

October 06, 2022

TIP 2022/1006/1A

Mian Muhammad Shehbaz Sharif
Prime Minister of Pakistan
Prime Minister House,
Islamabad

Subject: Complaint against M/s ENI Pakistan Limited defaulted its commitment to 15 years Agreement of Supplying 11 Million Tons LNG to Pakistan

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Complaint against the Purchasing of allegedly undervalued Assets USD16.4m Vs \$400m (approx.) of M/s ENI Pakistan Limited by an inexperienced company M/s Prime International Oil & Gas Company Limited (PIOGCL) for allegedly evading Tax of USD 75m (approx.) to National Exchequer

Honorable Prime Minister,

Transparency International Pakistan has on 30.9.2022 received a reply of its letter dated 1.9.2022 on complaint referred above from the Ministry of Petroleum, on the Pakistan Citizen's Portal, which is very vague and incomplete, and that the Pakistan Citizen's Portal has closed the complaint, with comments "Relief Not Granted". (Annex-A).

TI Pakistan would like to point out to the PM following ambiguities:

1. This incomplete and mis leading reply is an effort by M/s PLL to avoid taking timely actions against the default of M/s ENI, which failed to supply RLNG to M/s Pakistan NG Limited as per the contract agreement with M/s PLL. It is clear that M/s PLL failed to take immediate action against the default of M/s ENI Contract. According to any international contract, the default of terms of conditions, results in the imposition of liquidity damages, claim of compensation of losses incurred by the client M/s PLL. No one can approve the sale of M/s ENI, a defaulted company shares, to any other entity without payment of all the dues of PPL.
2. **This case is exactly similar to the case of sale of M/s K Electric shares by M/s Abraaj Group to M/s Shanghai Electric Power which is pending for the last 4 years due to non-clearance of Billions of rupees all the dues by M/s K-Electric, prior to the grant of the approval of sale to M/s Shanghai Electric Power.**

The failure of M/s ENI to supply RLNG cargos resulted in serious shortage of electricity, 5 times increased the price of electric generation on fuel instead of RLNG, and subsequently the indirect losses to the economy of Pakistan due to continuous loadshedding.

3. Further, the Ministry of Petroleum in its reply to Prime Minister has completely avoided Complaint No. 2, which is about the non-transparent approval of the sale of M/s ENI Pakistan to M/s Prime International Oil & Gas Company Limited (PIOGCL) which is a consortium of M/s HUBCO allegedly 37% shares, and M/s Eni Employee Buy Out Group (EBO Group) allegedly 63% shares. The experience of M/s Eni Employee Buy Out Group (EBO Group), which does not have rule of mandatory requirement of minimum 5 years' experience of oil exploration, cannot be a substitute to the conditions mentioned as defined in M/s OGDCL Rule 6 of the First Schedule of the Application for a Reconnaissance Permit or Exploration License or Development and Production Lease. M/s Hubco, who are allegedly 67% shareholder of M/s PIOGCL also does not have this mandatory experience, and are reported to have challenged in SHC against FBR tax dues. The M/s HBCQ undertaking has also been rejected by the Ministry of Law in July 2022, which has given the legal opinion to MOP stating that the undertaking by M/s HUBCO is inadequate' and questions petroleum division's intent.

Quote, The law ministry gave two reasons. Firstly, it stated that "the existing language of the undertaking does not provide for commitment". Secondly, the undertaking is in the name of the

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Donations exempted from tax U/S 2 (36) (c) of I. Tax Ordinance 2001



buyer in this case PIOGCL, therefore the government would not have the ability to enforce the said undertaking. **Unquote (Annex-B)**

4. The sale of alleged undervalued assets of M/s ENI Pakistan Limited at reduced price of \$16.4million against the estimated market value of about \$400m (approx.) M/s Prime International Oil & Gas Company Limited (PIOGCL) is reported by the an effort of allegedly evading WHT of \$75m (approx.) to National Exchequer.

The complainant has also pointed out that M/s ENI has a tax liability of \$118m to FBR. The Ministry in its letter to PM has sent completely a different story. On Complaint No.1, it has stated that actions should be taken as per the terms of contract between PLL and M/s ENI, which the complainant has already complained.

