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# USAID/ENERGY POLICY PROGRAM

# MINIMUM ORGANIZATIONAL SETUP FOR DIRECTORATE GENERAL OF PETROLEUM CONCESSIONS

**January 2015**

*This program is made possible by the support of the American people through the United States Agency for International Development (USAID)*

# USAID/ENERGY POLICY PROGRAM MINIMUM ORGANIZATIONAL SETUP FOR DIRECTORATE GENERAL OF PETROLEUM CONCESSIONS

Contract No: AID-EPP-I-00-03-00004

Order No: AID-391-TO-12-00002

©USAID Energy Policy Program  
House 4, Street 88, Sector G-6/3  
Ataturk Avenue, Islamabad, Pakistan  
Tel: +92 (51) 835 7072, Fax: +92 (51) 835 7071  
Email: [jhicks@ep-ep.com.pk](mailto:jhicks@ep-ep.com.pk)

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# Acronyms

AEAI	Advanced Engineering Associates International
CCI	Council of Common Interest
CNG	Compressed Natural Gas
DG	Director General
DGPC	Directorate General of Petroleum Concessions
DGGSP	Director General Geological Survey of Pakistan
DGHDIP	Director General Hydrocarbon Institute of Pakistan
E&P	Exploration and Production
ECC	Economic Coordination Committee
FBR	Federal Board of Revenue
FPFC	Federal-Provincial Facilitation Committee
GOP	Government of Pakistan
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MWP	Ministry of Water and Power
MPNR	Ministry of Petroleum and Natural Resources
OCM	Operating Committee Meeting
PIC	Policy Implementation Cell
PCA	Petroleum Concession Agreement
PHC	Provincial Government Holding Company
PPIS	Petroleum Exploration and Petroleum Information Service
PSA	Production Sharing Agreement
TCM	Technical Committee Meeting
USAID	United States Agency for International Development

# Executive Summary and Overview

The USAID funded Energy Policy Program (EPP) is managed by Advanced Engineering Associates International (AEAI). EPP's Component II Team provides technical advisory services to the Government of Pakistan (GOP), which includes support to the Ministry of Petroleum and Natural Resources (MPNR) focusing on increasing gas supplies, policy reforms and improving governance. The Directorate General of Petroleum Concessions (DGPC) is part of the Policy Wing of MPNR. At the same time, it also acts as a regulator for the Exploration and Production (E&P) sector covering more than 20 operating companies holding rights through 176 exploration licenses and 157 leases in Pakistan. The role of DGPC in regulating and accelerating the E&P activities is critical. However, DGPC is faced with some serious issues related to its organizational structure, inadequate staffing, lack of standard operating procedures and above all, its dual role both as a regulator and policy maker reporting to the hierarchy of MPNR. This has, in part, contributed to the slowdown in investments, development and operations of the upstream oil and gas sector which has curtailed domestic production thereby increasing reliance on imports.

The key objective of the study was to undertake an initial review of the organizational setup of DGPC to pinpoint key bottlenecks and make recommendations which can be implemented over the next one year (termed as “short-term recommendations”) to enhance the effectiveness of the regulatory function of upstream oil and gas. This initial review was undertaken by Petroleum Technology Solutions (Pvt) Limited (PTS). The report and recommendations has been modified and strengthened by EPP wherever necessary. It has provided some clear insights into potential changes that can be implemented with minimal effort and high impact. The implementation of short-term recommendations will enable DGPC to function effectively, pending its transformation into a long-term sustainable, independent and effective regulator which requires a detailed study and analysis (termed as “long term recommendations”).

## Long-term Recommendation

### **Organizational Study for an Independent Regulator:**

It is proposed to commission a detailed organizational study (within a period of 4 to 6 months) to separate the policy and regulatory functions with a view to make DGPC an independent regulator at par with international best practices with a clear cut mandate/role, its own self-financed budget and market-based salary package to attract experienced professionals.

The scope of work for this comprehensive study should entail the identification of the organizational design for DGPC covering all aspects including but not limited to, key positions, department functions with authorities and responsibilities, reporting mechanism, communication and information flow, IT systems, HR and compensation mechanism, income and budgets, office resources, etc. The recommendations should be derived from the inferences drawn from international practices. Such an organization structure should enable the regulator to effectively perform its regulatory functions in an independent and transparent manner under both regulated and de-regulated regimes. Case studies of OGRA and NEPRA should be undertaken to understand the pros and cons of establishment and working of independent regulatory bodies in Pakistan. These studies will provide the insight to address the deficiencies associated with these regulators and to adopt their positive aspects in order to propose an effective regulatory setup for upstream oil and gas.

In addition, this study should address the requisite training to DGPC staff covering the IT, legal, regulatory, and technical aspects at the specific intervals (e.g., initial hiring, annual, promotion, etc.) and to develop staff's “soft skills” such as time management, interpersonal training, and management expertise. This study should also focus on enhancing the capability of DGPC to manage the technical data base under a phased program which is currently outsourced in order to avoid the ensure confidentiality for data which is essentially required by the investors to evaluate the oil and gas prospective areas.

As regards meetings within the Ministry, with other Ministries, Committees, Parliamentary Committees, and visitors, these are important activities but consume time needed for the efficient working of the regulator. This matter too can be examined when a study is commissioned to find a long-term solution to DGPC problems.

## Short-term Recommendations

**Consultancy support:** Engage a team of short-term consultants (legal, technical, regulatory and commercial) that will be embedded in the DGPC office to provide necessary support which is in progress under the USAID EPP and can continue until the completion of this program in October 2015. This team will make efforts to clear the backlog of pending cases as soon as possible with a view to easing the pressure and workload on the regulator. These consultants would also provide on-the-job training to the current DGPC staff including the staff inducted under deputation from other organizations in discharging their main functions covering technical, regulatory, commercial, and legal aspects as well as transferring the knowledge base to the new inductees.

