

GOVERNMENT OF PAKISTAN
MINISTRY OF PETROLEUM AND NATURAL RESOURCES

Islamabad, the 18th June,2003.

NOTIFICATION

S.R.O. 611(I)/2003.- In exercise of the powers conferred by section 2 of the Regulation of Mines Oilfields and Mineral Development (Government Control) Act, 1948 (XXIV of 1948), and by section 14 of the Territorial Waters and Maritime Zones Act, 1976 (LXXXII of 1976), the Federal Government is pleased to make the following rules, namely:-

PART I.- GENERAL

1. **Short title, application and commencement.-** (1) These rules may be called the Pakistan Offshore Petroleum (Exploration and Production) Rules, 2003.

(2) These shall apply to offshore area.

(3) They shall come into force at once.

2. **Definitions.-** In these rules, and in every permit, licence and lease issued hereunder and every agreement executed pursuant to these rules, unless there is anything repugnant in the subject or context,-

- (i) “actual loss or damage” means all proceedings, expenses, costs, charges, claims, losses, damages, penalties and demands whatsoever including without limitation claims for loss or damage to property or injury or death to any person caused by or resulting from any petroleum operations conducted by or on behalf of contractor or anything done or purporting to be done in pursuance thereof;
- (ii) “agreement” means an offshore petroleum production sharing agreement entered into pursuant these rules between the President of the Islamic Republic of Pakistan, GHPL, and a contractor for the purpose of exploration for or development and production of petroleum from within the offshore area;
- (iii) “allowed transportation cost” means the actual cost incurred for moving the petroleum produced and saved from the field gate within the lease area to the point of determination of value of the petroleum as approved by DGPC;
- (iv) “approved” or “approval” means approval in writing by DGPC, except in the case of an environmental management and protection plan or a safety plan, in which case it means approval in accordance with the procedures of the concerned authority under applicable law;
- (v) “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 reasonably likely to influence selling

prices and shall, *inter alia*, 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 and arm's length sales value, accordingly, means the value of such sales;

- (vi) "certifying authority" means such certifying authorities as are approved by DGPC, including but not limited to the American Bureau of Shipping, Bureau Veritas, Det Norske Veritas Classification A/S and Lloyd's Register of Shipping;
- (vii) "commercial discovery" means a discovery by one or more appraisal wells which, in the opinion of a contractor with the consent of GHPL which shall not be unreasonably delayed, would yield a reasonable profit on the funds invested in petroleum operations and which has been declared a commercial discovery after consideration of all pertinent operating and financial data such as recoverable reserves, sustainable production levels, estimated development and production expenditure, prevailing prices and other technical and economic factors according to good international petroleum industry practices and would justify its economic development and commercial production;
- (viii) "commercial production" means production of petroleum out of a commercial discovery which production allows at least the recovery of all expenditure directly attributable to such commercial discovery within a reasonable time and earning of a reasonable profit;
- (ix) "contractor" means a petroleum exploration and production company or companies who has entered into an agreement or reconnaissance agreement as the case may be, to perform the functions and assume the rights and liabilities of a contractor pursuant to the terms of an agreement or reconnaissance agreement as the case may be,;
- (x) "debris" means any material that has broken away or been jettisoned or displaced in the course of any petroleum operations by a contractor;
- (xi) "DGPC" means the Director General, Petroleum Concessions and includes any officer or authority appointed by the Federal Government to exercise the powers and perform the functions of the Director General, Petroleum Concessions, under these rules;
- (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 and demarcation of which shall be made by a contractor with the consent of GHPL as development area in accordance with the provisions of an agreement;
- (xiii) "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 contractor which produces a flow of petroleum at the surface which is measurable by the conventional petroleum industry testing methods;

- (xiv) “environmental management and protection plan” means an environmental management and protection plan submitted to and approved by the concerned authority under applicable law;
- (xv) “exploration well” means a well which test clearly a separate geological entity, be it of structural, lithologic or facies of pressure nature, penetrating all prospective intervals at the particular location;
- (xvi) “good international petroleum industry practices” means, generally, the reasonable and prudent diligent use of policies, procedures, practices, 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, always having due regard for safety and other factors and means, in particular, knowledge of and compliance with the standards that may be developed by relevant professional institutions and adopted by the Government from time to time;
- (xvii) “Government Holdings (Private) Limited” or “GHPL” means the State owned corporate body established under the laws of Pakistan to perform certain functions as are specifically described in these rules and which is a party to an agreement or reconnaissance agreement as the case may be, and includes its successors and assigns;
- (xviii) “Government” means the Federal Government;
- (xix) “laws” means laws, rules and regulations of the Government, and includes where applicable, laws of a Province of Pakistan;
- (xx) “lease” means an exclusive right to develop and produce petroleum within a designated portion of a licence in offshore area, which has been granted under a lease issued in the name of GHPL pursuant to these rules which shall be substantially in the form as set out in Part III of the Second Schedule, so as to enable it to enter into an agreement with a contractor;
- (xxi) “licence” means an exclusive right to explore for petroleum within a designated portion of offshore area, which has been granted under a licence issued in the name of GHPL pursuant to these rules which shall be substantially in the form as set out in Part II of the Second Schedule, so as to enable it to enter into an agreement with a contractor;
- (xxii) “Ministry” means the Ministry for the time being in charge of petroleum affairs;
- (xxiii) “natural gas” means petroleum which at standard atmospheric conditions of pressure and temperature is in a gaseous phase, including non-hydrocarbon gas which is in association with and produced at the surface together with such gaseous hydrocarbons;

- (xxiv) “offshore area” means all the areas that lies completely seaward from the high water mark within the jurisdiction of Pakistan, and includes all areas within the territorial waters, the historic waters, the contiguous zone, the continental shelf and the exclusive economic zone, as are defined in the Territorial Waters and Maritime Zones Act, 1976 (LXXXII of 1976);
- (xxv) “operator” means, unless otherwise specified in these rules, any of the company comprising a contractor who is designated and approved as operator pursuant to these rules to carry out petroleum operations under an agreement on behalf of the contractor;
- (xxvi) “permit” means a non-exclusive right to carry out preliminary reconnaissance work for exploration of petroleum in a designated portion of offshore area, which has been granted under a permit issued in the name of GHPL pursuant to these rules which shall be substantially in the form as set out in Part I of the Second Schedule, so as to enable it to enter into a reconnaissance agreement with a contractor;
- (xxvii) “person” means any natural person or body corporate, and includes a partnership or other entity constituted under the laws of, or authorized to do business in, Pakistan;
- (xxviii) “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;
- (xxix) “petroleum operations” means all activities conducted by a contractor under an agreement or reconnaissance agreement, related to petroleum exploration, appraisal, development and production activities and any ancillary activities reasonably related thereto and may include any gas processing, pipeline and other transportation storage or other ancillary activities necessary to facilitate the production, processing, storage, transportation and disposal of petroleum as specified in an agreement;
- (xxx) “petroleum right” includes a permit, licence and lease issued under these rules;
- (xxxi) “President” means the President of the Islamic Republic of Pakistan;
- (xxxii) “record” means all record pertaining to petroleum operations conducted by a contractor including but not limited to an account, book, return, statement, report, chart, table, diagram, form, survey, image, invoice, letter, map, agreement, memorandum, plan, core, data, sample, voucher, financial and non-financial information, and anything containing information whether in writing or in electronic form or represented or reproduced by any other means and the result of recording of electronic data, its processing systems and programmes to illustrate what the systems and programmes do, and how they operate without compromising proprietary rights, if any, related to hardware and software;