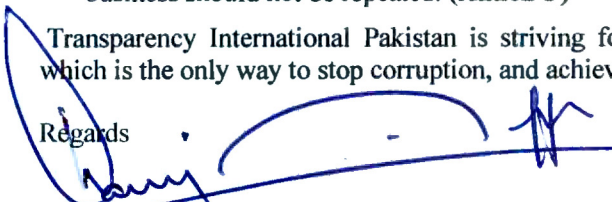
5. The complainant has sent two letters to TI Pakistan, the first letter sent by Ministry of Energy, Petroleum Division dated 23rd September 2022, and the second letter sent by PM Office to Ministry of Petroleum dated 28th September 2022. **(Annex-C&D)**.
6. The Ministry of Petroleum in its letter sent to PM dated 23 September 2022, prima facis appears to have misguided the Prime Minister as without billion of rupees liability to be cleared by M/s ENI. DG (P.C) Ministry of Petroleum cannot approve the sale, like the sale of K Electric is held up due to its non clearance of outstanding liabilities.

TI Pakistan's Recommendations

1. Transparency International Pakistan requests the Prime Minister in order to ensure confidence of the private sector to invest in Pakistan, in this case all allegations shall be mitigated and resolved by the Ministry of Petroleum, Ministry of Finance and Ministry of Law to look into the 2 issues of Complaint No 1, and 7 issues of Complaint No 2, in light of the complaint **(Annex-E)** consisting of over 15 serious allegations.
2. If allegations are found correct, M/s ENI Pakistan should clear all of its liabilities due to default of RLNG supplies as per the contract agreement, and the company should not be allowed to be sold out at an under value of \$16.4m price against the estimated market value of \$400m (approx.), evading WHT of \$75m (approx.) to the National Exchequer.
3. The allegations of fraudulent pricing to avoid FBR taxes, and approval by DG (P.C) Ministry of Petroleum which seems to be against the Ministry of Petroleum Rule 6 of the First Schedule of the Application for a Reconnaissance Permit or Exploration License or Development and Production Lease, and should be taken up by the authorities so that such alleged manipulation in business should not be repeated. **(Annex-F)**

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.

Regards


Advocate Daniyal Muzaffar,
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:

1. Senator Ishaq Dar, Minister for Finance and Revenue, Islamabad
2. State Minister for Petroleum Division
3. Chairman, NAB, Islamabad
4. Prime Minister's Inspection Commission (PMIC), Islamabad
5. Chairman, OGRA, Islamabad
6. Chairman, SECP, Islamabad
7. Registrar, Supreme Court of Pakistan, Islamabad
8. Chairman, Energy Task Force, Islamabad



Note:

TI Pakistan act as whistleblower and operate under Article 19-A, of the Constitution of Pakistan which gives the right to public to know how government is being run by public officers. Article 19-A makes the right to access of information pertaining to a public authority a fundamental right, Justice Syed Mansoor Ali Shah in his landmark judgment in case of Ataullah Malik v. Federation of Pakistan includes following order;

Right to information is another corrective tool which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19-A empowers the civil society of this country to seek information from public institutions and hold them answerable. PLD 2010 Lahore 605.



Transparency International Pakistan <ti.pakistan@googlemail.com>

Your Citizen Portal Complaint is Resolved | آپ کے سٹیزن پورٹل کی شکایت حل ہوگئی ہے

1 message

Pakistan Citizen Portal <support.pmdu@pmo.gov.pk>
To: ti.pakistan@gmail.com

Fri, Sep 30, 2022 at 3:59 PM

Respected Citizen! / محترم شہری

Following Officer (**Director General (LGs)**) closed your complaint code (**IS020922-90235936**) with following status (**Relief Not Granted**). Please see the remarks.

Officer Remarks:

Dear Citizen With regard to complaint No.1 on the LNG supply in the Transparency International Pakistan's letter, the matter has been examined in consultation with Pakistan LNG Limited (PLL). It is briefed that PLL is a 100% government owned public sector company, who has been mandated to import LNG to meet energy requirements of the country. PLL has signed a 15-year term LNG supply agreement with Eni S.p.A. pursuant to a PPRA compliant open tender. Eni S.p.A. is an Italian LNG producer based in Italy and it is a separate entity then Eni Pakistan Limited. In fact, PLL has never had any business or commercial relations with Eni Pakistan Limited. Under the agreement with Eni S.p.A., Eni supplies one LNG cargo per month for the duration of the agreement. The sale/ purchase, events of default, supply and non-supply of LNG are governed by the agreement between the parties. Accordingly, PLL is handling the issue in terms of the mutual agreement. PLL has further reported that it imports LNG, re-gasifies it and supplies the RLNG to SNGPL and K-Electric. It has no role in power generation/management, its pricing and its load management. PLL is not involved in any such functions, and they fall outside the mandate of PLL.

