

December 27, 2024

Mr. Musadiq Malik
Federal Minister of Petroleum
Ministry of Energy (Petroleum Division)
3rd Floor, A Block
Pak Secretariat, Islamabad

BADIN IV SOUTH – GAS THEFT AND UNLAWFUL THIRD PARTY GAS SALE

Dear Sir,

We write further to our letters dated October 3, 2024, August 13, 2024 and June 28, 2024 on the above-mentioned subject (copies enclosed for ease of reference), wherein, we have provided irrefutable evidence of Petroleum Exploration (Pvt) Limited's ("PEL") involvement in an unprecedented act of gas theft/unlawful gas sale from the Badin IV South Block ("Badin South Block") to an unlicensed entity, i.e. Shahzad Processing Solutions (Pvt) Ltd ("SPS"), which is an affiliate of PEL.

We reiterate our earlier submissions that two Inquiry Committees constituted by the Ministry of Energy - Petroleum Division ("MOEPD") unequivocally found PEL guilty of gas theft/unlawful gas sales from Badin South Block. Also, pursuant to the directions of second Inquiry Committee, Director General Petroleum Concession ("DGPC") vide its letter dated June 22, 2023 directed PEL to stop selling gas to SPS. However, PEL secured an unlawful stay order from the Islamabad High Court ("IHC") on July 6, 2023 against the directives of DGPC by providing inaccurate, false and vague submissions.

It is pertinent to note that the MOEPD/DGPC's response to PEL's petition dated September 11, 2023 fully endorses that the gas sale to SPS from Badin South Block is unlawful and constitutes an act of gas theft. However, to our surprise and dismay, the MOEPD/DGPC has neither made any resolute attempt to vacate the impugned stay order from IHC nor initiated any decisive action against PEL for breaching the terms of the Petroleum Concession Agreement ("PCA"), applicable rules and the ECC approval of allocation of gas to Sui Southern Gas Company Limited.

Meanwhile, PEL's unlawful gas sales/gas theft have continued unabated since January 2022, with absolute impunity. The estimated volume of unlawful gas sales/gas theft is 1.5 BCF, with a market value exceeding US\$ 23.5 million. The unlawful gas sales/gas theft is being made in cash have caused significant financial losses to the GoP amounting to approximately US\$ 16.6 million. This includes lost revenue from royalty (US\$ 2.22 million), windfall levy (US\$ 5.71 million), income tax and sales tax (US\$ 8.53 million). Moreover, PEL is a wilful defaulter of the GoP obligations, with unpaid royalties and PCA obligations amounting to a colossal sum of circa PKR 4 billion.

Based on the above submissions, we would like to request you to take the following immediate actions:

- i. Implement the Inquiry Committees' recommendations.
- ii. Take proactive measures to vacate PEL's stay order from the IHC.

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- iii. Pursue decisive action for the recovery of proceeds from the gas theft.
- iv. Remove PEL as the operator due to its willful default and non-compliance of the relevant provisions of the PCA.

We would appreciate your immediate attention to this important matter.

Yours sincerely,



Dr Shakeel Ahmed
GM (JV & Commercial)

Encls: as above

CC:

1. The Honourable Prime Minister
PMO Office
2. Mr. Momin Agha
Secretary - Ministry of Energy (Petroleum Division)
3. Mr. Hassan Mehmood Yousafzai
Additional Secretary (Policy/Admin) - Ministry of Energy (Petroleum Division)
4. Mr. Riaz Ali
Director General Petroleum Concession
5. Mr. Abdul Rasheed Jokhio
Director General (Gas)
6. Mr. Muhammad Amin Rajput
Acting Managing Director - Sui Southern Gas Company Limited
7. Chairman
Public Accounts Committee (PAC)
8. Mr. Justice (R) Zia Parwez
Chairman - Transparency International – Pakistan (TIP)
9. Mr. Masroor Khan
Chairman - Oil & Gas Regulatory Authority
10. Mr. Mohammad Naeem Ghouri
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11. Mr. Zain-ul-Abideen Qureshi
Member Oil - Oil & Gas Regulatory Authority
12. Mr. Khaled M Al Saati
Chief Executive Officer - Gulf Petroleum Exploration Pakistan Ltd
13. Mr. Shahzad Zaheer
Chairman / CEO - Petroleum Exploration (Pvt) Limited

October 3, 2024

Mr. Musadiq Malik
Federal Minister of Petroleum
Ministry of Energy (Petroleum Division)
3rd Floor, A Block
Pak Secretariat, Islamabad

BADIN IV SOUTH – GAS THEFT AND UNLAWFUL THIRD PARTY GAS SALE

Dear Sir,

We write further to our letters dated August 13, 2024 and June 28, 2024 on the above-mentioned subject (copies enclosed as Annexure A & B respectively), wherein, we have provided conclusive evidence of Petroleum Exploration (Pvt) Limited's ("PEL") involvement in an unprecedented act of gas theft/unlawful gas sale from Badin IV South Block ("Badin South Block") to an unlicensed entity, Shahzad Processing Solutions (Pvt) Ltd ("SPS"), an affiliate of PEL. The unlawful gas sale/theft is continuing since January 2022, with an estimated volume of over 1.3 Bcf having a corresponding value of over US\$ 13 million.

