

**GOVERNMENT OF PAKISTAN
MINISTRY OF PETROLEUM AND NATURAL RESOURCES**

**PC-I FORM
AND
THE SCHEME**

**OIL AND GAS EXPLORATION IN BALOCHISTAN –
OPENING OF ACTIVITIES IN TRIBAL AREAS**

(2004-2007)

INTRODUCTION

Government efforts to attract investment in Oil and Gas Exploration in the country in general and in tribal areas in particular has to a great extent been marred on account of non availability of safe access to certain areas in tribal agencies of Balochistan compelling some of the oil and gas exploration companies to suspend their exploration activities by taking refuge of Force Majeure. As a result a vast area has remained dormant since 1989-90. In addition un-necessary hindrances from the local tribes is being continuously experienced in these areas where exploration licences have already been granted.

2. It has been estimated that highly prospect areas in Balochistan have been remained under Force Majeure due to tribal interference and if negotiated settlements are achieved then, it is expected that additional gas reserves can be found which are likely to generate additional resources. Thus the province of Balochistan would be able to collect additional revenues. It is therefore felt that in order to gain the confidence of elders and local population of the area, offering of a package of financial/economic benefits may result to create conducive environment to provide safe access to the E&P companies to conduct their activities in these areas.

3. In a meeting chaired by the Chief Executive on 11.9.2001, it was inter-alia decided to resume the E&P activity in Balochistan by taking the local tribal Chiefs into confidence and providing social development programme in the respective areas. In this connection during 2002-2003 a grant of Rs.100 million on one time basis was allocated for Marri/Bugti and Mengal Tribal areas of Balochistan under the decision of Cabinet. For further activities a PC-I was prepared by this Ministry which was considered by CDWP in its meeting held on 7th July 2003. The CDWP constituted a committee comprising of Secretary P&NR as chairman, with Secretary Planning and Development Division and Addl. Chief Secretary Government of Balochistan as members for inclusion of the committee's recommendations in the PC-1. The said committee met on 7th November 2003 and based on the recommendations of Addl. Chief Secretary Government of Balochistan, it was agreed that Government of Balochistan would develop social welfare proposals/schemes for undertaking the work in Kohlu areas valuing Rs.450 million spread over three years.

4. On December,4, 2003 GOB furnished a list of schemes which was restricted by M/O Petroleum to Rs.450 million. Accordingly PC-1 was sent to the Planning Division for consideration / approval. On 12.4.04, a pre CDWP meeting was held in Planning Division wherein GOB was advised to provide the details of each scheme with its impact on the locals. The above schemes were also required to be integrated with the Chief Minister's Kohlu development Program schemes. On 11.5.04 GOB furnished certain information and provide the remaining information on 12th August and 23rd August, 2004 as required in the CDWP meeting of 12.4.04. It is expected that this will help in creating to a great extent, an environment conducive to start the safe and successful oil and gas activities by the E&P companies in these areas and also in gaining cooperation from the local population.

PART "A"

1	Name of the Project	OIL AND GAS EXPLORATION IN BALOCHISTAN- OPENING OF ACTIVITIES IN TRIBAL AREAS
2	Location:	District Kohlu areas of Balochistan. The project will be implemented through the Government of Balochistan, Quetta.
3	Product to be manufactured or services to be provided.	Social welfare schemes will be implemented for the socio-economic uplift of the tribal areas of Kohlu District.
4	Authorities responsible for:- i) Sponsoring ii) Execution iii) Operation and Maintenance	i) Ministry of Petroleum and Natural Resources, Government of Pakistan ii) Government of Balochistan. iii) Government of Balochistan
5.	Time required for completion in months: (attach bar charts etc)	36 months starting July, 2004
6	a) Plan provision: i) If the project is included in the current Five Year Plan, specify actual allocation.	Nil This project is not included in the current Five Years Plan.