Email: support.pmdu@pmo.gov.pk
Pakistan Citizen Portal
PMDU|PMO|Islamabad, Pakistan



July 22, 2022

<https://profit.pakistantoday.com.pk/2022/07/22/eni-sale-law-ministry-finds-hubco-undertaking-inadequate-questions-petroleum-divisions-intent/>

Eni sale: Law ministry finds HUBCO undertaking ‘inadequate’, questions petroleum division’s intent

The sale of Eni Pakistan Limited might be delayed further, as buyer and seller try to convince government departments to give approval

ISLAMABAD: The law ministry has termed inadequate an undertaking provided by Hub Power Holding Limited (HUBCO) in the matter of acquiring Eni Pakistan, a subsidiary of the multinational oil and gas giant Eni, operating multiple gas fields in the country.

The law ministry’s advice comes in response to the Ministry of Energy’s (Petroleum Division) request for legal input on the adequacy of the undertaking, which was provided by HUBCO to Prime International Oil & Gas Company Limited (PIOGCL) as part of PIOGCL’s bid to acquire Eni Pakistan Limited. In addition, the law ministry also raised questions on the need for such an undertaking in the first place.

The undertaking was demanded by the Directorate General Petroleum Concessions (DGPC), a department of the Ministry of Energy Petroleum Division which also functions as the regulator for all upstream exploration & production activities in Pakistan.

To establish some context on the matter, the DGPC in a letter dated 30th June had sought advice from the Ministry of Law and Justice on the “adequacy of the undertaking (by HUBCO) to cover the obligations of PIOGCL”. The reason for seeking advice on the matter was to protect the interests of the government according to the DGPC.

The memo from the Ministry of Law and Justice dated July 13, 2022 in response to the DGPC read that the, “the undertaking provided by HUBCO is not adequate in respect of covering future operation of petroleum exploration licences,

development and production leases etc, decommissioning cost to be incurred upon the expiry of licences and leases”.

The law ministry gave two reasons. Firstly, it stated that “the existing language of the undertaking does not provide for commitment”. Secondly, the undertaking is in the name of the buyer in this case PLOGCL, therefore the government would not have the ability to enforce the said undertaking.

The undertaking provided by HUBCO stated that it would provide “all reasonable support” to PLOGCL.

When *Profit* reached out to HUBCO, it stated that “HPL is required to disclose the nature, period and amount of its investment under the companies act and providing such an undertaking may fall within such disclosure requirements as it is in relation to investments made in associates. Being so open ended it may jeopardise the compliance requirements of companies act 2017.” The company further added that “if the undertaking was made specific to the requirements of petroleum concession agreements, HPL may be willing to provide it.”

The law ministry, on the other hand, is of the view that considering HUBCO is not required to make any investment towards the PLOGCL, therefore, the justification given by HUBCO in respect of compliance of Companies Act, 2017 is not relevant for the purpose of undertaking. Consequently, the wording of the undertaking is not sufficient to protect the interests of the government.

Similarly, the law ministry has also advised the Petroleum Division that the undertaking should be in favour of the government, not of the buyer (PLOGCL) and the government should keep the original undertaking in its record.

The reason for this is since the undertaking by HUBCO is towards PLOGCL, the government will not be able to enforce the conditions of the undertaking if the financial and technical need arises. This essentially means that the government requires a blanket undertaking that would provide ample financial cover for its interests.

A senior official of HUBCO while talking to *Profit* said that they have assured the DGPC that HUBCO would fulfil future financial obligations as per applicable rules and regulations.

The official further pointed out that the DGPC has put forward this requirement without there being any such procedure in petroleum rules and regulations. He said the primary criteria for a buyer of petroleum exploration and production business is

to be financially and technically sound, which HUBCO-EBO group fully satisfies in the said transaction.

It is relevant to note that in March last year Eni Pakistan Limited had entered into an agreement to sell its interests in Pakistan to PIOGCL, a newly established company formed by former Eni's local employees and HUBCO, Pakistan's largest Independent Power Producer. In order to effectuate the subject change of effective control of shares from Eni Pakistan Limited to PIOGCL, Eni had requested the government for its consent under the applicable petroleum rules.

