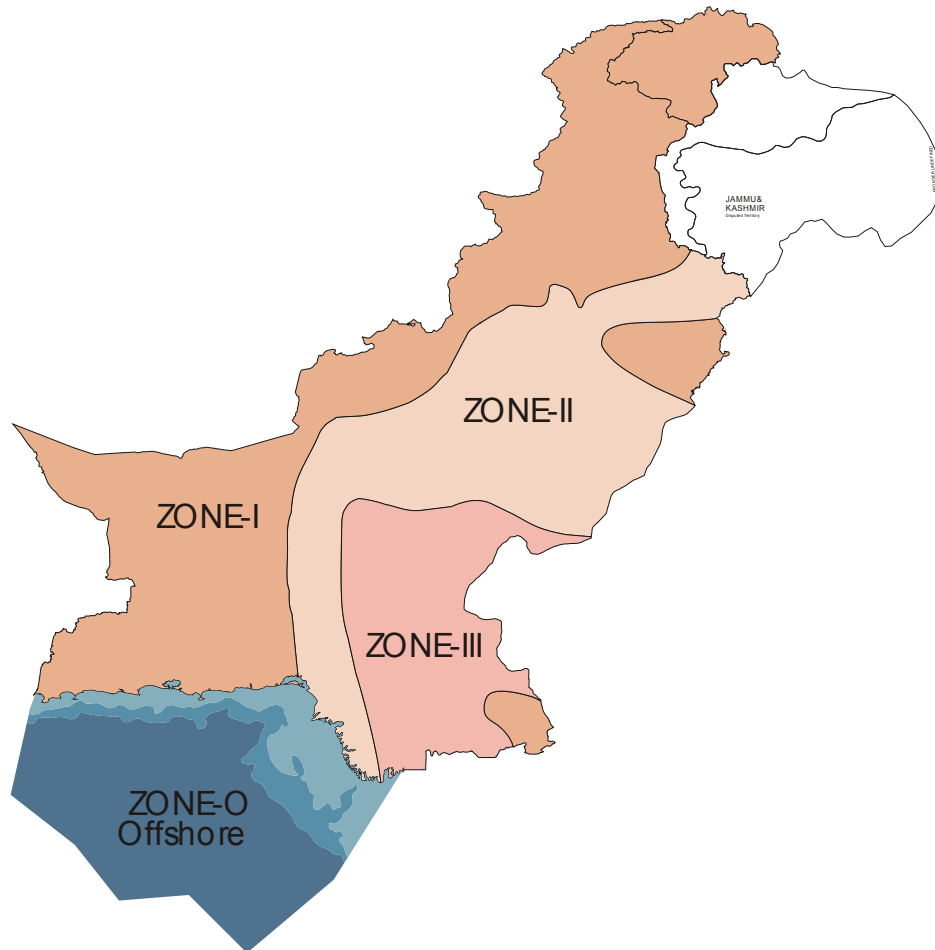
(4) The lessee(s) shall develop the petroleum deposits in the lease area with due diligence in accordance with the development plan, dated _____ subject to such modifications thereto as the Authority may approve.

(5) When the deposits have been developed, petroleum shall be produced in accordance with a production profile approved from time to time by the Authority.

(6) The laws of Pakistan shall govern all activities pursuant to this lease.

In witness whereof the President has set his hand and seal and the Lessee(s) has caused its common seal to be affixed hereon this _____ day of _____.

MAP OF LICENCING ZONE



[F.No.Expl-5(1)Rules-2013] 2013.

ABID SAEED
SECRETARY