- (xxxiii) “reconnaissance agreement” means a reconnaissance agreement entered into between the President, GHPL, and a contractor for the purpose of carrying out reconnaissance work under a permit;
- (xxxiv) “safety plan” means a safety plan submitted to and approved by the concerned authority under applicable law;
- (xxxv) “Schedule” means the Schedule to these rules;
- (xxxvi) “security interest” means any charge or lien on right in relation to an agreement or any asset in respect thereof, that, pursuant to a written instrument, secures any payment or performance of an obligation, including (a) the payment of an indebtedness arising from an existing or future loan or advance of money; (b) a bond, debenture or other security of a corporation; or (c) the performance of the obligations of a guarantor under a guarantee given in respect of all or any part of an indebtedness liability referred to above;
- (xxxvii) “ship” means any form of vessel, boat or craft designed, used or capable of being used solely or partly for marine navigation and transportation, without regard to method or lack of propulsion which shall include without limitation floating production storage and operation (FPSO) ship;
- (xxxviii) “significant gas discovery” means, a discovery of natural gas from an exploration well in a licence which has tested significant flow rates of natural gas (predominantly methane) from one or more reservoirs, and which is estimated to be capable of continuous production from the said reservoir(s), over a reasonable period and which in the opinion of a contractor could be declared a commercial discovery in the future, provided, inter alia, that, (a) adequate gas pipeline transportation facilities are installed; or (b) markets have been sufficiently developed for sale of natural gas on commercial basis, or the requirements of both (a) and (b) have been met;
- (xxxix) “spill” means a discharge, emission or escape of petroleum, other than one that is authorized by applicable law or approved by the Government;
- (xl) “waste or wasted” means waste as understood in the petroleum industry and shall include working methods which, in accordance with good international petroleum industry practices are considered wasteful; and
- (xli) “value” means the wellhead value of the petroleum produced and saved less allowed transportation costs as approved by DGPC under these rules.

3. **Director General, Petroleum Concessions.**- The Director General, Petroleum Concessions, shall be responsible for the administration of these rules and the execution of all duties imposed upon him by these rules, or pursuant to any agreement.

4. **Role of Government Holdings (Private) Limited.**-GHPL shall be established to secure petroleum rights over the area(s) designated by an interested exploration and production company and to enter into an agreement or reconnaissance agreement, as the case may be, in its capacity as contracting party with such company, as per the faculty conferred

upon it by the Government from time to time.

5. **Division of offshore area.-** Any portion of offshore area may be divided into blocks of size and shape by the Government as it may, from time to time, by notification in the official Gazette, determine.

6. **By whom applications may be made.-** Any company whether incorporated in Pakistan or abroad may file an application for entering into an agreement or reconnaissance agreement with respect to any area located in the offshore area to carry out either petroleum exploration or production activities, or both.

7. **Manner in which application may be made.-** (1) Every application shall be made in writing in the form set out in the First Schedule or as otherwise directed by the Government, addressed to DGPC. Every application shall be entered in the register to be maintained by DGPC. The register shall be in such form as may be specified by the Ministry and shall be open to public inspection.

(2) The application shall state the nature of and the principal place of business of the company showing interest, the authorized, subscribed and paid-up capital of such company, the names and nationality of the directors thereof and the names and holdings of the principal shareholders.

(3) With every application there shall be deposited-

- (a) a fee of twenty thousand rupees if the application is for a reconnaissance agreement related to the grant or renewal of a permit;
- (b) a fee of forty thousand rupees if the application is for an agreement related to the grant or renewal of a licence; and
- (c) a fee of eighty thousand rupees if the application is for an agreement related to the grant or renewal of a lease.

(4) There shall be attached with an application five copies of the map upon which shall be delineated the boundaries of the areas in respect of which the application has been made. 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 3, a reference to the relevant block number shall be sufficient.

(5) The applicant shall furnish evidence as to his financial and technical qualifications and as to his ability to conduct the activities under a reconnaissance agreement or an agreement, as the case may be, in accordance with the good international petroleum industry practices. Such applicant shall furnish further evidence relating to such matters, as may be requested for, by DGPC and failure to provide such evidence to the satisfaction of DGPC, within three months of the request thereof, shall, unless DGPC determines otherwise, render the application void.

(6) The applicant shall furnish an undertaking that he 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 he will eschew all espionage.

(7) The applicant shall furnish such other information as the Government may, from time to time, specify.

8. **Separate application to be made for each area.**-(1) Where an applicant shows interest over two or more areas which are not contiguous, separate applications for executing reconnaissance agreements or agreements, as the case may be, for each such areas shall be filed, unless otherwise permitted by the Government.

(2) Nothing in these rules shall prevent any applicant to file applications for more than one area.

9. **Several companies.**- Where a contractor comprises two or more companies, each of the company shall be liable jointly and severally towards the Government and GHPL, as the case may be, for obligations and liabilities, resulting from petroleum operations under an agreement or reconnaissance agreement. The contractor shall, with the prior written approval of the Government, appoint an operator from amongst them, except that such special arrangements as to the operatorship will be applicable as may be approved by the Government under rules 67 and 69. No change in such appointment shall be made without the prior approval of the Government.

10. **Interest not assignable without consent.**- A contractor or any company forming part of the contractor shall not transfer, assign, convey or otherwise dispose of its interest in the agreement or reconnaissance agreement without the previous consent in writing of the Government as specified in the agreement.

11. **Method for seeking assignments.**- An application by a contractor for consent to the assignment, transfer or otherwise disposal of its interest in the agreement or reconnaissance agreement shall be made in writing to DGPC, and shall be accompanied by a fee of ten thousand rupees. With the application, such contractor shall furnish the like particulars in respect of the proposed assignee as are required to be furnished in the case of a fresh application for entering into an agreement or reconnaissance agreement.

12. **Power to grant or refuse an application.**- Subject to rules 26, 27 and 33, an application for execution of an agreement, or reconnaissance agreement, as the case may be, or renewal or extension thereof, shall always be decided by the Government. In the event of refusal to such application, the Government shall as far as possible provide the reasons therefor.

13. **Lapse of entitlement to petroleum right.**- Where an agreement or reconnaissance agreement, as the case may be, is not executed within three months or such longer period as may be mutually agreed, after approval of the application by the Government has been conveyed to the applicant, the entitlement of the applicant to execute such agreement or reconnaissance agreement shall be deemed to have lapsed, unless the Government considers that the delay is not attributable to the fault of the concerned applicant. .

14. **Surrender of an agreement.**- A contractor may surrender his right under these rules by giving one months' notice to DGPC and GHPL of his intention to do so, and if such contractor fulfills all his obligations under the rules as well as the agreement or reconnaissance agreement, including the obligations pursuant to rule 77 or if such contractor pays liquidated damages pursuant to rule 31, he shall on the expiry of the notice be entitled to surrender his

interest in whole or in part. By so doing, the rent for the remaining period of the agreement or reconnaissance agreement would not be payable.

15. **Submission and publication.-** (1) Application for entering into an agreement or reconnaissance agreement may be submitted, either-

- (a) at the initiative of an interested applicant; or
- (b) on the basis of an invitation from the Government to submit competitive bids.

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

(3) A notice of the grant, renewal, extension, surrender, termination and assignment of an agreement or reconnaissance agreement shall be published in the official Gazette, by the Government.