<p>ii)</p> <p>iii)</p>	<p>If not included in the current Five Year Plan; how it is now proposed to be accommodated.(Inter-Sectoral adjustments in allocation or other resources may be indicated).</p> <p>If the project is proposed to be financed out of block provision for a programme; Indicate:</p>	<p>Block provision of Energy and Fuel Sector.</p> <p>Yes</p>
<p>Iv)</p> <p>b)</p>	<p>For each project a statement showing plan allocation and impact of the project being submitted for approval on the sectoral portfolio should be given in the PC-I, by agencies Ministries concerned.</p> <p>If project is not in the Plan, what warrants its inclusion in the plan</p>	<p>Government efforts to attract investments in Oil and Gas Exploration in the country in general and tribal areas of Balochistan in particular have, to a great extent, been marred on account of non-availability of safe access to certain areas in tribal agencies compelling some of oil exploration companies to suspend their exploration activities by taking a refuge of ‘Force Majeure’ clause of the PCA. As a result a vast area has remained dormant since 1989-90.</p> <p>CDWP in its meeting held on 7th July 2003 constituted a committee comprising of Secretary P&NR as chairman with Secretary Planning and Development Division and Addl. Chief Secretary Government of Balochistan as members for inclusion of the committee’s recommendations in the PC-1. This committee met on 7th November 2003 and based on the recommendations of Addl. Chief Secretary Government of Balochistan, it was agreed that Government of Balochistan would develop social welfare proposals schemes for undertaking the work in Kohlu areas valuing Rs.450 million spread over three years. On</p>

		December,4,2003 GOB furnished a list of schemes which were restricted by M/O Petroleum to Rs.450 million which were revised and integrated with the Chief Minister's Kohlu development Program schemes as required in the pre CDWP meeting of on 12.4.04. Annex-1
7	Relationship of the project with the objectives of the Sector-Indicate names of other projects (whether sanctioned or under preparation) which would form part of an integrated programme within the sect	The project will help in boosting the Oil and Gas Exploration efforts of the Government as well as the foreign companies working in Pakistan , already having Exploration Licence. The activities proposed under this project are expected to create a conducive environment for safe access for successful Oil and Gas Exploration activities in Kohlu areas.
8	Capital Cost of Project Local Cost: Foreign Exchange Component (1 US \$ = Rs.) Working Capital:	Rs. 450 million <i>Rs. 450 million</i> Nil Nil
9	Source of local and foreign financing:	Federal PSDP amounting to Rs. 450 million spread over three years(2004-2007).
10	Annual operating expenditure and cost of production (in thousand Rs.) initially and on full operation. Local: F.E: Total: Give output and cost	Not applicable Nil Nil Nil

	per unit during first year of operation And at full capacity utilization.	---
11	Previous approvals/ anticipatory approval or concept clearance if any:	No.
12	Objective and justification of project preferably in quantitative terms.	The prospects of discovery of oil and gas in Balochistan are extremely promising. However, the exploration activities could not take off at the desired pace owing to security problems, which often compelled the exploration companies to take refuge of 'Force Majeure' clause. Extensive efforts are being made to address the security issues by undertaking various measures in this regard. One such area where the prospects of discovery are quite high lies in District Kohlu. It has therefore been proposed to undertake various measures to fetch cooperation of the local s of area as well as to improve law security arrangements for safe E&P activities in these tribal areas of Balochistan. The measures to be taken under this project are briefly described as per Annex-1.
	Prepared by (Name and Designation) Checked by (Name and Designation) Approved by (Name and Designation) Date 24 th August, 2004	Dilnawaz Khan, Deputy Director, DG PC G.A. Sabri, Director General (PC) Secretary, P&NR

PART “B”

PROJECT’S DESCRIPTION AND FINANCING

13	Location of Project (attach map). Mention reason for selection of location e.g. nearness of market or sources of raw material, regional development, availability of water, power natural gas, and other resources.	District Kohlu of Balochistan.
14	<p>Exploration/Development of Oil & Gas Fields:</p> <p>a) Surveys which have already been carried out.</p> <p>b) Surveys further required to be done Work programme agreed in agreement with Directorate General of Petroleum Concession be given.</p> <p>c) Number of Exploratory wells and location of wells (attach Map and other reports).</p> <p>D Expected size of discovery. Given probability analysis of success.</p> <p>Development wells, Results of Reservoir analysis/study. Attach expected oil and gas production profile (may be</p>	- Not applicable