**Organize Work:** Prioritize, optimize, and organize the work in accordance with regulatory functions as stipulated in the petroleum E&P Rules and prepare the standard operating procedures with detailed job descriptions of the proposed positions clearly defining roles and responsibilities. It is important to streamline the process of work at DGPC as delays in performing DGPC functions would adversely affect E&P activities which in turn affect oil and gas production.

**Delegate Authority:** In order to improve the performance of DGPC, the Directors must have the powers and the flexibility to take decisions. There should be functional decision-making capabilities at the Director level for routine cases to relieve the Director General of unnecessary burden enabling him to concentrate on quality decision-making and effective management. In addition, the Directors must also have the authority to prioritize the work.

**Re- Notify Authority:** DGPC has been notified as the Authority for the purpose of the E&P Rules. It is proposed to enlarge and re-notify the Authority to improve the existing decision-making process. The re-notification of the Authority comprising DGPC and the Directors with decisions taken by majority vote if there is no consensus is a workable solution. The Authority will initially meet on a weekly basis. After clearance of backlog of pending cases, it will meet on a fortnightly basis unless decided otherwise.

**Streamline approval process:** There is a need to reduce over-regulation and to simplify the approval process. DGPC need not become involved in detailed financial analysis on the submissions made by the companies. DGPC can use standard formats for submission of applications to expedite the approval process. The concept of holding fortnightly review meetings to monitor the progress of important cases should be introduced. One important function of DGPC is monitoring and regulation of all exploration and production activities through daily, weekly, and monthly reports. There is a need to review the requirement for such reports. Only limited reports may be asked for and only those that are essentially required. The question of holding periodic review meetings with the operating companies can also be considered rather than piling up unnecessary documents that cannot be reviewed due to non-availability of the required manpower. DGPC or its representative is also required to attend the joint venture meetings, such as Technical Committee Meetings (TCMs) and Operating Committee Meetings (OCMs). Because of the large number of joint ventures, considerable time is spent by DGPC officers to perform these functions. Around 1200 meetings are required to be held in a year. DGPC does not have the manpower to participate in such meetings. It should, however, be noted that DGPC officers can benefit greatly by participating in such meetings. Perhaps biannual meetings can be held with the companies to review the work programs and budgets rather than attending TCMs and OCMs. Existing contractual requirements for such meetings can be modified by mutual agreement. This matter is being reviewed separately in the context of over-regulation, and necessary recommendations will be submitted accordingly.

**Introduce Structural Changes:** The following changes in the existing setup of DGPC and functioning are essential for the performance of regulatory functions under the Rules:

- A separate position of Director Finance with requisite support staff needs to be created to undertake the financial and commercial evaluation work, which is neglected at present. The commercial aspects need greater attention and proper effort to this effect.
- Director Coordination should cover the functions of Coordination, Administration, IT, Training and Social Welfare. In order to improve the effectiveness of the office, it is proposed to introduce the concept of daily coordination committee meetings. This committee will be headed by Director Coordination and will comprise of all the Directors or their representatives.
- There is no position of Director Law in the existing setup. An ad hoc arrangement has been made by engaging a Legal Advisor but he is not available on a full-time basis to DGPC. The main reliance is on the Law Division as the in-house support is missing. Legal issues crop up every day. It is essential to create a position of Director Law for in-house evaluation of the legal issues or for referral to Law Division where necessary.
- There is a need for an additional Director in DGPC with focus and expertise in unconventional resources, such as shale gas and coal-bed methane, and new projects.

**Establish DGPC Endowment Fund:** It is necessary to create a DGPC Endowment Fund with the approval of Finance Division. The initial seed money for this Endowment Fund will be contributed by the Federal Government. The revenues received by DGPC in the form of technical data sale proceeds, payments received as training obligations from E&P companies, application fees and penalties imposed will also be deposited in this Fund. This fund will be used to cover the salaries and expenses not covered under the Federal Government Budgetary process, as further outlined below.

**Modify Recruitment Rules and Fill Vacant Positions:** Induction of suitable professionals is difficult because of restrictions in the existing recruitment rules requiring priority to internal promotions apart from ban on recruitment. Therefore, MPNR should modify the existing recruitment rules to allow direct inductions from outside and internal promotions on merit as suitable professionals may not be available within the Ministry. The vacant positions should be filled immediately through internal promotions within the Ministry and its subordinate offices and organizations, and through horizontal movement from other Ministries and entities. Manpower could be increased by activation of Policy Implementation Cell (PIC) and induction of industry professionals in accordance with the provisions of 2012 Policy.

**Improve Salary Packages:** Salary packages for regular employees too need to be improved, and special technical and professional allowances need to be granted as is being done by some other Ministries to enhance the current poor salary packages to a reasonable level to attract and retain the professionals. The salary packages of the PIC professionals to be inducted have to be market based. Such salaries can be financed from the Endowment Fund. The required approvals should be obtained from Finance Division.

**Establish Federal-Provincial Facilitation Committee:** In order to address the provision of 2012 Policy (Para 1.3(6)), it is proposed to establish a Federal-Provincial Facilitation Committee (FPFC) as part of the reorganized DGPC comprising Federal and Provincial representatives to provide necessary facilitation, coordination, and control of the E&P Sector. The Provincial Directors will draw their pay from the above mentioned DGPC Endowment Fund. Expenses in outsourcing of any work as per the requirements of the E&P Rules will also be met from this fund.

**Improve Facilitation and Assistance to Companies:** DGPC is required to provide assistance to E&P companies in import and export of equipment, release of maps, communication equipment, FBR booklets, explosive licenses, security clearances, etc. This function is generally being performed by the relevant Section quite smoothly. However, to make it more efficient, a comprehensive procedure needs to be formulated to simplify the process and to cut down the processing time. It also needs to be examined as to whether the recommendations of DGPC in such cases should be necessary. The companies can perhaps directly file the PCAs and PSAs and licenses and leases (duly certified by DGPC) with the concerned departments along with their applications. This will obviate the need for DGPC recommendations on each and every case. This change would cut down the unnecessary workload in DGPC, which in turn would reduce the processing time for other important cases.