16. **Terms and conditions of a petroleum right.-** (1) Every permit, licence and lease shall, subject to such modifications as may be made by the Government, be in the form as set out in Parts I, II and III, as the case may be, of the Second Schedule and shall include such additional clauses relating to ancillary or incidental matters as the Government may deem fit to insert.

(2) Once a petroleum right has been granted, it shall not be modified, amended, altered, or terminated, surrendered or relinquished, in whole or part, except in accordance with these rules and a reconnaissance agreement or an agreement, as the case may be, or the prior written consent of the Government, GHPL and the contractor.

17. **Guarantees.-** The Government may require any company seeking to enter into an agreement to furnish, in form and substance acceptable to the Government, a guarantee or guarantees, which, if the Government so agrees, may be a parent company guarantee, in respect of the obligations and liabilities of a contractor.

18. **Agreements.-** (1) Following approval of an application, the Government may cause GHPL to enter into an agreement or reconnaissance agreement, as the case may be, with a contractor to enable such contractor to carry out reconnaissance, exploration, development and production activities under relevant petroleum right.

(2) An agreement or reconnaissance agreement, as the case may be, shall remain valid for the applicable term of relevant petroleum right and may be extended or renewed for such additional period that corresponds with the term of renewal or extension of relevant petroleum right in accordance with these rules. On the expiry or early termination of petroleum right, the agreement or reconnaissance agreement, as the case may be, shall cease to be valid provided that the agreement or reconnaissance agreement, as the case may be, shall survive expiry or early termination in respect of the matters specifically covered thereunder.

(3) In the event of any conflict between the agreement or reconnaissance agreement, as the case may be, and these rules, the latter shall prevail.

PART II.- PERMIT FOR RECONNAISSANCE SURVEYS

19. **Permit.-** (1) The Government may allow GHPL to carry out through a contractor under a reconnaissance agreement, preliminary surveys including geophysical, geological, geo-chemical and geo-technical surveys and drilling of geological information bore hole over such area under a permit and on such terms and conditions as it may determine in each case.

(2) Subject to the terms of the permit, the Government may grant a licence or a lease to any other person at any time over any part of the area covered under a reconnaissance agreement.

(3) A contractor 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 a survey no later than six month of the completion of the survey;

(4) A contractor shall comply with all instructions which DGPC may issue regarding the use of maps, plans, graphs and other data generated or collected by the contractor in the course of the reconnaissance survey.

(5) A permit and reconnaissance agreement shall not extend to areas already covered by a licence or a lease unless otherwise specified by the Government pursuant to sub-rule (1) of rule 69.

(6) A contractor of GHPL under a permit shall perform work stipulated in the reconnaissance agreement with due diligence.

(7) A contractor shall for each square kilometre or part thereof comprised in the permit area pay to the Government rent at the rate of one hundred rupees per year.

20. **Period of a permit.-** (1) The initial term of a permit shall be one year. The work programme to be performed by a contractor during the term of the permit will be set out in the reconnaissance agreement.

(2) The permit shall, at the discretion of the Government, be subject to one renewal of one year. An application for renewal shall be made in writing by the contractor on behalf of GHPL atleast thirty days before the expiry of the permit or such lesser period as the DGPC allows.

(3) On receipt of an application in accordance with sub-rule (2), the Government shall renew the permit if the contractor has -

- (a) complied with the work programme and all other obligations under the reconnaissance agreement; and
- (b) agreed with the Government the minimum work programme for the renewal period.

21. **No implied rights under a permit.-** (1) The reconnaissance agreement pursuant to a permit shall not imply that a contractor shall be entitled to seek subsequently execution of an agreement over all or any part of the area covered under the reconnaissance agreement.

(2) On the expiry of the reconnaissance agreement, a contractor may apply to DGPC for entering into an agreement in accordance with these rules but shall not be entitled to claim a relaxation of these rules. However, the Government, upon a request of such contractor, 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 an agreement covering the area of a permit, if executed.

PART III.-LICENCE FOR PETROLEUM EXPLORATION

22. **Grant of licence.-** The Government may grant an exclusive petroleum licence to GHPL to enable it to carry out exploration over any area through a contractor under an agreement on such conditions as are specified in the licence and the agreement.

23. **Size of area.-** A licence shall not be granted in respect of any area of more than two thousand five hundred square kilometres. In special circumstances, the Government may decide to grant an area of up to seven thousand five hundred square kilometres provided that the applicant offers a work programme commensurate with the size of the area.

24. **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.

25. **Rights and obligations of licence holder and contractor.-** (1) Subject to the provisions of these rules, a licence shall give the exclusive right to GHPL to undertake, within the licence area, all activities through contractor under an agreement related to reconnaissance and exploration, including drilling for petroleum. A contractor or GHPL shall not be entitled to extract any petroleum from discoveries other than such test and early production as the Government may allow upon a written request submitted by the contractor provided that in no event, such test or early production shall cause loss of revenues for the Government.

(2) A contractor shall perform the work programme stipulated in the agreement.

26. **Period of licence and relinquishment of area.-** (1) The initial term of a licence shall not exceed five years keeping in view the geological condition of the licence area. The initial term may be subdivided in phases as specified in the agreement.

(2) The Government may, subject to the terms of the licence, grant up to two renewals. The term of each renewal shall be up to two years. However, to avail the renewal of maximum term of two years, a contractor shall offer adequate work programme keeping in view the geological conditions of the licence area. A contractor desiring such renewal shall make an application on behalf of GHPL at least three months before the expiry of the licence or such lesser period as the DGPC may allow. Upon grant of such renewal to GHPL, the term of the agreement shall stand extended for the corresponding period.

(3) The initial term or renewal thereof of a licence may be extended by the Government for drilling an exploration well in progress for a period not exceeding one hundred and eighty days, which shall be considered to be part of the initial term or renewal, as the case may be, and such extension in the licence shall be treated as part of any subsequent phase or renewal, where applicable and granted.

(4) A contractor shall comply with obligation of partial area relinquishment during the term of a licence on behalf of GHPL as specified in the agreement.

(5) A contractor desiring renewal of a licence pursuant to sub-rule (3) , shall be entitled to seeking renewal on behalf of GHPL if he-

(a) has complied with the work programme and all other obligations of preceding term of the licence; and

- (b) has committed to minimum work programme for the forthcoming renewal as specified in the agreement or if there is no such programme in the agreement, as is acceptable to the Government.

(6) Notwithstanding anything contained in these rules, upon a written request of a contractor on behalf and with the consent of GHPL, the Government may, on a case to case basis, extend the term of the licence based on technical considerations or revise the co-ordinate of the area covered under the licence provided that the geological structure extends into an adjoining free area.

27. **Appraisal and evaluation of a discovery and renewal therefor.**- A contractor having made a discovery of petroleum shall perform such additional work as the Government, after consultation with GHPL and the contractor, may specify, so as to enable the contractor to make timely determination of a discovery as a commercial discovery. Subject to agreement on such additional work and the contractor having complied with the minimum work programme and other obligations shall be entitled to seek renewal of the licence on behalf of GHPL not exceeding two years for the purpose of expeditious appraisal, evaluation and commercialization of the discovery. The renewal shall only apply to the discovery area.

28. **Retention of significant gas discovery.**- Upon a request of a contractor, the Government may allow retention of a significant gas discovery under the licence for a period of up to ten years covering the area of discovery. Before the expiry of allowed retention period, the contractor shall make determination as to commercial discovery and submit an application for grant of a lease along with the proposed development plan providing detailed assessment of gas market potential and a plan for infrastructure development.