	<p>based on scenario approach).</p> <p>Development wells, results of reservoirs, analysis/study. Attach expected oil and gas production profile (May be based on scenario approach)</p>	
15	<p><u>Demand Analysis:</u></p> <p>Refinery Projects:</p> <p>a) Description of products/services.</p> <p>b) Local and Word-wide Demand/Supply for last five years (indicate source)</p> <p>i)Domestic Production, quantity and value.</p> <p>c) ii)Imports, quantity and value.</p> <p>d) Projected demand, supply and price over the life of the project (indicate sources and assumptions).</p> <p>e) Projected Demand/Supply gap over the life of the project.</p> <p>a) Projected International demand and supply situation.</p> <p>b) <u>Pipeline Projects</u></p> <p>c) Country-wide/Regional Demand for last five years.</p> <p>d) Country-wide/Region-Wise supply position.</p>	<p>- Not applicable-</p> <p>Not Applicable</p>

	<p>Mention at least one alternate route of the pipeline and given merits/demerits of proposed route.</p> <p>Demand of en- route area met through the proposed pipeline.</p>	
16	<p>Description and justification of Project (enclose Feasibility Study)</p> <p>a) Give detailed description of major equipment items and civil structure, (Layout of buildings, specifications, unit cost of construction etc).</p> <p>b)</p> <p>c) comment on (I) alternate technology and sources of supply of machines (ii) alternate size of installed capacity.</p> <p>Give administrative structure of project implementing organization.</p>	<p>Not Applicable</p> <p>-Not applicable-</p>
17	<p><u>Environmental Impacts:</u></p> <p>a) For Environmental Impact Assessment a report covering various aspects as attached at Appendix-A be submitted as a part of the PC-I.</p> <p>b)</p> <p>c) The levels of assessment be compared with already approved standards of GOP/Wold Bank.</p>	<p>-NA-</p> <p>No,instead there will be improvement in environment through improvement in agricultural land ; availability of suitable water for drinking, Construction of Roads,Education and Electrification purpose and as well as improving the Law and Order position in the area.</p> <p>N.A.</p>

d)	<p>Indicate if there would be any problem of pollution or removal of effluents, if so, preventive measures proposed to be taken.</p> <p>Indicate methods include in the PC-I for preserve environmental conditions of the area.</p> <p>Steps/schemes included in the project to improve the local environmental conditions.</p> <p>Measures, if any, included in scheme towards improving the country environments.</p>	<p>N.A.</p> <p>N.A.</p>						
18.	<p>Give date when capital expenditure estimates were prepared.</p> <p>If prepared more than one year ago –confirm if they are still valid.</p>	<p>June - August, 2004</p> <p>-N.A-</p>						
19	<p>Give breakdown of capital cost covering the whole of investment period as indicated below (give annual phasing over the life of the project both local as well as foreign exchange component and item-wise details of capital cost) See table-I for capital cost.</p> <p>a)Production facilities.</p>	<table border="0"> <tr> <td>2004-2005</td> <td>Rs. 150 million</td> </tr> <tr> <td>2005-2006</td> <td>Rs. 150 million</td> </tr> <tr> <td>2006-2007</td> <td>Rs. 150 million</td> </tr> </table> <p>(All cost in local currency)</p> <p>Federal Government will arrange Rs.450 million through PSDP allocation spread over three years. For 2004-05, Rs.50 million has already been provided in PSDP budget - 2004-2005 as token money.</p> <p>For detail Annexure-1</p> <p>N. A.</p>	2004-2005	Rs. 150 million	2005-2006	Rs. 150 million	2006-2007	Rs. 150 million
2004-2005	Rs. 150 million							
2005-2006	Rs. 150 million							
2006-2007	Rs. 150 million							