**Improve Infrastructure and Training:** The current DGPC staff is not IT enabled. Most of the correspondence between DGPC, E&P companies and service companies depends on faxes and letters. This causes delays and has a severe impact on efficiency. In order to overcome this problem, DGPC should be immediately provided with the following:

1. Internet connectivity officially in DGPC office with an email server;
2. Email addresses protocol with a unique email address for each officer;
3. A database filing system protocol;
4. Laptops or desktops for all officers and concerned staff;
5. IT training for all officers and staff for:
  - a. Email usage.
  - b. Typing skills.
  - c. Document scanning.
  - d. File Transfer Protocol (FTP) for data download and upload.
6. Maintenance of hard copy files along with digital files
7. Improvement of office facilities (furniture, equipment, IT and communication).

The above expenses can also be met from the Endowment Fund.



# I. Scope of DGPC's Organizational Review

The scope of DGPC's review was to pinpoint the problems being faced by DGPC in discharging its functions judiciously as required under the Petroleum E&P Rules. The information covered included the following:

- Institutional setup of MPNR and DGPC
- Existing DGPC organization chart
- Existing ad-hoc Standard Operating Procedures (SOPs) for DGPC
- Job descriptions
- Salary and human resource data
- Client list – permit holders, applicants, and other DGPC stakeholders
- Other related information

The review simultaneously addressed key improvement areas for the effective functioning of DGPC:

- Current staffing needs and suggestions for an improved organizational setup to cover critical functions;
- Required qualifications and experience for the professionals for proper regulatory enforcement;
- Creating simplified and clear job descriptions;
- Using modern IT methods to carry out the day-to-day business of DGPC;
- Introducing a mechanism for the creation of an enlarged Authority or Board to facilitate the process of decision-making. Note: The existing decision-making process entails submission of cases to the highest levels of the MPNR for a decision. Fear of accountability is a strong deterrent for taking timely decisions.

The findings of the above review were analyzed to provide short-term interim solutions pending the outcome of the proposed detailed organizational study to determine a workable setup for DGPC. Also included are the steps that need to be taken immediately to remove the impediments in the working of the regulator that is slowing down the operations of the E&P companies.

## 2. Current Setup

### 2.1 Introduction

The Ministry of Petroleum and Natural Resources (MPNR) was created in April 1977. Prior to that, the Petroleum and Natural Resources Division was part of the Ministry of Fuel, Power and Natural Resources. Currently, DGPC is part of the Policy Wing of MPNR and is also the regulator of all E&P activities in Pakistan. DGPC has been declared as the central authority to exercise the powers and perform its functions under the E&P Rules. The E&P Rules have been enforced under the Regulation of Mines and Oilfields and Mineral Development (Government Control) Act 1948. The broad powers and functions of DGPC are defined in these E&P Rules, which were issued in 1949, 1986, 2001, 2009, and 2013. In addition, Government has from time to time, announced the petroleum policies to provide incentives to the local and foreign investors for attracting investment in this high-risk and high-cost sector. These policies were announced in 1991, 1993, 1994, 1997, 2001, 2007, 2009, and 2012. Policies and guidelines have also been announced for Tight Gas, Low BTU Gas Pricing and Marginal and Stranded Gas Fields.

The incentives under these policies and guidelines need to be reflected in the Model Petroleum Concession Agreements (PCAs) for onshore areas and the Production Sharing Agreements (PSAs) for offshore rights. Government Holding (Pvt.) Limited (GHPL) acts as an investor on behalf of the Federal Government and as a Licensee for offshore petroleum rights. The concept of investment by the Provincial Governments through the Provincial Government Holding Companies has also been introduced under the 2012 policy.

### 2.2 Mission Statement of MPNR

The mission of MPNR is to ensure availability and security of a sustainable supply of oil and gas for economic development and strategic requirements of Pakistan and to coordinate development of natural resources of energy and minerals.

### 2.3 Strategy to Achieve Mission of MPNR

MPNR must adopt an integrated approach for promoting exploration and fast-track development of oil, gas, and mineral resources. It must deregulate, liberalize, and privatize oil, gas, and mineral sector through structured reforms to attract investment. MPNR must develop the technical professional human resources (e.g., human capital) necessary to enact and enforce the strategy. It must optimize existing energy delivery infrastructure (i.e., oil and gas pipelines) in order to realize the mission. Finally, MPNR must reduce imported fuel oil consumption with indigenous gas by optimally balancing the gas availability and supplies from local and imported resources.

### 2.4 Main Functions of MPNR

The Ministry is responsible for dealing with all matters relating to petroleum, gas, and minerals. Its detailed functions are listed below:

- Developing policy, legislation, and planning regarding exploration, development, and production of oil and gas.
- Providing policy guidelines and facilitation of import, export, refining, distribution, marketing, transportation, and pricing of all kinds of petroleum and petroleum products.
- Addressing matters having bearing on international aspects of oil and gas.
- Working with Federal agencies and institutions on the promotion of special studies and development programs in the oil and gas sectors.

- Attracting private investment in the oil and gas sectors.
- Administering Regulation of Mines and oil fields and Mineral Development (Government Control) Act, 1948, and rules made thereunder, in so far as these relate to exploration and production of petroleum, transmission, distribution of natural gas, Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG), refining and marketing of oil.
- Petroleum Concessions Agreements (PCAs) for land, and Production Sharing Agreements (PSAs) for offshore, and deep-sea areas.
- Administration of Marketing of Petroleum Products (Federal Control) Act 1974 and the rules made thereunder.
- Matters relating to Federal investments and undertakings wholly or partly owned by the GOP in the field of oil, gas and minerals.
- Administer the Petroleum Products (Development Surcharges) Ordinance, 1961, and the rules made thereunder.
- Administer the Natural Gas (Development Surcharges) Ordinance 1967, and the rules made thereunder.