We reiterate the submissions made in our earlier letters that the two inquiry committees constituted by the Ministry of Energy – Petroleum Division ("**MOEPD**") to conduct a fact-finding investigation have found PEL guilty of gas theft/unlawful gas sale from Badin South Block.

We also wish to highlight that, pursuant to the inquiry committee's instructions, Director General Petroleum Concessions ("**DGPC**"), vide its letter dated June 22, 2023, directed PEL to stop sale of gas to SPS, the unlicensed entity. PEL secured a stay order from the Islamabad High Court ("**IHC**") against the directives of DGPC by submitting inaccurate, false and vague petition. On September 11, 2023, MOEPD submitted its response to PEL's petition and the submissions made therein fully endorsed FHL's assertions regarding PEL's involvement in gas theft/unlawful gas sale from Badin South Block. Surprisingly, despite PEL's proven involvement in gas theft/unlawful gas sale, DGPC has not been able to vacate the stay order secured by PEL from the IHC.

The inaction of DGPC vis-à-vis vacation of stay order and stalled implementation of inquiry committee's recommendations has resulted in significant financial loss to the GoP in the form of lost royalty, windfall levy, income tax and sales tax amounting to US\$ 14.2 million as the unlawful gas sale/gas theft is being made in cash. Notably, PEL remains one of the biggest and wilful defaulters of GoP obligations and royalty payments, which amounts to a colossal sum of circa PKR 4 billion, however, DGPC did not initiate any action to recover the long outstanding amounts due.

In light of the above, we once again request you to advise DGPC to (i) implement the inquiry committees' recommendations; (ii) take proactive steps to get PEL's stay order vacated from the IHC; (iii) take decisive action for recovery of proceeds from gas theft; (iv) initiate recovery of outstanding GoP obligations from PEL; and (v) remove PEL as operator due to its wilful default.

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Your immediate action on this matter will be highly appreciated. Should you have any questions or require further information or clarifications, please feel free to contact the undersigned.

Yours sincerely,



Dr Shakeel Ahmed
GM (JV & Commercial)

Encls: as above

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Chairman / CEO - Petroleum Exploration (Pvt) Limited

August 13, 2024

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Pak Secretariat, Islamabad

BADIN IV SOUTH – GAS THEFT/UNLAWFUL THIRD PARTY GAS SALE

Dear Sir,

We write further to our letter dated June 28, 2024 on the above-mentioned subject in which we provided irrefutable evidence demonstrating Petroleum Exploration (Pvt) Limited's ("PEL") massive and unprecedented gas theft/unlawful gas sale from Badin IV South Block ("Badin South Block") to an unlicensed entity, Shahzad Processing Solutions (Pvt) Ltd ("SPS"), an affiliate of PEL (copy enclosed as Annexure – A). The unlawful gas sale to SPS is neither authorised by the Government nor approved by either of the non-operated Joint Venture Partners ("JVPs"), Frontier Holdings Limited ("FHL") and Gulf Petroleum Exploration Pakistan ("GPX").

The Ministry of Petroleum has confirmed PEL's gas theft and unlawful gas sales

In response to FHL's complaint dated December 6, 2022 regarding PEL's gas theft/unlawful gas sale, the Ministry of Energy (Petroleum Division) ("MOP") constituted two inquiry committees vide letters dated February 17, 2023 and June 22, 2023 to conduct a fact-finding investigation. The findings of both inquiry committees fully corroborated the assertions in FHL's complaint.

It has therefore been established that PEL has committed gas theft/unlawful gas sale. We have also learnt that GPX has filed a similar complaint with the MOP regarding PEL's involvement in gas theft and how non-operated JVPs are being defrauded by PEL as the operator.

The DGPC's failure to act against the MOP's inquiry recommendations is inexplicable

The inaction of the Director General Petroleum Concessions ("DGPC") and their complete disregard of such an exceptional act of gas theft, as confirmed by two MOP inquiry committees, is wholly inexplicable. DGPC's failure to act is tantamount to granting and perpetuating absolute impunity to PEL. DGPC's inability to take immediate and decisive action against PEL has encouraged PEL to augment the extent of its gas theft activities, which is evident from PEL extending its gas theft/unlawful gas sale activity to Zahrah North-01.