29. **Declaration of commercial discovery.**- (1) Upon completion of the agreed appraisal, evaluation and commercialization work, a contractor may submit a notice for declaration of commercial discovery to the Government for its approval along with a report in accordance with clause (d) of rule 58 and general plan for development. Subject to the approval of commercial discovery, the contractor shall be entitled to apply for the grant of a lease on behalf of GHPL in respect of discovery area in accordance with these rules.

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

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

30. **Extension pending grant of lease.**- If a contractor, before the expiry of the licence, has applied for grant of a lease on behalf of GHPL and such application is registered with the Government, the duration of the licence shall be extended until the lease has been granted or refused.

31. **Work programme and other obligations not fulfilled.**- (1) Where upon the surrender or the expiry of a licence, the obligations pursuant to rule 25, 26 or 27 have not been fulfilled, a contractor shall either-

- (a) pay to GHPL such sum by way of liquidated damages for undischarged work obligations as set forth in the agreement within a period of thirty days from the surrender or expiry of the licence; or

- (b) require GHPL to request the Government to allow transfer of undischarged work obligation committed under rule 25 or rule 26 to another area if it is demonstrated to the satisfaction of the Government 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 Government on a case to case basis.

(2) 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) of sub-rule (1), is not approved, the Government may, in addition to any other action or remedy, cancel a lease granted to GHPL in respect of any area comprised within the area of the licence which has been surrendered or expired.

(3) Where a contractor is found to be in default or breach of these rules or the terms and conditions on which an agreement was executed or of his work or other obligations and has remedied such default or breach to the satisfaction of the Government in accordance with clause (a) of rule 76, the contractor shall be deemed to have mitigated such default or breach for the purposes of rules 25, 26 and 33.

32. **Rent.**- (1) A contractor shall on behalf of GHPL for each square kilometres or part thereof comprising the licence area pay rent to the Government at the rate specified in the licence.

(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

33. **Grant of development and production lease.**- (1) Following an application from a contractor on behalf of GHPL, the Government shall on being satisfied that a commercial discovery has been made and that the terms and conditions of the licence, including the work programme, have been duly observed and performed, or that the contractor is in satisfactory progress with the work programme, and that the requirements of rule 38 have been duly complied with by the contractor, grant a lease in the name of GHPL in respect of discovery area within the licence area granted to GHPL to enable the contractor to carry out development and production activities related to the commercial discovery under an agreement.

(2) The 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 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.

34. **Rights of a contractor pursuant to a lease granted to GHPL.**- A contractor shall, subject to these rules and terms of the agreement have the exclusive right to carry out

development and production operations for GHPL in respect of the commercial discovery within the area of lease including the right to undertake transportation of petroleum, subject to approval pursuant to rule 40.

35. **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.

36. **Survey expense of a contractor.-** Before a lease is granted by the Government a contractor shall, if so required by the Government, at his own expense cause a bathymographical and site survey of the sea-land specified therein to be made to scale normally required for petroleum operations purposes, and approved by the National Oceanographic Institute, and submit a report thereof to the Government.

37. **Period of lease.-** A lease shall be for the period for which application has been made supported by relevant technical and other information but not exceeding twenty-five years. Upon application from a contractor on behalf of GHPL, the Government may renew the lease for a period, not exceeding five years, if commercial production is continuing at the time of the application.

38. **Development plan.-** (1) Together with the application for a lease, a contractor shall enclose a development plan which shall contain all information in respect of the construction, establishment of all facilities, operation, safety, environment management and services for and incidental to the recovery, storage and transportation of petroleum as the Government may reasonably deem necessary which shall include but not limited such information as is specified in an agreement.

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

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

39. **Other plans.-** (1) Prior to commencement of petroleum operations under an agreement pursuant to a lease, a contractor shall also submit an environmental management and protection plan and a safety plan or any amendment thereto for approval by the appropriate authority.

(2) Each environmental management and protection plan shall be prepared in accordance with applicable law and good international petroleum industry practices, which shall ensure that petroleum operations are conducted in environmentally safe manner as per the highest principles of good international petroleum industry practices and shall provide for the protection of the natural environment. Such plan shall include without limitation-

- (a) a description of the program established by the contractor to monitor the effect of routine operations on the natural environment and the measures adopted to minimize or mitigate the same;
- (b) all contingency plans including without limitation response to, and mitigation of, the accidental spill of petroleum or hazardous substances;

- (c) a description of equipment and procedures for treatment, handling and disposal of waste material;
- (d) compliance monitoring programs to ensure that the composition of spilled waste material is in accordance with the limits specified in the environmental management and protection plan;
- (e) a summary of the chemical substances intended for use in petroleum operations; and
- (f) plans for abandonment, including without limitation removal of all structures and environmental restoration of the production site following termination of commercial production.

(3) An environmental management and protection plan, if so required by the Government, shall be accompanied by a review completed by a third party approved by the appropriate authority certifying that the environmental management and protection plan, the equipment proposed, the risks assessed, the practices and procedures identified, and all other necessary documents, have been reviewed and are reasonable and efficient and are consistent with good international petroleum industry practices, for the protection of the environment.

(4) If so required by the Government, the third party referred to in sub-rule 3 or any other competent person approved by the appropriate authority shall annually review or audit the environmental management and protection plan and having conducted such review or audit as they deem necessary, provide the appropriate authority with its professional opinion that the plan remains valid as specified in sub-rule (2) or that the plan requires some amendments for which the contractor shall take appropriate steps immediately to update the plan and ensure its immediate implementation.

(5) Each safety plan shall be prepared in accordance with applicable law and good international petroleum industry practices and shall include but not limited to-

- (a) details of the contractor's safety management policy and a description of the procedures established to ensure its effectiveness including demarcation of safety zones which shall conform to good international petroleum industry practices;
- (b) a summary of the results of all studies undertaken to identify hazards and to assess risks and means to mitigate those risks;
- (c) a description of the features incorporated in the design of any installation and of the equipment provided to eliminate hazards and reduce risks to personnel;
- (d) a description of the procedures established for the safe operation and maintenance of the installation;
- (e) the standards adopted for the training and qualification of personnel;
- (f) a description of the command structure on any installation and onshore base, and their relationship to each other;
- (g) contingency plans for response to and mitigation of accidental events affecting the safety of persons, or the integrity of the installation;
- (h) a description of the physical environmental monitoring equipment; and

- (i) the distance from the production installation, at which a ship, if any, shall remain during normal operations.

(6) The safety plan, submitted to the appropriate authority, shall be accompanied by a review by the certifying authority, certifying that the equipment proposed for use, the practices and procedures identified, and all other necessary elements, have been reviewed by the certifying authority and are reasonable and efficient and are consistent with good international petroleum industry practices for safe operations.

(7) The certificate issued by a certifying authority, shall state that the equipment or installation in question-

- (a) is fit for the purposes for which it is to be used and may be operated safely in the relevant area, without posing a threat to persons or to the environment in the location and for the time set out in the certificate; and
- (b) is in conformity with all of the requirements and conditions that are imposed for the purposes of this rule

(8) The certificate referred to in sub-rule (7) shall remain in force for so long as the equipment or installation to which the certificate relates is used in the work or activity, and shall be renewed, if so decided by the Government, annually by a certifying authority.