Following this request, the DGPC, in a letter sent on April 1, 2022 to Eni, had asked for an undertaking from HUBCO. The undertaking was required to say that, in case PIOGCL falls short of meeting the acquisition price of \$16.4 million and running Eni blocks operations, HUBCO will unconditionally provide all such financial support, including the Eni Employee Group's share.

HUBCO had submitted the undertaking with the petroleum division but it lacked the required unconditional financial support of PIOGCL. Upon this, the petroleum division sought the opinions of the Securities and Exchange Commission of Pakistan, Ministry of Finance, and Ministry of Law and Justice.

Sources told *Profit*, on the condition of anonymity, that serious questions have been raised over the sale of assets of Eni Pakistan to PIOGCL for only \$16.4 million while the former keeps oil and gas reserves worth approximately \$407 million. Sources said the technical and legal departments of the petroleum division have also raised several questions over not keeping bank balance of PKR 5.5 billion by the PIOGCL, which will be required for shutting down Eni Pakistan upon complete depletion of the oil and gas reserves.

Sources further claimed that an audit of PIOGCL accounts has made it clear that it does not have the required funds for running the operations of Eni Pakistan's oil and gas reserves. Pakistan Petroleum Limited (PPL) has also asked not to release the bank guarantee of Eni Pakistan for offshore Indus Block C.

It was further added by sources that it is essential to determine the actual worth of Eni Pakistan's assets using a foreign firm as the determination of the actual worth of its assets can benefit the country's exchequer worth billions.

Conversely, officials at HUBCO say that the underlying assets and liabilities of Eni Pakistan's activities, as well as the transfer of control, would only be recorded in PIOGCL's books when the deal is completed and control is transferred. Currently, PIOGCL books reflect the amount contributed by its shareholders to meet its day-to-

day expenses and other costs associated with the acquisition of the assets and transfer of control. "The true picture of PLOGCL can only be reflected by its financial statements after the completion of the acquisition transaction and transfer of control in its favour," says an official.

The company also expressed concern as to how the \$407 million estimation has been made. According to HUBCO "the valuation of reserves cannot be seen in isolation, because expenditures on drilling and operations are also very significant. Comparing the unconfirmed value of reserves with the transaction value is not logical."

That being said, it is absolutely vital to understand that the Ministry of Law and Justice is neither evaluating nor is it responsible for commenting on the financial and technical capacity of HUBCO. Therefore, the response of the ministry is restricted to the legal aspect.

It is pertinent to note that the law division has also questioned the necessity of such an undertaking as the DGPC had not provided any details (precedence, rules or regulations) which justify such a requirement. It further questioned the aspect of the government's interest that the DGPC says it wants to protect. Traditionally an undertaking is provided by the buyer, in this case PLOGCL, and not the sponsoring company, HUBCO, in such transactions.

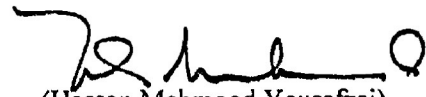
Subject: COMPLAINT AGAINST M/S ENI PAKISTAN LIMITED DEFAULTED ITS COMMITMENT TO 15 YEARS AGREEMENT OF SUPPLYING 11 MILLION TONS LNG TO PAKISTAN.

Reference Prime Minister's Office U.O No. 4(26)/DS(EA-I)/2022 dated 13th September, 2022, on the above subject. The comments of this Division are as under:

1. The Complaint No-1 in the Transparency International letter pertains to default of M/s Eni Pakistan Limited with respect to LNG. It is stated that M/s Eni Pakistan Limited, M/s Eni Pakistan (M) Limited and M/s Eni Pakistan (AEP) Limited are working in Pakistan in upstream petroleum sector and they are party to the Petroleum Concession Agreements (PCAs) signed with the President of Pakistan. Whereas, M/s Eni S.P.A is not working in upstream petroleum sector of Pakistan and is not party to any PCAs. It is clarified that M/s Eni S.P.A is incorporated in Italy and it is responsible for business of LNG. There is no provision in the petroleum rules which empower this Division to take action against the company which is not party to any PCA.

