



OIL & GAS DEVELOPMENT COMPANY LIMITED
SUPPLY CHAIN MANAGEMENT DEPARTMENT

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Room # 102, Head Office, Jinnah Avenue
Blue Area, Islamabad

No.GM(SCM)/ 7257 /2011

December 21, 2011.

Syed Adil Gilani,
Advisor,
Transparency International Pakistan,
5-C 2nd Floor, Khayaban-e-Itehad Road,
Defence Housing Authority Phase-VII,
KARACHI
Fax No.021-35390410

Copy to: -Secretary, Ministry of Pet. & N.R, Islamabad.
Fax No.051-9201770
-Chairman Public Accounts Committee, Islamabad.
-Chairman, NAB, Islamabad.
-Auditor General Pakistan, Islamabad.
-Registrar, Supreme Court of Pakistan, Islamabad.
-Managing Director PPRA, Islamabad

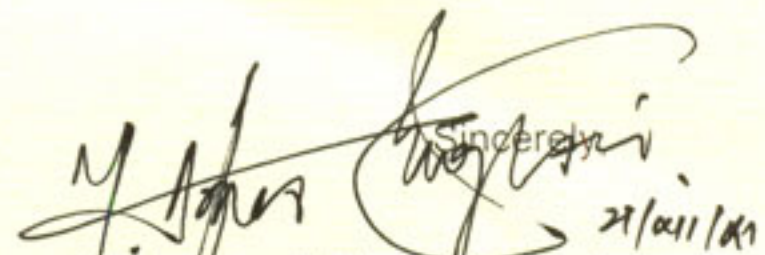
SUB: Allegations of Violation of Public Procurement Rules 2004 in Multi Billion Dollars Tender for the contract for LPG/NGL extraction project in the Kunnar Pasahki field

Dear Sir,

Please refer to your letter dated December 17, 2011 on the subject cited above.

2. The concerns raised in your above referred letter have already been clarified in the attached rebuttal which has been disseminated by the leading newspapers like "The News" and "Business Recorder". For ease of reference copies of clarification and respective press clipping are attached at Annex I & Annex II.
3. It is clarified once again that the tendering process adopted by the Company was very transparent and in full adherence to PPRA rules which were followed in its true letter and spirit by giving sufficient time to the bidders to submit their bids.
4. It is worth mentioning that the LPG extraction services are required for maximum period of two years as such no discrimination has been done to put any party at the disadvantage position.
5. Hope the above would address your reservations; nevertheless we are available for any further clarification if needed.

Thank you.


Sincerely,
21/12/11
(Muhammad Azhar Chughtai)
General Manager (SCM)



PRESS CLIPPINGS

THE NEWS
RAWALPINDI

Newspaper

Date 18 DEC 2011

OGDCL ready to deliver 100MMCFD gas to SSGCL

P-18

News Desk

ISLAMABAD: The Oil and Gas Development Company Limited (OGDCL) has completed the first phase of Kunnar Pasahki Deep - Tando Allah Yar (KPD-TAY) project and is ready to deliver 100MMCFD gas to Sui Southern Gas Company Limited (SSGCL) and produces 1,000 barrels of oil per day, a statement said.

The Kunnar Pasahki Deep - Tando Allah Yar (KPD-TAY) project comprises installation of gathering facilities, dehydration facilities, CO2 removal plant, LPG extraction plant, etc, which is being undertaken by OGDCL itself, it said.

On completion, it is expected to produce 284MMCFD gas, 4,800 barrels of oil and 387 million tons of LPG per day, it said.

The project is expected to be completed in around two years. However, considering the severe energy crisis in the country, OGDCL has decided to set up the project in two phases, it said.

The first phase being installation of portion of gas gathering facilities and dehydration plant, while the rest of the facilities will be completed in the second phase, it said.

Further extraction of 100 million tons per day LPG is also part of the Phase-1, it said.

If LPG is not extracted than it will not only damage the national pipeline grid and SSGCL's allied installations, but OGDCL

will also be losing revenue of around \$40 million during this period, the statement said.

OGDCL is making every effort to meet the needs of the energy-starved nation on fast track basis, it said, adding that the plan of action was shared with major stakeholders for use of gas, including All Pakistan Textile Mills Association (APTMA), fertiliser sector, CNG associations who all appreciated the efforts of the Ministry of Petroleum and Natural Resources, it said.

Meanwhile, OGDCL received an unsolicited offer from JJVL for extraction of LPG to be produced from the project.

OGDCL only shared the statistics, which is publically available to all, it said.

OGDCL being a public sector company and the government of Pakistan having 85 percent shares decided not to accept the single offer.

For the sake of transparency and to give equal opportunity to all those who might be interested in setting up LPG extraction plant during the interim period, the company invited bids through press for outsourcing of LPG extraction observing PPRA rules, the statement said.

The tender notice inviting bids was published on November 5, it said, adding that considering that probably only local companies will provide the service for extraction of LPG, a period of 25 days was allowed for

submission of the bids and accordingly the bids were supposed to be opened on November 30.