(9) A certificate of fitness from a certifying authority which has previously been involved in any element of the fabrication, installation or construction shall not be acceptable.

40. **Transportation of petroleum.-** (1) Subject to approval in accordance with this rule, a contractor under an agreement shall have the right to lift and transport petroleum from the area of lease, 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) A contractor under an agreement shall submit 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.

(3) The Government may, on giving its approval, stipulate such conditions as are reasonable and necessary to secure a rational system of transportation of petroleum and the Government may-

- (a) require that several contractors or leaseholders install jointly-owned transportation facilities; and
- (b) grant to any third party access to transportation capacity at tariffs to be negotiated between contractors or lease holders and approved by the Government.

41. **Royalty.-** (1) Royalty on petroleum produced and saved shall be payable by a contractor to the Government at the rate of twelve and half per cent of the value unless a different rate for royalty is provided for in the agreement.

(2) Royalty shall be paid in cash unless the Government elects to take the delivery of royalty, whether wholly or partially, in kind at field gate on a six months advance notice. In such a case the contractor shall at the request and at the costs of the Government make

arrangement for transportation of the royalty petroleum in the same manner as if it was his own petroleum.

(3) Royalty shall be payable monthly 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 rate of London Inter Bank Offer Rate (“LIBOR”) plus one and half per cent as may be determined by the Government. In the event royalty obligation remain undischarged for two consecutive months following expiry of the month of production in question to which the payment of royalty relates, the Government may take such action as it may deem appropriate in accordance with these rules.

(4) The Government shall lift or take royalty petroleum in a timely manner and in accordance with such lifting agreement as may be mutually agreed with a contractor under an agreement.

(5) A contractor shall be permitted to use petroleum produced from area of lease for drilling, production, maintenance and processing of petroleum obtained from the area of lease free of cost, royalty and excise duty provided that he 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 deducted the amount of yearly lease rent actually paid in respect of that year pursuant to rule 44.

(7) The Government may from time to time issue guidelines which will *inter-alia* cover procedure for administration and payment of royalty due from the contractor of GHPL under a lease.

(8) Notwithstanding anything to the contrary contained in these rules, 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 Government.

42. **Value of petroleum.**- (1) For the purpose of calculating the amount due by way of royalty, the value of the petroleum produced and saved shall be determined by using the monthly weighted actual selling price of the various transactions in the following manner, namely:-

- (a) For the petroleum sold to the national market pursuant to rule 46, the actual selling price means the price determined in accordance with the relevant sale and purchase agreement between the contractor and the 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; or
 - (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).

(2) For the purpose of calculating the cost recovery and production sharing, the value of the petroleum shall be determined by using the monthly weighted actual selling price of the various transactions in the following manner, namely:-

- (a) For the petroleum sold to the national market pursuant to rule 46, the actual selling price means the price determined in accordance with the relevant sale and purchase agreement between a contractor and the Government or its designee less allowed transportation cost; and
- (b) in all other cases, the actual selling price shall be the price realized through a competitive process for which the Government may issue guidelines from time to time.

43. **Royalty administration.-** (1) If a contractor comprises two or more companies, they shall designate the operator to remit royalty on their behalf unless prior approval has been obtained from DGPC to remit royalty themselves.

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

(3) If DGPC 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 DGPC.

(4) If a contractor receives insurance compensation for unavoidably lost petroleum, royalty shall be due on the amount of the compensation in accordance with the direction issued by DGPC.

44. **Yearly lease rents.-** (1) A contractor shall on behalf of GHPL for each square kilometres or part thereof comprising the lease area pay rent to the Government at the rate specified in the lease.

(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.

45. **Surface rent.-** A contractor shall pay for all land which he may use or occupy for the purposes of the operations conducted under the agreement, a surface rent at the rate assessable under the applicable laws and water rates as assessable under any relevant rules.

46. **Deliveries to the national market.-** (1) The Government may decide that a contractor under an agreement 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 Government from indigenous sources. The contractor shall deliver the petroleum at such place or places in Pakistan as the Government may direct.

(2) The provisions of sub-rule (1) shall apply to all companies producing petroleum as far as practicable, *pro rata* to their production. Each contractor's obligation may be fulfilled directly or by means of swap arrangements approved by the Government.

(3) The Government may also decide that a contractor 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 Government and a contractor.

47. **Measurement of petroleum.-** (1) A contractor 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 petroleum industry practices and approved by DGPC who may, from time to time and as and when deemed necessary, issue guidelines for installation, maintenance, inspection and other matters related to measurement of petroleum as per good international petroleum industry practices.

(2) DGPC or any officer authorized by him shall, at all times during the term of an agreement 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 contractor shall install, operate and maintain all measuring and weighing equipment ensuring that such equipment 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 DGPC, so determines after considering any representations in writing made by the contractor, 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 contractor's wilful tampering or negligence in which case appropriate adjustment in royalties, and production share together with imposition of fine will be made as determined by DGPC. The royalties and production share payable in respect of such period shall be adjusted accordingly.

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

48. **Revocation of lease.-** (1) The lease may be revoked and the agreement may be terminated if regular commercial production has not commenced within seven years from the grant of the lease. The lease may also be revoked and the agreement may be terminated if production has ceased for more than ninety days without prior written approval of the Government, unless this is due to *force majeure*.

(2) In the event, a contractor is found to have contravened sub-rule (1), the Government may issue a ninety days notice requiring the contractor to remedy the breach within the notice period failing which the Government may revoke the lease and terminate the agreement.

PART V.-ACCOUNTS, RECORD, INSPECTION AND REPORTS

49. **Keeping of records and accounts.-** (1) A contractor shall maintain full and accurate record.

(2) Original copies of all record shall be kept in Pakistan unless otherwise approved by DGPC.

(3) A contractor shall immediately comply with the demand of DGPC or GHPL, as the case may be, to submit the certified copy of any record.

50. **Period of record-keeping.-** (1) The record shall be kept and maintained for a period of six years or for a longer period as is required under the applicable law following the end of the calendar year to which the information contained in the record relates. In case of any particular record, upon application by a contractor, DGPC 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) Notwithstanding the provision of sub-rule (1), if based on reasonable grounds, DGPC is of the opinion that it is necessary for the administration of any rule, to retain record for a longer period, he may direct the concerned contractor to do so specifying the reasons therefor.

51. **Well records.-** (1) Notwithstanding the generality of rule 49, a contractor 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 subsoil 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 DGPC may, from time to time, require.

(2) A contractor shall deliver copies of the said record to DGPC as and when these become available or are required by him.

52. **Production records.-** A contractor shall always keep full and correct record which shall contain accurate entries of-

- (a) the gross quantity and quality of petroleum won and saved;
- (b) the method and results of tests conducted;
- (c) the quantity and quality of petroleum delivered in Pakistan and exported;
- (d) the quantity and quality of petroleum used for re-injection, pressure maintenance, venting, flaring, drilling or other operational purposes;
- (e) 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;
- (f) 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
- (g) such further particulars as DGPC may from time to time, require.

53. **Data to be property of the Government.-** (1) All data including but not limited to, well logs, maps, magnetic tapes, cores, samples and any other geological and geophysical information obtained by a contractor as a result of his activities under an agreement or reconnaissance agreement shall be the property of the Government. The contractor shall submit all of the aforesaid data and information as soon as it has become available to him. The contractor may, during the subsistence of an agreement or reconnaissance agreement, after prior intimation to the Government, 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 good international petroleum industry practices.