2. Complaint No-2 pertains to the sale and purchase of the entire assets of the three M/s Eni companies in Pakistan i.e M/s Eni Pakistan Limited, M/s Eni Pakistan (M) Limited and M/s Eni Pakistan (AEP) Limited to M/s Prime International Oil & Gas Company Limited (PIOGCL). The Petroleum Division has thoroughly examined the case in detail both technically and financially. According to the applicable petroleum rules and policies, the mandate of this Division is to ensure that the seller has fulfilled its financial obligations and the buyer has the technical and financial strength to fulfil the minimum work commitments and other financial obligations as mentioned in the PCAs. The actual value of Eni assets is a commercial matter between the buyer and seller and does not fall within the ambit of this Division nor required under the rules. Furthermore, due diligence has been conducted with respect to financial strength and technical capabilities of M/s PIOGCL. It is clarified that M/s PIOGCL is a local company comprising of 50% ownership by M/s HUBCO and 50% by Employees Buy Out Group (EBO Group) of Eni. It has a management team which is qualified and technically experienced, with proven track record of overseeing and managing operations pertaining to upstream oil and gas industry. As regard to the financial capabilities, M/s HUBCO shall provide all financial support to PIOGCL.

3. The query raised in Complaint No-2 (iii) pertains to Federal Board of Revenue (FBR). Nevertheless, this Division asked FBR for its clearance/NOC regarding the Change of Control of M/s Eni to PIOGCL. FBR identified a withholding tax liability of Rs. 397.46 million out of the three Sale Purchase Agreements (SPAs) between M/s Eni and PIOGCL. M/s Eni has paid the withholding tax as determined by FBR and NOC has been issued by FBR for the said change of control.


(Hassan Mehmood Yousafzai)
Additional Secretary (A)

Additional Secretary-II, Prime Minister's Office Islamabad.
DGPC U.O. No Expl-7(3) (TIP Complaint ENI)/2022, dated 23rd September, 2022

Copy to:
Joint Secretary to Finance Minister,
Q Block, Pak Secretariat,
Islamabad.

w.r.t FMO's U.O No. 1(1)-JSFM/2022-PM455
dated 16th September, 2022.

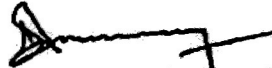
Annex-D

**PRIME MINISTER'S OFFICE
ISLAMABAD**

**Subject: - COMPLAINT AGAINST M/S ENI PAKISTAN LIMITED
DEFAULTED ITS COMMITMENT TO 15 YEARS
AGREEMENT OF SUPPLYING 11 MILLION TONS OF LNG
TO PAKISTAN**

Reference Petroleum Division's u.o No.Expl-7(3) (TIP Complaint ENI)/2022, dated 23-09-2022 and FBR u.o No.7(3)S(IR Operations) /2021/201967-R, dated 21-09-2022 on the above subject (copy enclosed).

2. It has been desired that, in light of comments furnished by Petroleum Division and FBR vide their above referred U.Os, Petroleum Division shall furnish an appropriate reply to Transparency International Pakistan under intimation to this office.


(Shakeel Ahmed Mangnejo)
Additional Secretary-II

Secretary, Petroleum Division
PM Office U.O No. 4(26)/DS (EA-I)/2022/2, dated: 29.09.2022

Dear sir,

You are requested to save the national assets and national exchequer by issuing directions to the concerned authorities to determine the actual value of the assets of Eni and ensure third party audit of its assets to know the actual value of the assets of Eni.

Ironically, a private company which does not have the operatorship experience is all set to obtain the assets of Eni at only \$16 million by allegedly evading the tax as the estimated value of the assets of Eni is approximately \$ 400 million.

The state-owned E&P companies have sufficient funds to purchase the assets of Eni and they also have operatorship experience while this would also be beneficial for the national exchequer and the country if a state-owned E&P company obtains the assets of Eni.

Here, you are again request to ensure a third-party audit of the Eni assets and stop selling of the Eni assets to a privately-owned company which does not have the operatorship experience.

Yours sincerely,

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This is in relation to recent transaction between Eni Pakistan Limited and a foreign E&P Company PIOGCL (Prime International Oil & Gas Company Limited), wherein an SPA (Sale Purchase Agreement) dated March 08, 2021 was agreed upon by both parties where entire share capital of ENI was sold to PIOGCL.