However, on written request from one of the expected bidders that a period of 30 days be allowed for submission of bids, the OGDCL management acceded to the request and finally the bids were opened on December 14. It is, therefore, confirmed that OGDCL has neither violated PPRA rules nor the company's own rules.

The final products, oil, gas and LPG produced through this outsourced services will be the property of OGDCL and only processing fees for LPG extraction will be paid to the successful bidder during the interim period, the statement said.

The products will be sold by the company according to the laid down policy of the government and the company's rules.

The contract will be given for a maximum period of two years and OGDCL will be able to terminate the contract by giving a notice of three months as soon as its own project is completed, it said.

It is regrettably noted that certain vested interests are continuously making attempts to derail the company's sincere efforts in assisting the government of Pakistan to alleviate the sufferings of the masses and industries on account of power shortage, thereby, hindering boosting of Pakistan's economy, it added.

Annex-2

PRESS CLIPPINGS

Business Recorder
ISLAMABAD

18 DEC 2011

p-18

OGDC ready to deliver 100 mmcf/d gas to SSGC, produce 1000 bbl oil/day

ISLAMABAD: Apropos to the news item titled "Multi-billion-dollars scheme" Secret deal for LPG/NGL extraction project", published in a section of press on December-16 & 17, 2011. The OGDC strongly rejects the allegations levelled in the news item and confirms that the news is totally baseless and reflects the assumptions/presumptions and ill information of the writer.

OGDC does not have any secret deal with any vendor, including Jamshoro Joint Venture Ltd. (JJVL). OGDC believes in fair play and transparent deals. The correct position is that complete development of Kunnar Pasahki Deep—Tando Allah Yar (KPD-TAY) project comprises installation of gather-

ing facilities dehydration facilities CO2 removal plant, LPG extraction plant, etc, which is being undertaken by OGDC itself. On completion, it is expected to produce 284 mmcf/d gas, 4800 barrels of oil and 387 tons of LPG per day. The project is expected to be completed in about two years.

However, considering the severe energy crises in the country, OGDC decided to set up the project in two phases. The first phase is installation of portion of gas gathering facilities and dehydration plant, and the rest of the facilities would be completed in the second phase.

OGDC has completed the first phase, and is ready to deliver 100 mmcf/d gas to SSGC and produce 1000 barrels of

oil per day. Further, extraction of 100 tons per day LPG is also part of the Phase-I. If LPG is not extracted then it will not only damage the national pipeline grid and SSGC's allied installations, but OGDC will also be losing revenue of about \$ 40 million during this period. OGDC is making every effort to meet the needs of the energy-starved nation on fast track basis. The plan of action stated above was shared with major stakeholders of use of gas including Aptma, fertilizer, CNG associations, who all appreciated the efforts of the M/o P&NR.

As the project was envisaged to be completed in two years, but 100 mmcf/d gas was to be on fast track, while development strategy of the pro-

ject was being assessed, OGDC received an unsolicited offer from JJVL for extraction of LPG, to be produced from the project. OGDC only shared the statistics, which is publically available to all.

OGDC, being a public sector company and the Government of Pakistan having 85 percent shares, decided not to accept the single offer. For the sake of transparency and to give equal opportunity to all those who might be interested in setting up LPG extraction plant during the interim period, the Company invited bids through press for outsourcing of LPG extraction, observing PPRA rules. The tender notice inviting bids was published on November 5, 2011. Considering that

probably only local companies would provide the service for extraction of LPG, a period of 25 days was allowed for submission of the bids and, accordingly, the bids were supposed to be opened on November 30, 2011.

However, on written request from one of the expected bidders that a period of 30 days be allowed for submission of bids, OGDC management acceded to the request, and finally the bids were opened on December 14, 2011. It is, therefore, confirmed that OGDC had violated neither PPRA rules nor Company's own rules.

It may, however be noted that the final products i.e. oil, gas and LPG produced through this outsourced services will be the property of OGDC, and

only processing fees for LPG extraction will be paid to the successful bidder during the interim period. The products will be sold by the Company according to the laid down policy of the Government and Company's rules. The contract will be given for a maximum period of two years, and OGDC will be able to terminate the contract by giving a notice of three months, as soon as OGDC's own project is completed.

It is regretfully noted that certain vested interests are continuously making attempts to demoralize the Company's sincere efforts in assisting GoP to alleviate the sufferings of the masses and industries on account of power shortage, thereby hindering boosting of Pakistan's economy.—PR

19 DEC 2011 روزنامہ اوصاف
اسلام آباد

اوجی ڈی سی ایل تو انائی بحران سے نمٹنے کیلئے سرگرداں ہے
پندرہ ایکڑ زمین پر 1000 بیئرل پیدا کرنے کیلئے بھی تیار ہے
اسلام آباد: پٹرول اور گیس کی قلت اور ان کی قیمتوں میں اضافے کے باعث اوجی ڈی سی ایل نے اپنے 1000 بیئرل پیدا کرنے کیلئے سرگرداں ہے۔ اوجی ڈی سی ایل نے اپنے 1000 بیئرل پیدا کرنے کیلئے سرگرداں ہے۔ اوجی ڈی سی ایل نے اپنے 1000 بیئرل پیدا کرنے کیلئے سرگرداں ہے۔

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