The upstream activities in the oil and gas sector are administered and regulated through the Directorate General of Petroleum Concessions (DGPC). The other Directorate Generals are:

- Director General of Gas (DG Gas) – For Gas matters.
- Director General of Oil (DG Oil) – For Oil matters.
- Director General Special Projects (DGSP) – For special Oil & Gas projects.
- Director General of Minerals (DGM) – For mineral affairs.
- Director General Geological Survey of Pakistan (DGGSP), for surveys and mapping, and
- Director General Hydrocarbon Institute of Pakistan (DGHDIP)-R&D, Basin Evaluation and Energy Year Book.

An Organizational Chart of MPNR is shown in **Annex-I**.

## 2.5 Directorate General of Petroleum Concession (DGPC)

DGPC is one of the six Directorate Generals of the Ministry of Petroleum and Natural Resources. It functions as the regulatory authority for all upstream E&P activities in Pakistan. The current DGPC organizational setup is shown in **Annex-II** while the corresponding current job functions are specified at **Annex-VII**. The E&P Legal Framework is illustrated in **Annex III** while the approval process is illustrated in **Annex IV**.

The main DGPC functions are as follows:

1. Grant of petroleum rights; specifically reconnaissance permits, exploration licenses, mining and development and production leases.
2. Regulation of activities and operations of exploration and production and services companies.
3. Evaluation of and approval of the economics of petroleum arrangements, fiscal packages, analysis of oil and gas fiscal regimes, formulation of policies to attract investment in this sector and implementation of Petroleum E&P Policies, Rules and Model Petroleum Concessions and Production Sharing Agreements.
4. Promotion of prospective areas for petroleum exploration, negotiations with foreign and local petroleum exploration companies.

5. Management of petroleum exploration, development, and production operations in accordance with good international oil field practices, applicable rules and Concession and Production Sharing Agreements.
6. Realization of returns on GOP investment through dividends, royalty, rents, application fees, etc., and privatization and divestment of properties.
7. Approval of commercial discoveries, development plans, area relinquishments, extensions, renewals, assignments and transfer of work commitments.
8. Monitoring and regulation of all exploration and production activities through daily, weekly, and monthly reports and field visits (geological, geophysical, drilling, production, reservoir etc.)
9. Participation in meetings of joint ventures (technical and operating committees) and other meetings of the Parliament, Public Accounts Committee (PAC) and those convened by the MPNR and other Ministries, as well as attend to the court matters and hearings.
10. Technical and commercial audits of joint ventures.
11. Approval of well commencement, testing, sidetrack, and abandonment/miscellaneous notices.
12. Monitoring of training and social welfare obligations under the Petroleum Concession and Production Sharing Agreements.
13. Retrieval, storage, and dissemination of all technical data/reports relating to the DGPC database.
14. Promotion of petroleum exploration, petroleum information service (PPIS) and press releases.
15. Management of budget and monitoring of rental, royalty, dividends, and application fees owed to the GOP.
16. Resource assessment, reserve evaluation, reservoir studies, monitoring of oil and gas production and short-term and long-term production forecasts.
17. Facilitation in the release of maps, communication equipment, booklets, explosive licenses, security clearances, work visas, branch office permissions, radio frequency allocations, and land acquisitions to E&P and service companies.
18. Other matters concerning requests from other Ministries and Parliament and submission of summaries to Economic Coordination Committee (ECC), Council of Common Interest (CCI), Cabinet and other high level Governmental Committees, as well as periodic briefs, reports and presentations to GOP and different committees.

The powers and functions of DGPC are performed at present through four Directors - Director of Exploration, Director of Production, Director of Coordination and Social Welfare and Director of Data Base and Finance and Accounts. The Directors have Deputy Directors and Assistant Directors both for the Technical and Non-technical functions as shown in the organizational chart. In addition, DGPC has secretarial support staff, for processing of cases on receipt of requests from the companies and others, and for maintenance of records. However, there are no positions for Director Law, Director Finance, or Director Unconventional resources and New Projects.

## 2.6 Current Staffing and Performance at DGPC

The main functions of DGPC and current staffing level have been indicated in the previous section. However, DGPC Office is understaffed and *13 out of the 23* approved positions are vacant. Currently, DGPC is facing an acute shortage of Directors and officers as more than 60% of such positions in DGPC are vacant as indicated in Annex-II.

The key impediments in induction of professional staffing and proper functioning of DGPC is the **low remuneration package** which is a serious hindrance in attracting experienced professionals. Annex-II shows the pay scales applicable to officers within DGPC. The pay scales are listed in US \$ (converted from Pakistani Rupees at 1:100). The pay scales vary based on experience, education, and time in grade.

The ranges (in total) vary from the high (B-20) at \$2,300/month or \$27,600/per annum to the low of (B-17) at \$400/month or \$4,800/per annum.

Lot of time is consumed in meetings within MPNR, with other Ministries, Inter-Ministerial Committees and visitors. There is a lengthy approval process, as all important cases are being submitted by DGPC to Secretary/Minister through Additional Secretary (Petroleum), MPNR despite the fact that, DGPC is the Authority and can take decisions on all regulatory matters. This also consumes time.

Due to inadequate manpower, most of the officers in DGPC are over-worked. Technical, financial and commercial aspects are totally neglected. In addition to inadequacy, both in terms of quality and quantity, a considerable number of officers have not had the opportunity to develop their capacity, through well planned/designed training and development program. The office facilities and the professional capabilities of DGPC will have to be enhanced to gain specialized knowledge and expertise to play a more effective role in resolving the issues and in meeting the challenges facing the E&P sector.

The result is that the decision-making process and the work output in DGPC is been seriously compromised. Every month DGPC receives around 500 requests (on average). These include requests for approvals for grant of licenses, extension of leases, development plans, well commencement or abandonment notices, declaration of commerciality, etc. The pending files are piling up in the absence of SOPs and lack of manpower – the approval process in the majority of the cases takes between 6 to 9 months. Pending files date back to 2010.

In summary, the key organizational impediments are the inadequate and inexperienced manpower to handle the cases that require legal, commercial, and technical input under the E&P Rules.