	<p>a) Ancillary facilities.</p> <p>b) Service and welfare facilities.</p> <p>c) Import duties, taxes and insurance etc.</p> <p>d) Production/ commissioning expenses.</p> <p>e) Interest capitalized.</p> <p>f) Contingencies.</p> <p>g) Cost escalation.</p> <p>h) Working capital.</p> <p>Given details in Annexure:</p> <ul style="list-style-type: none"> - Scope of the project mentioning physical activities to be implemented under the project - Details of cost estimates activity-wise, with local, foreign components and total. - Schedule of implementation activity-wise, Bar chart. - Details of vehicles. 	<p>Various welfare facilities have been proposed as per Annexure – 1</p> <p>NOT APPLICABLE</p> <p>Cost estimates have been prepared on the current level of prices(June – August 20004 by GOB). ---</p> <p>Annexure-1 and as given at column No. 12 above .</p>
20.	Basis of cost estimates.	Current Market prices as provided by the Government of Balochistan.

21	<p>Give cost of sales in the first year of operation and on full operation of project as indicated below: Ist year capacity utilization</p> <p>Quantity produced</p> <p>Unit Cost: Total Cost: Full operation capacity Quantity produced Unit Cost: Total Cost: Labour Fuel Maintenance</p> <p>Depreciation Production overhead Total production cost: Raw material (Specify important items separately) 1) Foreign 2) Local</p> <p>21. Benefits of the project:- Indicate any other indirect benefits (including social benefits) of the project not mentioned earlier. Given details of revenues (taxes etc) likely to accrue to the</p>	<p>NOT APPLICABLE</p> <p>Not Applicable</p>
22.	Benefits of the project:- Indicate any other indirect benefits (including social benefits) of the project not mentioned earlier.	It has been estimated that highly prospect areas in Balochistan have been remained under Force Majeure due to tribal interference and if negotiated settlements are achieved then it

	Given details of revenues (taxes etc) likely to accrue to the Government.	is expected that additional gas reserves can be found which are likely to generate additional resources.
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PART 'C'
PROJECT REQUIREMENTS

23. a) Manpower

	<u>FOR EXECUTION</u>	<u>FOR OPERATION</u>
	Man Month	Number

- 1. Professional and technical
- 2. Executive and managerial
- 3. Clerical
- 4. Sales
- 5. Skilled
- 6. Unskilled
- 7. Others Not applicable – To be executed by Government of Balochistan.
- 8. Foreign consultants
- 9. Likely shortage of manpower by occupation.
Given list of employment to be generated.
- b) Likely shortage of manpower by occupation.
- c) Give list of employment to be generated.
- c) Steps to be taken to assure availability of manpower.
- b) Approximate number of persons required to be trained per year (locally and abroad) and the kind of skills to be learnt.
- c) Cost per job created.

24. Physical and other facilities/Infrastructure required

Items	Total	To be provided from the project cost	To be provided by the Govt or the public utility
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- a) Access roads.
- b) Power/Natural gas supply.
- c) Water and other utilities. As per Annex-1
- d) Education facilities by type
- e) Public health requirements.
- f) housing by type.
- g) Others.

24. Materials, Spares , supplies and: equipment requirements No purchase of any machinery/material is proposed.

A-I Minimum total requirements during execution:

.....						
Local			Foreign			Total Cost
.....					(Local & Foreign)
Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total cost	
.....						
1.	Raw Materials.					Not applicable
	a)					
	b)					
	-					
	-Equipment and Machinery.					
	a)					
	b)					
	-					Not applicable
	-					
2.	Supplies and Spares.					
	a)					
	b)					
	-					

A..II. Materials, Spares and Supplies and equipment during operation of the projects.

.....						
Local			Foreign			Total Cost
.....					(Local & Foreign)
Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total cost	
.....						
1.	Raw Materials.					
	a)					
	b)					
	-					
	-					
	-					Not applicable
	-					
2.	Supplies and Spares.					
	a)					
	b)					
	-					
	-					
	-					

25. In the case of imported material and equipment for execution, indicate:

- a) Certificate for imports.
- b) Proposed source/sources of supply: Not applicable.

PART "D"

FINANCIAL STRUCTURE, FINANCIAL & ECONOMIC ANALYSIS.

