



21st December, 2009

Syed Zahid Hussain,
Managing Director,
Oil & Gas Development Corporation Ltd,
OGDCL House, Plot No.3,
Jinnah Avenue, Blue Area,
Islamabad,

Sub: News Report of Violation of Public Procurement Rules 2004 in Tender for Supply of rental drilling rigs costing GoP Rs 3 Billion each per year.

Dear Sir,

In the News International of 21st December 2009, a news is printed (copy enclosed), with following allegations.

"A multi-million dollar scam is in the offing in the Oil and Gas Development Company Limited (OGDCL), which is all set to hire rental drilling rigs from a select group through a 15-day domestic tender instead of floating one-month international tenders.

"The OGDCL is violating Public Procurement Rules while giving our domestic tenders as there might be some foreign merchants offering prices lower than what these 3-4 selected ones are all set to get through their own terms and conditions," sources maintained.

"The PPRA rules are grossly violated and the whole process is restricted to only three companies engaged in Pakistan as all of them will get contract for the three rigs," the source revealed.

One deep drilling rig will cost the OGDCL US\$35,000 per day and two medium depth capacity rigs would cost US \$25,000 daily, thus making US\$32 million or Rs 3 billion in one year approximately."

The allegations are of very serious nature, as under PPRA Rules, conditions to specify few chosen firms, or not inviting competitive bids, amounts to mis procurement under Rule No 50, and action are to be taken under Rule No 2 (f), corrupt and fraudulent practices.



Transparency International Pakistan has noted with concern the reason given by OGDC of inviting local tenders for such a huge work which involves foreign firms as the equipment is reported not owned by a single Pakistani firm.

Secondly we enclose the copy of list of few OGDC Tenders posted on PPRA website, which are at present more than 30, and all of them are treated as International Tenders, and allowed 30 days time limit. The reason for singling out this particular tender as given in the news report by OGDC spokesman Mr. Basharat does not seem logical.

Transparency International Pakistan request you to kindly look into this matter personally and respond to the above allegations, as the procurement appears to be in violation of PPRA Rules.

With Regards,



Syed Adil Gilani
Chairman

Encl: As above

Copy forwarded for information to;

1. Chairman, PAC, National Assembly, Islamabad
2. Auditor General Pakistan, Islamabad.
3. MD PPRA, Islamabad

INTERNATIONAL
THE NEWS

Multi-million dollar scam brewing in OGDC

Monday, December 21, 2009

By Dilshad Azeem

ISLAMABAD: A multi-million dollar scam is in the offing in the Oil and Gas Development Company Limited (OGDCL), which is all set to hire rental drilling rigs from a select group through a 15-day domestic tender instead of floating one-month international tenders.

"The OGDCL is violating Public Procurement Rules while giving our domestic tenders as there might be some foreign merchants offering prices lower than what these 3-4 selected ones are all set to get through their own terms and conditions," sources maintained.

OGDCL spokesman Basharat Mirza, when approached for a comment, consulted his seniors and came up with a version that the company was hiring the drilling rigs services through domestic tender notice in accordance with the rules and regulations rather than violating them.

"We need the drilling rigs services within the shortest possible time so as to meet the targets well within time, and the services are available in Pakistan and there is no need to float international tenders," OGDCL spokesman Mirza said.

A copy available with this correspondent, the Public Procurement Regulatory Authority (PPRA) Ordinance governs procurement in state departments but the company is hiring one deep and two medium depth capacity rigs to drill wells collectively involving US\$32 million for one year.

"Under no circumstances, the response time shall be less than fifteen working days for national competitive bidding and thirty working days for international competitive bids from date of advertisement or notice. All advertisement or notices shall expressly mention response time allowed that particularly procurement," sources read the violated PPRA clauses (13).

They elaborated that the OGDCL advertised tenders on December 9, fixing December 18 as the closing date and December 24 for bids submission as four official weekly holidays passed and the 15 days time expired on December 28, an edge for the three companies already working in Pakistan.