## 3. Review, Conclusions and Recommendations

### 3.1 Long-term Recommendations

A detailed organizational study needs to be carried out using real-time data on the workload and actual work being performed by DGPC (within a period of 4 to 6 months) through a new consultancy to separate the policy from regulatory functions and to set up DGPC as an independent regulator with a clear cut mandate/role at par with international best practice. It will have its own self-financed budget and the professionals will have to be offered market-based salary packages. The detailed reorganizational study should provide the blue-print for a long-term sustainable and effective organization. This is essential to attract experienced professionals to discharge the assigned functions as per the E&P Rules.

The main elements of the proposed scope of an organizational study are described in following Sections:

#### 3.1.1 Organizational Structure of an Independent Regulator

The study should identify the organizational design covering all aspects including but not limited to, key positions, department functions with authorities/responsibilities, reporting mechanism, communication and information flow, IT systems, HR and compensation mechanism, income and budgets, office resources, etc. Inferences should be drawn from international practices. The organization structure should enable the regulator to effectively perform its regulatory functions in an independent and transparent manner. Case studies of OGRA/NEPRA can be undertaken to address their pros and cons.

#### 3.1.2 Separation of Policy and Regulatory Functions

Serious conflict can be created when an organization is asked to simultaneously undertake both policy and the regulatory functions. In most developed nations, the role of policy resides with the Parliament or Congress and the role of regulation resides with governmental agencies (e.g. DGPC). The proposed study should address separation of the policy from the regulatory functions. By doing so, many conflicts can be eliminated. This will not only improve the efficiencies, but it will also provide checks and balances to the process. Also the regulatory functions can be undertaken by an independent regulator with authority vested in its members who can take decisions by majority vote, if there is no consensus.

#### 3.1.3 Detailed Job Descriptions

Although high-level job functions have been proposed as part of Short-term Recommendations below, these should be detailed into job descriptions and further adjusted to reflect future planned activities, such as unconventional resources and new projects. It is recommended that as part of the in-depth, longer-term review, proper job descriptions be formulated and introduced.

#### 3.1.4 Unconventional Resources and New Projects Section

The need for a specific component within the organization with focus and expertise in unconventional resources, such as shale gas and coal-bed methane, has already been identified in the short-term Recommendations. The DGPC is currently not organized to promote this opportunity because of lack of expertise in this area and absence of a specific job function. Other countries, such as Indonesia and India, have made necessary adjustment in their upstream regulatory organizations for upgrading staff experience with specific assignments in unconventional resources. This needs to be addressed in detail.

#### 3.1.5 Time Consumed in Meetings

Meetings within the Ministry, with other Ministries, Committees, Parliamentary Committees, and visitors are important but consume time needed for the efficient working of the regulator. This matter too can be examined when a study is commissioned to find a long-term solution to DGPC problems. Participation in such meetings will have to be curtailed to a greater extent if the working environment in DGPC has to be improved. Either DGPC himself or one Director-level officer can be designated to attend such meetings rather than involving every officer.

### 3.1.6 Customized Training Programs

In addition to the understanding of how the employees of DGPC will do their jobs, consideration must be given to determine the requisite training. It is necessary to provide IT, legal, regulatory, and technical training at specific intervals (e.g., initial hiring, annual, promotion, etc.). This training should include “soft skills” such as time management, interpersonal training, and management skills.

### 3.1.7 Data Management

All data, including, well logs, maps, magnetic tapes, cores, samples and any other geological and geophysical information obtained as a result of petroleum operations under a permit, licence, lease or an agreement is the property of the Government. The database management system for this information has been outsourced. Ideally, the function of such data management should be performed by DGPC itself instead of outsourcing it. Thus, the long-term program of restructuring should provide the necessary framework to transfer the control of the data management back to DGPC under a phased program.

## 3.2 Short-term Recommendations

This initial review of DGPC organizational setup has provided some clear insights into potential changes that can be implemented with minimal effort in the short term. The short-term recommendations can make the functioning of DGPC office effective until it is reorganized.

### 3.2.1 Short-term Consultancy Support

A team of experienced short-term consultants in technical, regulatory, commercial, and legal areas are already embedded in DGPC as part of USAID EPP for providing necessary support till October 2015. The team is working directly and hand-in-hand with DGPC and the Directors, thereby facilitating the decision-making process, which would help DGPC in discharging regulatory functions and duties effectively. These consultants also provide on-the-job training in the four main aspects of functionality, i.e., technical, regulatory, commercial, and legal.

### 3.2.2 Work Organization, Approval Process and Delegation of Authority

The main functions of the DGPC include the granting of petroleum rights (reconnaissance permits, licenses, and leases), area relinquishments, license and lease extensions and renewals, assignments and approval of well commencement, testing, side-track, abandonment notices, and approval of commerciality notices and development plans. Any delays in performing these functions would result in slowing down of E&P activities. This in turn affects oil and gas production and results in criticism of DGPC performance from stakeholders. Ideally, the regulator should be processing such cases with high priority, or at least it should not cause inordinate delays, as is happening presently in DGPC. Given the current manpower strength, DGPC has to adopt an innovative approach. Some actions that can be taken are as follows:

- The Directors must have the powers and the flexibility to take decisions. Under the current procedure, all decisions, irrespective of any limitation of authority, are “forced” up to the Director General and then to Additional Secretary and Secretary MPNR for decision-making. There should be functional decision-making capabilities at the Director level for routine cases to relieve the Director General of unnecessary burden and give him more time for quality decision-making and effective management. The Directors must also have the authority to prioritize the work. Another way to consider the empowering of the Directors is to reconsider the scope of DGPC’s actual work. Specifically, the DGPC appears to have a much larger task compared to most of the E&P regulators in other countries. It should be the role of DGPC to take a decision or action on a request and not to become bogged down in routine evaluation work.
- DGPC ought not to become involved in detailed financial analysis on the submissions made by the companies. There is need to reduce over-regulation and to simplify the approval process as far as possible. This exercise is being undertaken separately by EPP and the recommendations will help in significant reduction of DGPC workload and would also provide the necessary input to the proposed organizational study for a longer-term solution to the problems.