(2) All raw and processed geophysical and geological information referred to in sub-rule (1) shall be submitted to DGPC in the format including but not limited to digital format and material as agreed by DGPC.

(3) Information and data as mentioned in this rule shall be kept confidential by the Government and GHPL for a period of five years from the date the data is acquired by a contractor with the following exceptions, namely:-

- (a) Information disclosed to other Pakistani authorities, or financial institutions or consultants of the Government 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 geophysical, geological and well data including well logs may be disclosed by the Government or GHPL to any interested party after two years of the activity to which such data relates. This however shall not be applicable to the data generated under multi-client arrangements.

(4) Notwithstanding anything contained in these rules, the data in the possession of the Government in respect of a surrendered or relinquished area of a permit, licence or lease or agreement may be released by the Government to any company 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 contractor 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 (5).

54. **Power to inspect plants, record and accounts, etc.-** (1) DGPC or a person designated by him may, at any reasonable time after notice in writing enter any place where any activities or business is carried out by a contractor under the rules for the purpose of auditing or inspection or examination of *inter alia* wells, record, plants, appliances, buildings, or any other works.

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

- (a) provide access to DGPC or a person designated by him to conduct the audit or inspection or examination on his behalf to perform his duties without any hindrance;
- (b) provide all reasonable assistance to DGPC or a person designated by him to perform his duties without any hindrance;
- (c) promptly provide or make available the certified copies of records required by DGPC or to any person designated by him to perform his duties without any hindrance.

55. **Annual reports.-** (1) A contractor shall each year submit to DGPC 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 DGPC;
- (b) a description of all exploration, development, production and other work carried out by the contractor 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 petroleum industry practices. If so desired by the Government, the contractor shall be required to carry out reserves certification from an independent source as approved by DGPC; 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.

56. **Monthly reports.-** Within ten days after the end of each month, a contractor shall prepare and deliver a monthly progress report to DGPC, 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 geophysical work carried out;
- (b) a summary of all drilling activity and results obtained;
- (c) a list of maps, reports and other geological and geophysical data prepared or acquired in connection with the activities; and
- (d) a statement of expenditure incurred by the contractor during the month on a format as may be specified by DGPC from time to time.

57. **Daily reports.-** During drilling of a well, a contractor shall provide to DGPC, copies of his daily well reports on a format as may be specified by DGPC from time to time.

58. **Occasional reports.-** A contractor shall submit to DGPC, the following reports, namely:-

- (a) Within twenty-four hours, by fax with hand copy delivered within next twenty-four hours, if a well shows the presence of petroleum in significant measure or if a drillstem or any other test has been carried out on a well which produces petroleum;
- (b) within seven days after the above-mentioned report, 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 drillstem or any other test containing the following additional information, namely:-
 - (i) Conditions and results of the drillstem 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 therefrom 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 and expiry or early termination of agreement all such maps, plans, reports, records, interpretations, and data that had been made or obtained by or for the contractor relating to exploration, development, production, abandonment, restoration of site and any other operations in the relinquished, surrendered or retained areas;
- (f) report to DGPC particulars of any fresh issues of capital which may be made by him or his 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 the contractor or his parent company. Any fresh issues of capital shall at all times be subject to clause (d) of rule 76; and

- (g) from time to time, such other plans and information as to the progress and results of the contractor's operations as DGPC may require.

59. **General.-** The reports referred to in this Part V shall be made in such form and contain such further particulars as DGPC may specify. A contractor's obligations under this Part V shall comprise reports whether prepared inside or outside Pakistan and whether prepared by himself or by others.

60. **Reports of discovery.-** (1) No announcement or statement, whether direct or implied, with respect to a discovery of petroleum shall be made by a contractor except by the Government in consultation with the contractor.

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

PART VI-STANDARD OF OPERATIONS

61. **Avoidance of harmful methods of working.-** (1) A contractor of GHPL under a petroleum right shall undertake and execute all operations in a proper, prudent and workmanlike manner in accordance with these rules, an agreement or a reconnaissance agreement and good international petroleum industry practices. The contractor shall not unreasonably obstruct or interfere with other activities such as navigation and fishing.

(2) Without prejudice to the generality of the foregoing provision, a contractor 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) conserve the area for operations;
- (c) prevent damage to adjoining petroleum bearing strata;
- (d) prevent the entrance of water through wells to petroleum bearing strata, except when approved by the Government for the purposes of secondary recovery; and
- (e) prevent the escape of petroleum into any waters in or in the vicinity of the area.

(3) A contractor shall undertake petroleum operations in such a manner that avoids causing debris, which if caused shall be sole responsibility of the contractor.

(4) The Government may establish safety zones around temporary and permanent installations as per good international petroleum industry practices.

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

62. **Principles of sound operations.-** (1) All petroleum operations and activities shall be conducted diligently and in accordance with good international petroleum industry 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 Government.

(2) The Government may specify measures at the time of approval of development plan that a contractor 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 contractor shall not flare or vent any natural gas without the prior approval of the Government in writing.

63. **Commencement, testing and abandonment of drilling operations.-** (1) If a contractor of GHPL under a licence or lease wishes to get a well approved as an exploration well such approval may be obtained from DGPC prior to the commencement of drilling, after submitting all relevant data and interpretation in support thereof.

(2) A contractor shall not commence drilling, re-entry, testing and related operations or abandonment of any well without first having obtained the approval of DGPC in writing and the contractor shall-

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

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

64. **Shape of relinquished areas.** Areas which are relinquished or surrendered shall be of sufficient size and shape to enable petroleum operations to be carried out thereon.

PART VII.-MISCELLANEOUS

65. **Use of Pakistani goods and services.-** (1) In all activities carried out pursuant to these rules, a contractor shall ensure the use of Pakistani goods and services, to the extent that such goods and services are competitive with regard to price, quality and schedule of delivery provided that the price is reasonable.

(2) Local producers who are capable of supplying goods and services of type demanded shall always be included in invitations to tenders and shall be chosen if competitive.

66. **Employment and training of Pakistani personnel.-** (1) The Government may require a contractor to employ nationals of Pakistan in his organization at all levels and in all

branches including technical and administrative units and to arrange for the training in Pakistan and abroad, of nationals of Pakistan to fill the aforesaid positions. The number of Pakistani personnel to be employed or trained shall be determined in consultation with DGPC in accordance with the guidelines that may be issued by him from time to time. An application for execution of an agreement or a renewal or extension thereof and the development plan submitted with the application for grant of lease on behalf of GHPL shall contain a description of the measures proposed to be taken by an applicant during exploration, appraisal, development and production phases so as to ensure compliance with this rule.

(2) The Government may require that a contractor shall provide training for 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 for example geology, geophysics, engineering, project management, accounting, legal, and shall also be in the form of on-the-job training and participation in in-house seminars.

67. Joint exploration and development.- (1) If a petroleum deposit extends across more than one licence or lease area held by different companies, such companies shall endeavour to agree to explore and exploit the deposit jointly in the most efficient manner.

(2) Joint exploration, joint development plans or in case one of the deposits has already been developed, a joint unitization plan, together with agreement between the companies shall be submitted to the Government for approval.

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

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

(2) In case a contractor 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 a third party and the existing contractor 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 between the parties within the specified time or such agreement has not been approved by the Government, the Government may appoint an independent consultant to prepare such an agreement at the cost of the contractor concerned.