Please find below a questionnaire for the Ministry of Petroleum concerning the transaction:

1. Does PIOGCL possess the relevant financial strength to acquire Eni Pakistan Limited?

Please provide details of Cash at Bank and relevant Bank statements

2. Does PIOGCL possess the relevant technical expertise and ability to sustain and properly exploit the Eni blocks for efficient and maximal oil and gas extraction?

3. Does PIOGCL possess the relevant Management experience to manage and operate the Eni Blocks?

4. Does PIOGCL have the necessary funds to pay off the potential tax liabilities of ENI Pakistan that currently stand at USD 118m (PKR 20.63 billion), out of which USD 40m (PKR 6.99 billion) have already been accrued.

5. FBR has written a letter to DGPC letter no. 7(3)S(IR-Operations)/20216155-R dated January 13 2022 wherein FBR has reported a tax liability of withholding taxes amounting to RS 397,465,968/- which is pending against the acquiring company i.e. M/s Prime International Oil & Gas Company Limited (PIOGCL) arising out of the Sale Purchase Agreements (SPAs) between M/s Eni Pakistan, M/s Eni Pakistan (M) and M/s Eni Pakistan (AEP) Limited and PIOGCL.

It is understood that the acquisition price (16.4 Million USD) has been seriously undervalued in order to avoid the actual amount of withholding tax that would have otherwise been imposed on ENI and PIOGCL for this transaction

ENI has a history of avoiding tax payments and dodging any firm commitments to the governments – as can be seen from

Does MOE/DGPC intend to accurately decipher the actual Acquisition Price in order to ascertain the actual value to be paid in the form of Withholding Tax to the government of Pakistan?

6. Does MOE/DGPC intend to rectify the fact that the deal is undervalued in order to hoodwink the government of Pakistan and cause a huge loss to the National Exchequer?

7. The amount of capital for operations (Acquisition price) has been stated and amounted to \$16.4 million USD. It is further claimed \$50 million USD can be summoned subject to proper feasibility. This indicates that HUBCO is not fully invested in the project if the Capital being purportedly made available is subject to conditions. and there is no firm commitment from HUBCO's side.

Has HUBCO given a firm commitment to provide any funding and shown its seriousness and commitment to the transaction?

8. Has Eni Pakistan made any payment – in the form of Advance Tax – to the authorities in light of their decision to exit the Country.

9. Have the directors and shareholders of PIOGCL provided data in relation to their personal wealth and overall financial position of the directors and chairman?

Given the amount of monetary obligations to Government of Pakistan (GOP) as well as other expenses including logistics expenses, administrative fees, salaries and wages of total 280 former Eni staff members (including technical and non-technical), procurement charges etc, it would be important to

have assurance that the chairman and directors have the necessary funds and cash resources to finance the business venture long enough for it to be a going concern.

It is hence requested that source of chairman & shareholders funds be released so as to clarify their nature i.e. mostly liquid assets, non-liquid assets, interest bearing assets, loans, etc. Wealth statement

10. The current cash and bank balance of Hubco is Rs511 million or \$3.32 million.

Does HUBCO possess the necessary financial strength to pay off this enormous tax liability?

11. As per the financials shared by PIOGCL; PIOGCL's bank balance stands at Rs.210 million. The approximate acquisition cost of ENI Pakistan is USD 16.4 million (or approx. PKR 2.9 billion). Out of which PIOGCL has paid PKR 524.778million as an advance to ENI.

Has PIOGCL or Hubco provided proof and source of the remaining PKR 2.4 billion?

12. PIOGCL has stated that it is a JV of HUBCO and ENI employees (EBO) with 50/50 shareholding.

Clarification is still required, as to why the financials shared show that EBO group has invested 63% (PKR 478.8m) while HUBCO has invested 37% (PKR 280.7m) thus far?

13. Pakistan LNG Limited (PLL) PLL and ENI signed a 15-year term agreement in May 2017 under which ENI was to provide an LNG cargo per month up to 2032. Under the deal, ENI was to provide per month cargo at 11.6247% of the Brent for the first two years, 11.95% for the following two years and 12.14% for the remaining 11 years. ENI is bound to provide to Pakistan LNG Limited a total of 180 cargoes in 15 years at the PGPL terminal moored in Port Qasim.

ENI defaulted on its commitment and backed out of its term LNG cargos on more than one occasions which further worsened the gas crisis in Pakistan.