- DGPC may ask the companies to use standard formats for submission of applications on matters such as license and lease extensions or renewals; well commencement, testing and abandonment notices; discovery notices; and applications for declaration of commerciality or approval of development plans. Some of the formats have already been developed and provided to DGPC.
- E&P companies should be asked to send two sets of applications using standard formats on matters mentioned above - one to the Director General and the other to the Director Coordination. The Director General may keep the record of such applications and direct the other to the Section concerned. The Director Coordination will convene a meeting with the petitioning company, to enable them to present their case to concerned DGPC officers. Subsequently, relevant officers can process and examine the case as per SOPs and submit the case for approval of the Authority.
- One important function of DGPC is monitoring and regulation of all exploration and production activities through daily, weekly, and monthly reports. There is a need to review the requirement for such reports. Only limited reports may be asked for which are essential. The question of holding periodic review meetings with the operating companies can also be considered rather than piling up unnecessary documents that cannot be reviewed due to non-availability of the required manpower. In addition, DGPC may hold fortnightly internal review meetings to monitor the progress of important cases.
- DGPC or its representative is also required to attend the joint venture meetings, such as TCMs and OCMs. Because of the large number of joint ventures, considerable time is spent by DGPC officers to perform these functions. Around 1200 meetings are required to be held in a year. DGPC does not have the manpower to participate in such meetings. While DGPC officers benefit by participating in such meetings, biannual meetings can be held with the companies to review the work programs and budgets rather than attending TCMs and OCMs. Existing contractual requirements for such meetings can be modified by mutual agreement. This matter is being reviewed separately in the context of over-regulation, and necessary recommendations will be submitted by EPP accordingly. Meetings within the Ministry, with other Ministries, Committees, Parliamentary Committees, and visitors are important but consume time needed for the efficient working of the regulator. Participation in such meetings will have to be curtailed to a greater extent if the working environment in DGPC is to be improved. Either DGPC himself or one Director level officer can be designated to attend such meetings rather than involving every officer in such an effort.

### 3.2.3 Re-Notification of Authority

DGPC has been notified as the Authority for the purpose of the E&P Rules. It is proposed to enlarge and re-notify the Authority to remove the existing bottleneck in decision-making. To accomplish this, the following positions and structure for Authority are proposed:

- DGPC, Chairman
- Director Exploration, Member
- Director Production and Reservoir, Member
- Director Finance, Member
- Director Unconventional Resources and New Projects, Member
- Director Data Base, Member
- Director Law, Member and Secretary
- The Chairman shall have the casting vote.
- All decisions will be taken by majority vote if there is no consensus.
- Director Law shall act as Secretary to the Authority and shall issue the Agenda in consultation with the Chairman and Members and also keep record of all working papers, deliberations and decisions of the Authority.
- The concerned Directors would move the cases through DGPC for appropriate approvals if necessary from senior officials (Additional Secretary and Secretary and Minister) of the Ministry.
- The Authority will initially meet on a weekly basis. After clearance of backlog of pending cases, it will meet on a fortnightly basis unless decided otherwise.
- For the sake of fairness in decision-making and independence of the Authority, the annual performance evaluation reports of the Members will be initiated by the Additional Secretary.



### 3.2.4 Proposed Structure

The following changes in the existing setup of DGPC and functioning are essential for the performance of regulatory functions under the Rules:

- DGPC has to manage the collection of rent, royalty, sale proceeds, bonuses, dividends, and application fees. This function is presently handled by the Finance and Pricing Section and is placed under Director Data Base, who performs unrelated functions. To improve the working of this Section, it is proposed that a separate Director Finance should be responsible for the financial functions. In addition, the Director Finance would have a very important role to play in the functioning of DGPC. In addition to the management of GOP receipts, the Director of Finance would control and manage the guarantees submitted by the E&P companies, respond to the provinces on royalty issues, examine the commerciality cases and development plans, and attend to other financial and commercial issues, including the question of economics of petroleum arrangements, evaluation of policy and pricing issues and so on. This Section can be reorganized using the existing manpower with creation of some additional positions and by using the services of the short-term consultants and the Policy Implementation Cell (PIC). The addition of commercial experts will help to discharge the tasks effectively.
- Director Coordination should cover the functions of Coordination, Administration, IT, Training and Social Welfare. In order to improve the effectiveness of the office it is proposed to introduce the concept of daily coordination committee meetings. This committee will be headed by Director Coordination and will comprise all the Directors or their representatives. The committee would discuss and consider all important matters requiring coordination.
- There is no position of Director Law in the existing setup. An ad hoc arrangement has been made by engaging a Legal Advisor but he is not available on a full-time basis to DGPC. The main reliance is on the Law Division as the in-house support is missing. Legal issues crop up every day. It is essential to create a position of Director Law for in-house evaluation of the legal issues or for referral to Law Division where necessary.
- The need for an additional Director in DGPC with focus and expertise in unconventional resources, such as shale gas and coal-bed methane, and new projects.
- To improve the effectiveness of the office it is important to introduce the concept of daily coordination committee meetings which has the following composition:

*The Coordination Committee will be headed by Director Coordination and will comprise Director Exploration, Director Production/Reservoir, Director Finance, Director Law, Director Data Base and Director Unconventional Resources/New Projects or their representatives. All coordination matters particularly the following will be considered:*

- *Well commencement, abandonment, testing and other notices.*
- *Commercial Discovery Notices.*
- *Development Plans.*
- *All commercial matters including economics, pricing, GPAs, GSAs.*
- *Assignment of interests.*
- *Transfer of work program.*
- *Licenses/Leases extensions/renewals.*
- *Work programs and other Government obligations.*
- *Release of performance guarantees.*
- *National Assembly/Senate Questions and other business.*
- *Reports to Ministry and other organizations and annual/five-year plans.*
- *Press releases.*
- *Other matters as may be assigned to the Committee.*

*The committee shall meet on a daily basis at 9 am.*

The proposed DGPC organogram is shown in **Annex-V**. The corresponding functions of the directorates are given at **Annex-VIII**

### 3.2.5 DGPC Endowment Fund

It is strongly recommended to create a **DGPC Endowment Fund** to be established for covering salaries and expenses not covered under Federal Government budgetary grants. The initial seed money equal to PKR 50 million for this Endowment Fund will be contributed by the Federal Government. The revenues received by DGPC in the form of technical data sale proceeds, payments received as training obligations from E&P companies, application fees and penalties imposed will also be deposited in this Fund. This fund will be used to cover the salaries and expenses not covered under the Federal Government Budgetary process, as further outlined below.