In the DGPC's letter dated June 22, 2023 in relation to PEL suspending its unlawful gas sale (copy enclosed as Annexure – B), the DGPC did not clearly state that the gas sale is illegal and therefore to be suspended immediately despite this being clearly decided in the MOP's two inquiry committees. Instead the DGPC's wording allowed PEL to use a false basis to secure a stay order from the Islamabad High Court ("IHC") on July 6, 2023. It is again wholly inexplicable why the DGPC should write such an unusual, vague and loosely drafted letter for what is a black-and-white issue

- to demand suspension of PEL's gas theft/unlawful gas sale from the Badin South Block as required by the MOP's committees.

The MOP submitted its response to PEL's petition on September 11, 2023 (copy enclosed as Annexure – C) and the preliminary objections clearly stated that:

- i. PEL's petition is utterly incompetent, grievously misconceived and therefore not maintainable;
- ii. PEL has approached IHC with unclean hands, hence is not entitled to any discretionary relief;
- iii. PEL has filed the petition before a final decision is made by the authority, therefore, the instant petition is an attempt to pre-empt the authority from exercising its lawful and legal function, therefore, not maintainable;
- iv. The law requires that the litigation must be bona-fide whereas the instant petition has been filed with mala-fide intentions merely and in order to restrict the Government from implementation of relevant laws;
- v. PEL's misconstrued and legally untenable position runs like a thread through the petition, forming the principal basis of challenge to the impugned letter dated 22.6.2023, and thus patents its incompetence;
- vi. PEL's petition is vague, unspecific and not sufficiently clear to be maintainable. It is frivolous, unsubstantiated, amounts to an abuse of the process of IHC; and
- vii. The petition raised only one plausible grievance, question of law or justifiable issue i.e., that the impugned letter of 22.6.2023 has been issued without authority. It also challenged the inquiry committee constituted in the matter, however, it failed to appraise IHC regarding its attendance in all meetings held by the inquiry committee.

It is evident from the above that the MOP fully endorses FHL's assertions that PEL is involved in gas theft/unlawful gas sale from Badin South Block. However, to our surprise, despite having now been fully aware of PEL's illegal act for over thirty months, the DGPC has not made any significant efforts for (i) implementation of the findings of the inquiry committee, (ii) taking action against PEL, or (iii) pursuing vacation of the impugned stay order secured by PEL from IHC, as its legal counsel has allowed PEL to seek one extension after another.

The DGPC's failure to act is causing significant loss to Pakistan and damaging confidence

The DGPC's failure to act is severely damaging foreign investors' confidence in Pakistan's regulatory regime at exactly the time that the MOP (and the wider Government) is trying to attract foreign investment.

The volume of gas theft/unlawful gas sales exceeds 1.3 Bcf, with a corresponding value of over US\$13 million. This unlawful gas sale is being made in cash that has caused significant loss to the Exchequer in the form of lost royalty and windfall levy revenue of circa US\$6.9 million and income tax and sales tax evasion of circa US\$4.6 million and US\$2.6 million respectively.

In addition, PEL is the biggest and wilful defaulter of GoP obligations and royalty under the PCA. The amount due from PEL exceeds PKR 4.5 billion. The amount due includes obligations relating to the years 2015-16, however, DGPC has failed to effectively pursue recovery of the amounts due from PEL since no action has been taken against PEL, for example, to revoke their licence to

operate, revocation of their leases, or exercise of lien on production by sending notices to the gas and condensate buyers.

The MOP is requested to intervene so the DGPC implements the MOP's recommendations

In view of the forgoing, you are once again requested to advise DGPC to implement the findings and recommendations of your own inquiry committees and vigorously pursue vacation of PEL's stay order from the IHC.

Your immediate action on the above will be highly appreciated. If you have any questions or need further information/clarifications, please contact the undersigned.

Yours sincerely,



Dr Shakeel Ahmed
GM (JV & Commercial)

Encls: as above

CC:

1. The Honourable Prime Minister - PMO Office
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4. Mr. Hassan Mehmood Yousafzai, Additional Secretary (Admin)/AC - Ministry of Energy (Petroleum Division)
5. Mr. Riaz Ali - Director General Petroleum Concession
6. Mr. Abdul Rasheed Jokhio - Director General (Gas)
7. Mr. Imran Maniar, Managing Director - Sui Southern Gas Company Limited
8. Mr. Jamil Ahmad Qureshi, Secretary - Special Investment Facilitation Council (SIFC)
9. Chairman, Public Accounts Committee (PAC)
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June 28, 2024

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Badin IV South
Gas theft/unlawful Third Party Gas Sale

Dear Sir,

We write with reference to matter of grave concern related to the irrefutable involvement of Petroleum Exploration (Pvt) Ltd ("PEL") in an unprecedented and colossal gas theft that has continued with impunity since January 2022.