(Rs. In Million)

26. Financial Structure

- a) Equity
Sponsors Own Resources -
Federal Government - Rs.450 million spread over in
In 3 years(2004-2007)
- Provincial Government
DFI's/Banks -
General Public -
Others
Foreign Equity (indicate partner agency) -
Total Equity -
- b) Debt
Domestic
Long-term loans -
Short-term loans -

Foreign Loans.

- Foreign Currency -
Local Currency -
Total Debt -
Total Financing (a+ b)
(attach loan repayment schedules as Annexure).

Indicate debt servicing capacity: -

- i) of the project -
ii) of loan receiving organization.
c) Debt: Equity Ratio -

27

- a) Give complete sources of financing of the project. Clarify sources of financing such as federal/provinces, foreign/ local Grant/Loan. Federal grant as mentioned above.
- b) Present position regarding availability, negotiations (commitment if any). - Not applicable

28. Financial/Economic Analysis
Provide details of recurrent expenditure on the basis of fixed and variable payments costs also Not applicable

specify the items such as establishment charges, interest payments depreciation and non salary items, maintenance charges etc. Indicate the operational arrangements of implementation and the agency responsible for meeting the recurrent cost.

- | | | |
|-----|--|---|
| 29. | Projected Income Statement and cash flow statement for the expected life of the project (at least ten years). | Indirect benefits will be immense in the form of Socio-economic uplift of the area & increased production of petroleum. |
| 30. | Net Present Value (NPV) and cost Benefit Ratio. | Not applicable. |
| 31. | Break-even Point (BEP). - | |
| 32. | Payback Period. - | |
| 33. | Internal Financial Rate of Return (IFRR) and Internal Economic Rate of Return (IFRR). | |
| 34. | Return on Equity (ROE) - | |
| 35. | Value Added Analysis. - | |
| 36. | Foreign Exchange Rate of the Project (Bruno's Ratio). - | |
| 37. | Summary of RSK/Sensitivity Analysis (under assumptions of reduced demand, decrease in sale price, increase in cost, delay in execution etc). | |

-There should be a specific heading "risk analysis" - in PC-Is. This should cover in detail and analysis risk for the following parameters:

- Changes in assumptions in financial and economic
- Analysis such as discount rates, implementation times,
- Increase/decrease of costs etc.
- An analysis of the risk involved in implementation
- Period i.e. a detailed review of the project cycle and
- Likely events which may delay the project and means of addressing those delays.

38. Annual phasing of physical work and financial requirements for the project (Attach PERT or Bar diagrams.

<u>Physical Work</u> Item of work	<u>Financial requirement</u>		
	Local	FEC	Total
Ist Year (2004-2005)	Rs. 150 million	-	Rs. 150 million
2n Year (2005-2006)	Rs. 150 million	-	Rs.150 million
3rd Year (2006-2007)	Rs. 150 million	-	Rs. 150 million

39. Given detailed profit & loss statement both on cumulative & incremental basis over the life of the project. Please indicate source of subsidy, if any. Not applicable

40. (a) Foreign Exchange earnings:

Year	Quantity exported	Unit price FOB	Total
1		Not applicable	
2			
3			
4			

Foreign Exchange Expenditure:

Year	Raw material	Consultants	Others	Total

b) Foreign Exchange Savings: Not applicable

Year	Quantity not imported	Quantity to be substituted	C&F price
Item (i)			
(ii)			Not applicable.

41. Beneficiary Participation:

Include a section in PC-I requiring executing agencies to confirm whether prospects for beneficiary participation have been considered and if so provide a detailed mechanism for involving beneficiary.

Not applicable project will be completed through PSDP(grants) allocation by Federal Government.

42. Indicate monitoring arrangements envisaged by sponsoring/executing agencies during implementation of the project.

Monitoring will be the done by the Govt of Balochistan Balochistan.

43. In case the project is funded/ sponsored by Ministry/ Agency other than implementing be responsible to agency, the mode/ Federal Govt terms for transfer of project after completion be furnished.

Not applicable. Federal Government will only be responsible to provide funding . All matters regarding execution, operation & maintenance will be handled by the Government of Balochistan.