Necessary regulations for management of this Fund, the items on which expenditure can be incurred; the approving authority for expenditure, audit, replenishment of Fund and other related matters will be drafted by MPNR and enforced in consultation with and approval of Law and Finance Divisions.

### 3.2.6 Vacant Positions and Salary Package

Currently, two out of four Director Positions are vacant. As a result, the initiation of cases and movement of files has been seriously affected. The regulatory decisions are delayed and as a result the operations of the E&P and service companies are slowing down.

Induction of suitable professionals is difficult because of restrictions in the existing recruitment rules requiring priority to internal promotions. Therefore, MPNR should modify the existing recruitment rules to allow direct inductions from outside as suitable professionals may not be available within the Ministry. In particular, the provision for internal promotions from within needs to be modified if not done already to attract new recruits.

MPNR should examine and take immediate steps to induct professionals in these vacant positions through the internal transfers/promotions, transfers from other Directorate Generals and horizontal movement from other ministries and departments to the extent possible.

The basic objective of the Policy Implementation Cell (PIC) was to provide necessary support to DGPC in Policy Implementation and clearance of backlog of pending cases. This needs to be activated immediately. The salary packages of the PIC professionals to be inducted will have to be market-based.

The concept of the PIC is contained in the 2012 Policy and entails the following:

*“In order to meet the deadlines, a separate cell headed by DGPC shall be maintained comprising the following professionals on contract basis:*

1. *Legal Advisor,*
2. *Financial Consultant,*
3. *Petroleum Economist,*
4. *Petroleum Explorationist and*
5. *Other professionals on need basis.*

*The funds generated through sale of technical data and unspent training amount generated under PCAs and PSAs shall be utilized for capacity-building, strengthening of the Policy Wing of Ministry of Petroleum and Natural Resources, Provincial Government, relevant Government agencies remunerations of outside professionals engaged on contract, part time legal advisors and technical consultants, Policy promotional activities, workshops, seminars, conferences and symposia etc.”*

Induction of suitable professionals is difficult because of low salary packages. **Salary packages need to be improved, and special technical and professional allowances should be granted to enhance the current poor salary packages to a reasonable level to attract and retain the professionals as is being done by some other Ministries. The salary packages of the PIC professionals to be inducted will have to be market-based. These can be financed from the proposed DGPC Endowment Fund.**

### 3.2.7 Federal-Provincial Facilitation Committee (FPFC)

As required under the 2012 Policy (Para 1.3(6)), it is proposed to establish a Federal-Provincial Facilitation Committee (FPFC) as part of the reorganized DGPC comprising Federal and Provincial representatives to provide necessary facilitation, coordination, and control of the E&P Sector. The composition of the FPFC is shown in **Annex IX**.

The Provincial Directors will draw their pay from the DGPC Endowment Fund. Other expenditures related to the housing of FPFC, travelling of Directors, their TA and DA, transport, other perquisites will also be covered from this Fund. In addition this Fund will support the expenditure to be incurred by DGPC for outsourcing of any work as a regulatory requirement under the E&P Rules.

### 3.2.8 Facilitation to E&P Companies

DGPC is required to provide assistance to E&P companies in import and export of equipment, release of maps, communication equipment, FBR booklets, explosive licenses, security clearances, etc. This function is generally being performed by the relevant Section quite smoothly. However, to make it more efficient, a comprehensive procedure needs to be formulated to simplify the process and to cut down the processing time. It also needs to be examined as to whether the recommendations of DGPC in such cases should be necessary. The companies can directly file the PCAs and PSAs and licenses and leases (duly certified by DGPC) with the concerned departments along with their applications. This will obviate the need for DGPC recommendations on each and every case. This change would cut down the unnecessary workload in DGPC, which in turn would reduce the processing time for other important cases.

### 3.2.9 Office Facilities and Training Support

It is necessary for DGPC to have the ability to communicate efficiently both within DGPC and with its stakeholders. DGPC should have real-time access to those they work with, and those they regulate.

The current DGPC staff is not IT enabled. Most of the correspondence between DGPC, E&P companies and service companies depends on faxes and letters. This causes delays in execution and delivery and has a severe impact on efficiency. It is recommended that DGPC should be immediately provided with the following:

1. Internet connectivity officially in DGPC office with an email server;
2. Email addresses protocol with a unique email address for each officer;
3. A database filing system protocol;
4. Laptops or desktops for all officers and concerned staff;
5. IT training for all officers and staff for:
  - a. Email usage.
  - b. Typing skills.
  - c. Document scanning.
  - d. File Transfer Protocol (FTP) for data download and upload.
6. Maintenance of hard copy files along with digital files
7. Improvement of office facilities (furniture, equipment, IT and communication).

The above expenses can also be met from the Endowment Fund.

The implementation of the short-term recommendations above will transform DGPC as illustrated in **Annex-VI**.