"The PPRA rules are grossly violated and the whole process is restricted to only three companies engaged in Pakistan as all of them will get contract for the three rigs," the source revealed.

One deep drilling rig will cost the OGDCL US\$35,000 per day and two medium depth capacity rigs would cost US \$25,000 daily, thus making US\$32 million or Rs 3 billion in one year approximately.

General Manager Supply Chain Management Department (SCMD) of OGDCL Khalid Jameel, who according to sources had opposed domestic tendering, when contacted by this correspondent said that his department worked like a post office. "We have to complete the targets within the current fiscal and that is why we are in a hurry to hire services. Representatives of almost all international companies are sitting in Islamabad and they can also approach us," he responded when asked about the urgency.

He wondered why the OGDCL should advertise this material's availability in international market when it was available domestically and readily. "And that we have not invited just one part but have invited all readily available drilling rigs." According to sources, the OGDCL has succumbed to a sort of pressure, may be political, through a lobby to award contracts to three companies having drilling rigs. One of them will get US\$35,000 per day contract and the other two will get US \$25,000 per day for medium depth rigs.

OGDCL spokesman Mirza and GM-SCMD Jamil had no satisfactory answers when asked that only working days were considered in 15 or 30 days notices. "I do not know which person is behind all this exercise as I repeat my sentence that we work as a post office," the GM-SCMD OGDCL

responded when asked about any political pressure for a decision in haste.

The OGDCL sources, however, said terms and conditions of tender were to support specific vendors as it mentioned rigs must be readily available in Pakistan. "Actually, advertisement was given after finalising arrangements with the favourite parties, just for documentation." They said five rigs were available with the favourite parties and the tender was given in a limited way, overruling fair competition, so that they could easily get a better deal.

Organization Name: Oil and Gas Development Company Limited

Tender No	Tender Title	Download	Advertised Date	Closing Date
	Oil and Gas Development Company Limited, Islamabad			
TS101731E	Purchase of Mechanical Items Supply of Button Bits for Air Compressor.....		14/11/2009	24/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS101733E	Purchase of Mechanical Items Supply of Soldering Station and Accessories.....		14/11/2009	26/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS101732E	Purchase of Equipments Supply of Digital Mutimeter.....		14/11/2009	24/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS100648E	Supply of IT items.. Supply of branded assembled computers....		27/10/2009	8/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS100642E	Supply of Miscellaneous Items Supply of Mica(fine and coarse)..		27/10/2009	2/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS100641E	Supply of Miscellaneous Items Supply of pipes and fittings material..		27/10/2009	2/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS100643E	Supply of Mechanical Items Supply of Air conditioner compressor..		27/10/2009	3/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS100644E	Supply of Mechanical Items Supply of centrifuge machine..		27/10/2009	3/12/2009 10:30:00 AM
	Oil and Gas Development Company Limited, Islamabad			
TS100645E	Supply of Chemical items Supply of water treatment chemicals..		27/10/2009	4/12/2009 10:30:00 AM

TS100646E	Oil and Gas Development Company Limited, Islamabad Supply of Miscellaneous Items Supply of Pvc fills for cooling tower...		27/10/2009	4/12/2009 10:30:00 AM
TS100647E	Oil and Gas Development Company Limited, Islamabad Supply of Chemical items Supply of calibration gases...		27/10/2009	7/12/2009 10:30:00 AM
TS100548E	Oil and Gas Development Company Limited, Islamabad Services required Hiring of tax consultancy services..		25/10/2009	27/11/2009 10:00:00 AM
TS100547E	Oil and Gas Development Company Limited, Islamabad Supply of IT items.. Supply of Software for onsite seismic data process system..		25/10/2009	26/11/2009 10:00:00 AM
TS100546E	Oil and Gas Development Company Limited, Islamabad Supply of Mechanical Items Supply of overhead bridge cranes...		25/10/2009	25/11/2009 10:00:00 AM
TS99976E	Oil and Gas Development Company Limited, Islamabad Miscellaneous Items supply of pipe fittings...		15/10/2009	16/11/2009