This is a serious violation of the terms and conditions of the 15 year deal signed between the governments and has serious ramifications diplomatically and commercially for the 2 countries.

Has the MOE/DGPC taken into account this willfull default of the company while assessing and evaluating the defaulting party's decision to exit Pakistan, while ENI is only focused on maximizing its profit – even if it results in defaulting on its firm term commitments to Pakistan?

Note

One on hand, ENI is willfully defaulting on its LNG shipments to Pakistan even after ferm term contratcs being in place, and on the other hand ENI is exiting Pakistan after reaping excessive benefits from the Upstream Sector of Pakistan and filling their pockets from the National Exchequer.

The regulator – in this case DGPC – should seriously consider the ramifications of transferring ENI's strategic interest to a new virgin Company with zero oil and gas experience, questionable liquidity, profitability, lack of Operatorship experience and inherent uncertainty in the ability of PLOGCL to sustain and properly exploit the Eni blocks for efficient and maximal oil and gas extraction

Moreover, the tax liability and exposure of about \$ 118 Million dollars needs to be immediately addressed by the office of DGPC before approving the sale of Pakistan's strategic assets on penny change.

[THE FIRST SCHEDULE
(See rule 6)

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

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

2. Nature of business and incorporation of the applicant:–

(a) Place of incorporation:

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

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

(d) Nature of the applicant's business:

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

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

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

3. Details of principal shareholders and the directors:

(a) Name of Principal shareholder(s): Shareholding(%)

(b) Directors:

| Name(s) | Nationality | Residential Address |
|---------|-------------|---------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |

4. Authorized, subscribed and paid up capital of the applicant:

5. Economic and financial data for the applicant (Year-wise for the last five years, if available):

(a) Total investment in petroleum activities breaks up as follows:

- (i) exploration;
- (ii) production; and
- (iii) any other related activities;

(b) The total turnover of the group as well as the turnover with regard to petroleum activities.

(c) Net income after taxes.

(d) Trading profit and loss forecasts for the next five years (including projected balance sheets and cash flow statements and any assumptions made in preparing the forecasts), and if appropriate, how any deficit will be met.

6. If applicant intends to apply as an operator, he shall provide the following, namely:-

(a) **Applicant structure:** Details of management structure showing clear lines of responsibility and processes for upstream operations providing all details of operations staff to be based in Pakistan. Details of the role of sub-contractors in the applicant's decision making process.

(b) **Health, safety and environmental management (HSE):** Details of health, safety and environmental management systems implemented and used by the applicant.

(c) **Management system:** Details of how company will manage in practice an exploration, development or production operation, clearly describing the division of responsibility between the applicant's own staff and sub-contractors, if the latter are to be employed.

(d) **Worldwide operating experience of the company and/or its management team:** Details of all worldwide operating experience overseas to demonstrate a track record of effective exploration and field management.

(e) **Field management resources:** Details of the technical resources available to the prospective operator. The company's own capacity to analyse the potential of a field. Details of capability and experience in relation to enhanced recovery operations.

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

(g) **Additional information:** Any additional information that the company considers relevant to the application.

7. Details of technical capacity of the applicant:

(a) Name of technical and business professionals including number of years and details of relevant experience to be employed. In case of replacement, the applicant shall employ another professional of equivalent exploration and production experience and expertise.

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

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

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

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

d. Wells drilled by applicant or its management team (Year-wise for the last five years ending at the last accounting year):

| | | Exploration | | Appraisal | | Development | |
|--------------|---------------------|-------------|----------|-----------|----------|-------------|----------|
| | | Onshore | Offshore | Onshore | Offshore | Onshore | Offshore |
| 20-- | Operator | | | | | | |
| | Non-operator | | | | | | |
| 20-- | Operator | | | | | | |
| | Non-operator | | | | | | |
| 20-- | Operator | | | | | | |
| | Non-operator | | | | | | |
| 20-- | Operator | | | | | | |
| | Non-operator | | | | | | |
| 20-- | Operator | | | | | | |
| | Non-operator | | | | | | |
| <i>Total</i> | <i>Operator</i> | | | | | | |
| | <i>Non-operator</i> | | | | | | |

8. Operational experience of the applicant:

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

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

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

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

10. We hereby declare that-

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

(b) all particulars contained herein are correct.

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

Signatures of the authorized
representative of the applicant

Title _____

Date _____]