Overview

On December 6, 2022, Frontier Holdings Limited ("FHL") filed a complaint with the Ministry of Energy (Petroleum Division) ("MOEP") regarding gas theft/illegal third party gas sale from the Ayesha, Ayesha North and Aminah development and production leases in the Badin IV South Block ("Badin South") by PEL to Shahzad Processing Solutions (Pvt.) Ltd, its affiliate ("SPS"). Badin South Joint Venture includes two foreign companies namely FHL, a wholly owned subsidiary of Jura Energy Corporation, listed on Toronto Stock Exchange - Venture and Gulf Petroleum Exploration Pakistan, Kuwait ("GPX"). Both FHL and GPX did not approve third party gas sale from Badin South.

Based on FHL's complaint, on February 17, 2023, the MOEP constituted a four-member Inquiry Committee to conduct a fact-finding investigation of PEL's involvement in gas theft/unlawful gas sale from Badin South. We have learnt that the Inquiry Committee (i) provided full opportunity of being heard to PEL (ii) found PEL guilty of gas theft/unlawful gas sale, and (iii) directed the authorities to take strict action against PEL and initiate legal proceedings for recovery of misappropriated money. However, despite undeniable evidences on record that PEL is involved in an unlawful act of gas theft, the Director General of Petroleum Concession ("DGPC"), one of the four members of Inquiry Committee, opted not to sign fact finding final report without providing any rational basis.

In-order to circumvent implementation of Inquiry report, PEL challenged the neutrality of the Inquiry Committee. Instead of implementing the recommendations of the Inquiry Committee, to our surprise, the Secretary Petroleum constituted another inquiry committee (the "New Inquiry Committee") to conduct fact-finding investigation of PEL's involvement in gas theft/unlawful gas sale from Badin South.

The New Inquiry Committee advised DGPC to direct PEL to immediately suspend the third party gas sale. In compliance therewith, instead of directing PEL to suspend unlawful/illegal gas sale, the DGPC vide its letter dated June 22, 2023, directed PEL to stop the sale of gas to an unlicensed entity i.e., SPS. On July 6, 2023, PEL secured a stay order from the Islamabad High Court ("IHC") against the directives of the DGPC for the suspension of the illegal third party gas sale to its affiliate by submitting false arguments which are contrary to the facts. Had DGPC instructed PEL to stop sale of illegal/unlawful gas, PEL would not have secured a stay order from IHC. In September 2023, the Petroleum Division submitted its response to PEL's Petition in the IHC, which clearly states that PEL's grounds for securing the stay from IHC are full of falsehood, frivolous and contrary to facts.

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We have also learnt that (i) the New Inquiry Committee concluded its fact-finding investigations and it found PEL guilty of gas theft/illegal sale of gas to its affiliate and (ii) the Secretary Petroleum approved the New Inquiry Committee's recommendations and instructed the DGPC to ensure their implementation. A brief summary on FHL's complaint background and findings of both the Inquiry Committees has been enclosed as Annexure – A for your ease of reference.

It is evident from the undeniable facts outlined above, that PEL is involved in an unprecedented act of gas theft/unlawful third party gas sale from Badin South. However, for inexplicable reasons the DGPC's inaction has enabled PEL to continue unlawful gas sale/gas theft from the Badin South with impunity.

Economic loss suffered by the GoP

The volume of gas theft/unlawful gas sales exceeds 1.3 Bcf, having a corresponding value of approximately US\$12.26 million. This unlawful gas sale is being made in cash, that has inflicted huge loss of circa US\$14.1 million on the GoP, in the form of (a) royalty and windfall levy revenue of circa US\$6.9 million and income tax and sales tax evasion of circa US\$4.6 million and US\$2.6 million respectively.

GOP obligations defaults

PEL is the biggest wilful defaulter of royalty and GoP obligations under the PCA. The amount of GoP obligations and royalty due from PEL is circa PKR 4 billion.

Based on the foregoing submissions, we would appreciate your immediate intervention in the matter for an expeditious action against PEL for suspension of gas theft/unlawful third party gas sale to SPS, its affiliate and initiate recovery of losses inflicted on the exchequer as a result of gas theft and recovery of outstanding GoP obligations.

We remain available to provide any further information/clarification in this respect, should you so desire.

Yours sincerely,



Dr Shakeel Ahmed
GM (JV & Commercial)

Encl: as above

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