The plan so prepared by the consultant shall be considered and approved by the Government with appropriate changes for implementation as per approved schedule. The Government may, however, stipulate 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 27, 28, 29 and 33 shall apply, *mutatis mutandis*, provided that where an existing contractor makes a new commercial discovery, the provisions of rule 33 shall not be applicable and the existing lease shall be amended 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 Government may upon request allow the contractor 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 27.

69. **Exploration and use of facilities by a third party.-** (1) The Government may allow a third party to undertake exploration in the area of a licence or lease as may be necessary to obtain sufficient knowledge as to the geological conditions in areas surrounding such area. The said exploration activities must not unreasonably interfere with the activities of a contractor. After consultation with the contractor concerned the Government shall determine the manner in which such exploration is to be carried out e.g., type, duration and exploration area, provided in any case that such third party shall not be given any rights whatsoever in the licence or lease area.

(2) The Government may decide that production, processing and transportation facilities owned by GHPL or a contractor shall be available for utilization by others, if this is deemed to be desirable for the purpose of efficient operations, or if required by the public interest. Such utilization shall be with respect to the capacity of such facilities that is in excess to the existing or reasonably anticipated future needs of the contractor and GHPL and shall not adversely interfere with the activities and the rights of the contractor and GHPL. The user shall pay compensation for such utilization as may be mutually agreed and approved by the Government. If GHPL or the contractor and the nominated user fail to reach an agreement on compensation within hundred and eighty days or if the Government does not approve the agreed compensation, the Government may appoint an independent consultant to determine such compensation at the cost of GHPL or the contractor concerned or the nominated user, as the case may be. The compensation so determined by the consultant shall be considered and approved by the Government. The Government may, however, stipulate such additional conditions as may be reasonably considered appropriate in the interest of such joint utilization plan.

70. **Security interest.-** Subject to these rules, and with the prior approval of the Government, a contractor or any company comprising contractor may create security interest for obtaining financing for petroleum operations. The Government may cause GHPL to execute all reasonable acknowledgements to formalize arrangements related to creation of such security interest provided that in no event the Government or GHPL shall be liable for any indebtedness or liability of the contractor or any company comprising contractor.

71. **General right of contractor under a lease to enter land.-** Subject to approval of the Government and of any other authority which may be involved, and on such conditions as may be stipulated, a contractor shall have the right, as required for the purpose of carrying out operations under the lease, to-

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

72. **General rights of a contractor under permit or licence to enter land.-** Subject to approval of the Government and of any other authority which may be involved, a contractor or GHPL under a permit or licence shall have the rights stipulated in clauses (a), (b), (d), (f) and (h) of rule 71 provided that houses and machinery referred to in clause (d) must be temporary.

73. **Restrictions on a contractor's rights.-** (1) The rights granted to a contractor shall not prejudice or affect the exercise of any of the following powers, namely:-

- (a) The Federal Government or any person authorized by him may within the contractor's area search for and produce any minerals or substances other than petroleum and make and maintain such installations and facilities as required for the said purpose;
- (b) the Federal Government or any other persons authorized by him may within area of the contractor-
 - (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 it 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; and
- (c) the Federal Government shall have the liberty and power 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 contractor.

(2) The Federal Government's powers pursuant to clauses (a) and (b) of sub-rule (1) shall be exercised and enjoyed in such a manner as not to unreasonably hinder or interfere with the rights of a contractor. Fair and proper compensation shall be paid by the Federal Government for all loss, damage or injury (not, however, including the value of any water,

stones, earth or other materials taken) which the contractor may sustain or be put to by reason or in consequence of the exercise of the said powers.

74. **Power to execute works.-** In case a contractor at any time fails to perform his obligations under these rules or under an agreement, the DGPC shall be entitled after giving to the contractor reasonable notice in writing of his intention to execute any works which in his opinion may be 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 contractor.

75. **Power to control spill or waste.-** (1) A contractor shall at all times, has obligation not to cause spill and waste.

(2) Where DGPC, on reasonable grounds, is of the opinion that, with respect to any operation of a contractor, spill or waste is required to be controlled or prevented, he may order the contractor to control or prevent spill and waste within a reasonable period of time, failing which he may 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 contractor.

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

(4) Notwithstanding anything in sub-rules (1), (2) and (3), DGPC or a contractor may exercise the option not to refer such matter to an independent consultant, in which event such dispute, controversy or claim shall be settled through arbitration in accordance with laws in force in Pakistan or as otherwise specified in the agreement.

76. **Power to revoke.-** In addition to other grounds for revocation stated in these rules, the Government may revoke a petroleum right after serving a thirty days show cause notice and according to the procedure specified in the agreement if-

- (a) a contractor thereof is, in a material respect, in breach of the terms and conditions on which an agreement or reconnaissance agreement was executed, of the provisions of these rules or of any other written 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 him by DGPC, remedied the breach, or where the breach is not capable of remedy, has not, within such period offered reasonable compensation in respect thereof;
- (b) the agreement or reconnaissance agreement was executed by reason of information given by the contractor which was false in a material respect;
- (c) the contractor or his parent company makes an arrangement or composition with its creditors, a receiver is appointed or the contractor goes into liquidation whether compulsory or voluntary;

- (d) without the prior consent of the Government, there is a disposition of the share capital of the contractor or its parent company in consequence of which any person who prior to that disposition had effective control of the contractor or its parent company ceases to have such effective control; and
- (e) the contractor has failed to make payment to the Government or GHPL, whether full or part, payable under these rules or an agreement or reconnaissance agreement and such payment remains in arrears or unpaid for two subsequent months next after any of the day on which the same was ought to be paid.

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

(2) When a petroleum right has expired and agreement or reconnaissance agreement, has terminated or have been surrendered wholly or partly, or the use of installations and facilities including related equipment has come to an end, the Government through GHPL shall have the right to takeover such installations and facilities including related equipment. An agreement may provide details regarding the same. This shall also include pipeline transportation and related facilities installed by a contractor to secure shipment of petroleum.

(3) At takeover of the installations and facilities including equipment pursuant to sub-rule (2), a contractor shall be required to hand over such installations and facilities including equipment in such condition as required under good international petroleum industry practices. No compensation shall be given to the contractor in case of such takeover. Takeover shall involve an automatic cancellation of any security for debts or leasing arrangement related to such installations and facilities including equipment and title of the same shall be transferred to the Government.

(4) If the Government does not wish to exercise its right to takeover the installations and facilities including equipment, the Government may demand that removal shall be carried out by a contractor at his expense, in which case the provisions of sub-rule (1) shall apply.

(5) Unless otherwise stipulated in a agreement, at least one year prior to termination, a contractor shall submit to the Government a plan for the orderly closing down and abandonment of his operations, and for the removal of the facilities or their transfer to the Government, as the case may be.

78. Indemnity.- A contractor shall be responsible and liable for actual loss or damage and the consequences of his activities under the agreement. The contractor under the agreement shall-

- (a) effectively indemnify, defend and hold harmless the President, the Government and GHPL 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 contractor, by any third party, or any thing done or purporting to be done in pursuance thereof, provided that contractor shall not be held responsible to the Government and GHPL for any indirect or consequential damages or loss, including loss of profit and any loss, claim, damage or injury caused by or resulting from any negligent action of any concerned personnel of the Government or GHPL; and

- (b) if required to do so by the Government, take out and maintain such insurance as the Government may approve against any liability of the contractor under these rules and the agreement.

