



Mr. Muhammed Riaz Khan,
Acting Managing Director,
Oil & Gas Development Corporation Ltd,
OGDCL House, Plot No.3,
Jinnah Avenue, Blue Area,
Islamabad,

Subject: Delay in Award of EPC contract for gas processing, LPG recovery plant & allied facilities at NASHPA oil field TENDER ENQUIRY NO. PROC/CB/PROJ(NASHPA) - 732/2012, which may become a repeat of fiasco like 425-525-MW Nandipur Project.

Dear Sir,

Transparency International Pakistan is preparing a presentation with concrete suggestions for the Prime Minister of Pakistan that aims to:

1. Identify strategy and policy measures for fast track implementation of energy related projects specially those based on local fuels
2. Identify measures at government level to give greater autonomy to energy related SOE's such as WAPDA, PEPCO, OGDCL, SNGPL, SSGC, PSO, PPL etc
3. Identify incentives to hard working and dedicated persons in energy related SOE's for timely completion of projects and lastly to
4. Identify persons in energy related SOE's who have caused billions and billions in losses through unnecessary delays in the implementation of important projects in the energy sector including power plants, Gas exploration and development and Coal based projects.

Pakistan is fortunate that the cost of locally produced gas and crude oil is much lower than imported fuel international price.

Since OGDCL is the biggest public as well as private sector company in E&P in Pakistan we request your input and suggestion for the above presentation from OGDCL perspective even though OGDCL is often accused of tender tempering and favoring one bidder over the other

It is a paradox that while Mohammad Nawaz Sharif Prime Minister of Pakistan and his team are doing everything possible to tap new discoveries and enhancing production of domestic energy sources such as gas, crude oil, coal etc to minimize burden of foreign exchange and provide affordable energy to the people of Pakistan the seriousness at PM level yet to have trickledown effect at implementation level as many officials still continue to show lack of apathy and play ping pong for ulterior motives by indulging in corrupt practices through tender manipulations in spite of PEPPRA rules very often for ulterior motives

As far as OGDCL is concerned, nine important projects being developed are listed on its website, with following three as most significant due to their monetary value and contribution towards energy self sufficiency

1. Uch-II Development Project completion date November, 2013
2. KPD-TAY Project completion date February, 2014
3. NASHPA / MELA Project completion date June, 2014.



While financial corruption is easily quantifiable very often officials causing project delays go Scott free in spite of causing loss of billions of rupees to exchequer by playing the blame game, and poor public is to pay higher taxes due to such corrupt officers acts.

The prime example is the billions already lost due to delays in awarding UCH II and KPD but if any one was bothered and pushed the heads would have rolled for such criminal negligence likely losses due to OGDCL ability to meet the completion dates given by OGDCL on its own website

Your appointment as Acting Managing Director and even though your presence may be temporary, but the wrong doings in UCH II and KPD are to be brought to the attention of present Government and the nation, as by now it is an open secret as to how the evaluation of bids were manipulated in these two projects. In case of KPD-TAY it was OGDCL good luck that Chinese contractor was found to be lowest by a wide margin which came as a disappointment to the vested quarters. People responsible should be held accountable as a deterrent to others trying to make a quick buck .

According to our information the other scandal which is brewing is up is the certainty of losses due to delay in award of Neshpa-Mela project , as per information posted on OGDCL own website Neshpa-Mela is to be completed by June 2014 but now this is a pipe dream because it will suffer a delay of minimum 9 months due to mismanagement of tender process showing no regard to the benefit accruing to the country from its completion as per deadline given in OGDCL own website

Even though technical evaluation of Neshpa-Mela took over 47 days and the valuation report was posted on the website on 27th of May 2013 and three bidders were qualified there is no end in sight as financial bids were opened after a delay of 42 days on 8th of July 2013. It is learnt that bid guarantees were extended twice.

Transparency International Pakistan would like to point out that in general OGDCL is gaining the reputation of deliberately delaying awards of contracts for months, resulting in increase in cost of projects and also deterring experienced companies to bid in OGDCL tenders.

OGDCL has signed an MoU in April 2013 under which OGDCL has agreed to address observations of TI Pakistan promptly.

It has been reported that OGDCL bid documents for Nashpa mela contains information that this project is of vital importance to the nation, as the following products will be available in 15 months from the award of contract.

The PROJECT covers Wellhead facilities, Gas Gathering System and Gas Processing Plant (including LPG Recovery Plant). The gas processing plant is intended to normally

process 98 MMSCFD with a design margin of 10 %.

The anticipated production capacity of the facility is as under:

- i) 90 MMSCFD (sales gas & fuel gas)*
- ii) 16800* Barrel/day of Condensate*
- iii) 1120 Barrel/day of NGL*
- iv) 373Tonne/day of LPG*
- v) 1 Tonne/day of Propane*



**From NASHPA wells oil production will be 16800 Barrel/day (production forecast provided by OGDCL) whereas 150 Barrel/day will be added from MELA trunk line in winter operation.*

The delay in award of Nashpa Mela is denying availability of much needed 90 MMSCFD Gas and 16,800 barrel condensate. It is reported that due to 9 months delay, only on Gas and condensate, exchequer has lost in 9 months \$ 432 million and more than \$ 500 Million in fuel gas .

The fear is that delay of Neshpa Mela project may also become a repeat of fiasco like Project of 425-525-MW Nandipur, cost of which in 2008 was Rs 22 billion, and the cost in 2013 has increased by 250%, to Rs 58 billion, just due to 2 years delay by government functionaries.

In order to address shortage of Electricity & Gas, Government of Pakistan has taken up fast track Wind/Solar/Coal/Hydro and oil based Power Projects as well as LNG import projects. The Ministry of Petroleum through SSGCL and SNNGL subsidiary company has invited bids for LNG Import Terminal initially to handle on average 100 MMSCFD Gas in one year, subsequently to 300 MMSCFD in two years.

It is to be highlighted that CM Punjab in 2012 tendered 25 Contracts, complying PPRA Rules, for Rs 29 billion for Metro Bus Project starting from Feb 2012, and the award of 25 contracts as well as completion and operation of Metro Bus by the contactors was achieved in 9 months in Nov 2012. And against this achievement of CM Punjab, OGDCL has not been able to award this contract which is life line project for Pakistan, in 10 months.

Acting Managing Director OGDCL is requested to examine the complaint, and if above facts are correct, kindly expedite the procurement process in accordance with the requirements of Public Procurement Rules 2004, and award the contract without further delay as the legal Bid Guarantee period will expire on 3 December 2013. Action against those who are held responsible in delaying this project shall also be initiated, as the exchequer is losing billions of rupees due to shortage of gas and electricity where this gas is mostly utilized. Kindly note that on OGDCL website this project, the revised completion date is June 2014, and till today OGDCL has already delayed it by 9 months.

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

With regards,

Syed Adil Gilani,
Adviser

Copy forwarded for information with request to take action under the Rules and Regulations, to;

1. Secretary to the Prime Minister, for information of Prime Minister, Islamabad.
2. Mr Shahid Khaqan Abbasi, Minister of Petroleum and Natural Resources, Islamabad
3. Chairman, OGDCL, Islamabad
4. DG, (A&P) NAB, Islamabad.
5. Registrar, Supreme Court of Pakistan, Islamabad.
6. Secretary Ministry of Petroleum & Natural Resources, Islamabad.
7. Managing Director, PPRA, Islamabad.