79. **Miscellaneous obligations.-** A contractor shall establish an organization in Pakistan with sufficient competence and capacity to conduct all operations and activities pursuant to these rules and shall-

- (a) immediately after execution of an agreement or reconnaissance agreement but before commencing any petroleum operations in the relevant area, furnish to DGPC, the name and address of the manager, resident in Pakistan, under whose supervision petroleum operations are to be carried out; and
- (b) in writing, keep DGPC informed of the names, addresses and nationalities of sub-contractors employed by him from time to time.

80. **Force majeure.-** (1) Failure on the part a contractor to fulfil any of the terms and conditions of these rules, an agreement or reconnaissance agreement shall not give the President, or the Government, any claim against the contractor or be deemed a breach of his obligations insofar as such failure arises from *force majeure*.

(2) In this rule the expression "*force majeure*" includes the act of God, war, insurrection, riot, civil commotion, blockade, strike, lockout or other industrial disturbances, flood, lightning, explosion, fire, earthquake and any other happening which a contractor could not reasonably prevent or control.

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

(4) The term of a petroleum right granted to GHPL and an agreement or reconnaissance agreement, as the case may be, shall be extended for the duration of the *force majeure* situation and for such further period as is required to resume a contractor's operations.

81. **Arbitration.-** Except as otherwise agreed in a reconnaissance agreement or an agreement, as the case may be, or expressly provided for in these rules, any question or dispute regarding a petroleum right or an agreement or reconnaissance agreement or any matter or thing connected therewith shall be resolved by arbitration in Pakistan and in accordance with Pakistan laws.

82. **Applicable laws, rules and regulations.-** (1) Except as otherwise provided for in these rules, all laws, rules and regulations of Pakistan as are applicable to

(c) The applicant must provide documentary evidence along with application to substantiate the above information to the satisfaction of the Government.

9. The applicant for an exploration licence shall submit in addition the data referred to in Exhibit I to this Schedule.

We hereby declare that all the foregoing particulars are correct. Furthermore, we hereby declare that we shall abstain from all political activity whatsoever affecting the sovereignty or security of Pakistan or such as may tantamount to interference in its internal affairs and that especially we shall eschew all espionage.

Signature(s) of

Date: _____

Applicant: _____

Title: _____

* *If the applicant is a subsidiary, the same information shall be given with respect to its ultimate parent company.*

Exhibit I
[See the First Schedule]

**PARTICULARS TO BE FURNISHED BY APPLICANT FOR ENTERING INTO A
PRODUCTION SHARING AGREEMENT**

1. Information about the applicant:

Economic data worldwide for the applicant, his ultimate parent company and the group of companies controlled by his ultimate parent company:

- (1) Total investment in petroleum activities split on the following items:
 - (a) exploration;
 - (b) production;
 - (c) transportation systems;
 - (d) refining and processing; and
 - (e) marketing.
- (2) The total turnover of the group as well as the turnover with regard to petroleum activities.
- (3) Net income after taxes.
- (4) Total value of assets.
- (5) Profitability indicators, including the following:
 - (a) earnings per share;
 - (b) return on common equity; and

(c) return on total capital employed.

(Figures under sub-items 1-5 above shall relate to the three latest years for which these figures are available)

(6) Operational data worldwide for the applicant, his ultimate parent company and the group of companies controlled by his ultimate parent company:

(a) Production of oil gas (bbl/day).

(b) Refinery capacity (bbl/day).

(c) Sales of petroleum products (bbl/day).

(d) Number of exploration wells, wildcats and appraisal wells.

(e) Number of employees in petroleum activities.

(Figures under sub-items a-e above shall relate to the three latest years for which these figures are available).

2. **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 above sub-items (a) to (d) and item 3 below shall be summarized in a separate form.

(f) The application must comprise information about the geological and geophysical 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 geophysical point of view must be included.

3. **Proposed work programme, economic terms, etc:**

The applicant should indicate his proposed terms regarding:

(a) The work programme for each of the area (blocks) applied for, including the size of seismic grid, number of exploration wells (wildcats) with indications of depths and/or geological horizons to be

penetrated in each exploration well, and the minimum expenditure amount to be allocated to and spent on exploration activities.

- (b) Any additional royalty or other economic compensation offered.
- (c) The applicant should include information as to his 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 rules 2(xx), 2(xxi) and 2(xxvi)]

PART I

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 Offshore Petroleum (Exploration and Production) Rules, 2003, and on the terms and conditions set forth or referred to therein, and GOVERNMENT HOLDINGS (PRIVATE) LIMITED (hereinafter referred to as “the Permit Holder”) hereby accepts a Reconnaissance Permit on the terms and conditions aforesaid and on further terms and conditions set forth herein as follows:-

- (1) The Permit Holder and _____ (hereinafter referred to as the “Contractor”) will enter into a Reconnaissance Agreement as per Annex-I under which the Contractor would carry out work programme outlined below.
- (2) This Permit gives the Permit Holder the non-exclusive right to perform activities through the Contractor in connection with reconnaissance and exploration for petroleum in the following areas:

Permit Area No.	Coordinates.	Km ²
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

- (4) The Contractor 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 Contractor (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; and
- (b) in areas where structures are expected to continue into neighbouring areas (blocks), DGPC, may require certain specifications for the survey.

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

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

PART II

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 Offshore Petroleum (Exploration and Production) Rules, 2003, and on the terms and conditions set forth or referred to therein, and GOVERNMENT HOLDINGS (PRIVATE) LIMITED (hereinafter referred to as “the Licensee”) hereby accepts an exploration licence, on the terms and conditions aforesaid and on further terms and conditions set froth herein as follows:-

(1) The licensee and _____ (hereinafter referred to as the “Contractor”) will enter into a Production Sharing Agreement not later than thirty days after this licence has been granted as per Annex-I under which the Contractor would carry out work programme outlined below. Any subsequent amendment, supplement, or exception from the Production Sharing Agreement requires the Government’s prior written approval.

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

Licence Area No.	Coordinates.	Km ²
_____	_____	_____
_____	_____	_____

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

(4) The Contractor 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 specified in the agreement.

(5) The Contractor shall undertake such coring and other tests and registrations as the DGPC 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.

(6) If the Contractor should fail to complete the above mentioned work programme within the time limits specified, he shall pay liquidated damages to the GHPL, as specified in the agreement.

(7) If the Contractor comprises more than two or more companies then they shall, not later than thirty days after this licence has been granted enter into a Joint Operating Agreement amongst themselves and provide a copy of the same to the Government of

the Islamic Republic of Pakistan. No change in the same shall take place without prior intimation to the Government.

(8) 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 has set his hand and caused his common seal to be affixed hereon this _____ day of _____.

* Delete, amend or add as applicable.

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 Offshore Petroleum (Exploration and Production) Rules, 2003, and on the terms and conditions set forth or referred to therein, and GOVERNMENT HOLDINGS (PRIVATE) LIMITED (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 gives the Lessee the exclusive right to perform activities through the Contractor in connection with the exploration for, exploitation of, and development and production of, petroleum in the following areas:

Lease Area No.	Coordinates.	Km ²
_____	_____	_____
_____	_____	_____

(2) The lease is valid for a period of _____. The Lessee shall be entitled to renewal of the Lease, as follows: _____.

(3) The Lessee shall develop through the Contractor the petroleum deposits in the lease area with due diligence in accordance with the development plan, dated _____ subject to such modifications thereto as the Government may approve.

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

(5) 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 _____.

[No. F 1(3)(Offshore Rules 2003)/2001-Expl]

M Abdullah Yusuf
Secretary