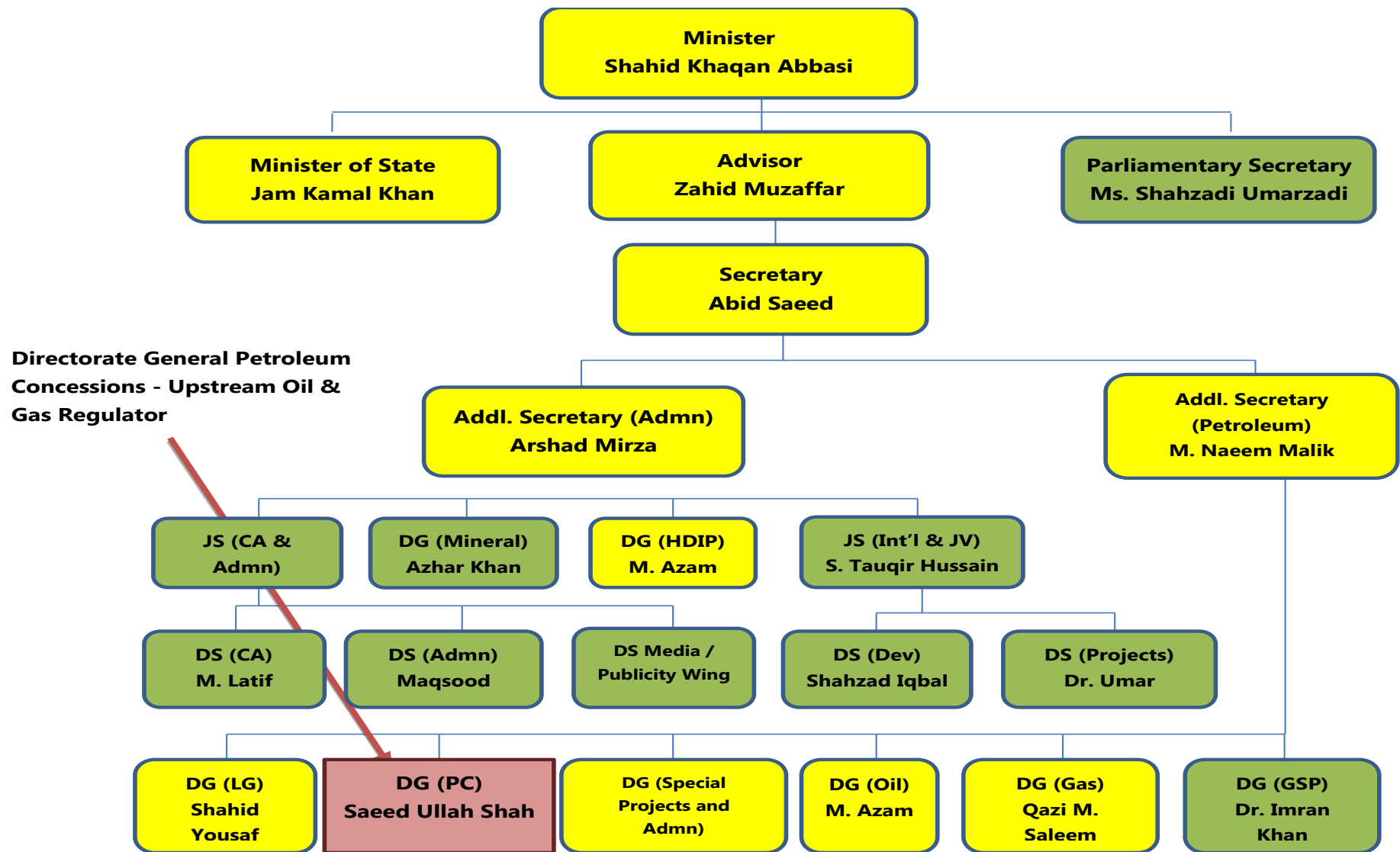
## 4. Summary of Short-term Recommendations for Implementation

- The next step in the process is to take a **bottom-up approach to the organizational set-up** of DGPC in light of the functions of the DGPC, which in turn are driven by the E&P Rules. The plan is to **implement the minimal organization proposals** that will enable DGPC to function in a more efficient and effective manner in the short term.
- To improve the effectiveness of DGPC office it is **important to introduce the concept of daily coordination committee meetings**.
- **Standard Forms** for applications and **SOPs** should be introduced.
- **New Positions** of Directors Law, Finance and Un-Conventional Resources & New Projects need to be created.
- Monitoring and Regulation through Reports needs to be reviewed. **Unnecessary reports may be done away with through required changes in the E&P Rules**.
- DGPC should **reduce over-regulation** and simplify approval process.
- **Fortnightly Review Meetings** should be held by DGPC to review progress of pending cases.
- **DGPC should not attend Joint Venture Meetings** i.e. TCMs and OCMs. Therefore, the necessary changes have to be made in the agreements as was done in the case of PCAs executed under 2001 Rules and 2001 E&P Policy.
- The **process for facilitation and assistance to companies needs to be simplified** to reduce the routine work load.
- DGPC should not be involved in routine cases and should focus on the issues requiring high-level executive decisions. The objective of improved decision-making process can be met by enlarging the role of Authority. DGPC has been notified as the Authority for the purpose of the E&P Rules. It is therefore proposed to **enlarge/ re-notify the Authority for improved decision-making process**.
- **Vacant positions should be filled-in through internal promotions and horizontal movement and merit**. The Recruitment Rules of the Directorate Generals including DGPC need to be modified for induction of fresh blood.
- **Salary packages must be improved** through introduction of Technical and Professional allowances.
- **The PIC needs to be activated** with induction of professionals at market-based salaries in technical, regulatory, commercial and legal areas. The short-term consultants should also be engaged to clear the backlog of pending cases.
- **The functions of DGPC should be further re-defined** as per the requirements of the E&P Rules and to make them commensurate with the available resources in the short-term.
- As required under the 2012 Policy (Para 1.3(6)), it is **proposed to establish a FPFC as part of the reorganized DGPC** comprising Federal and Provincial representatives to provide necessary facilitation, coordination and control of the E&P Sector.
- **DGPC Endowment Fund should be created** with the approval of the Finance Division to cover salaries and expenses not covered under the Federal Government budget.

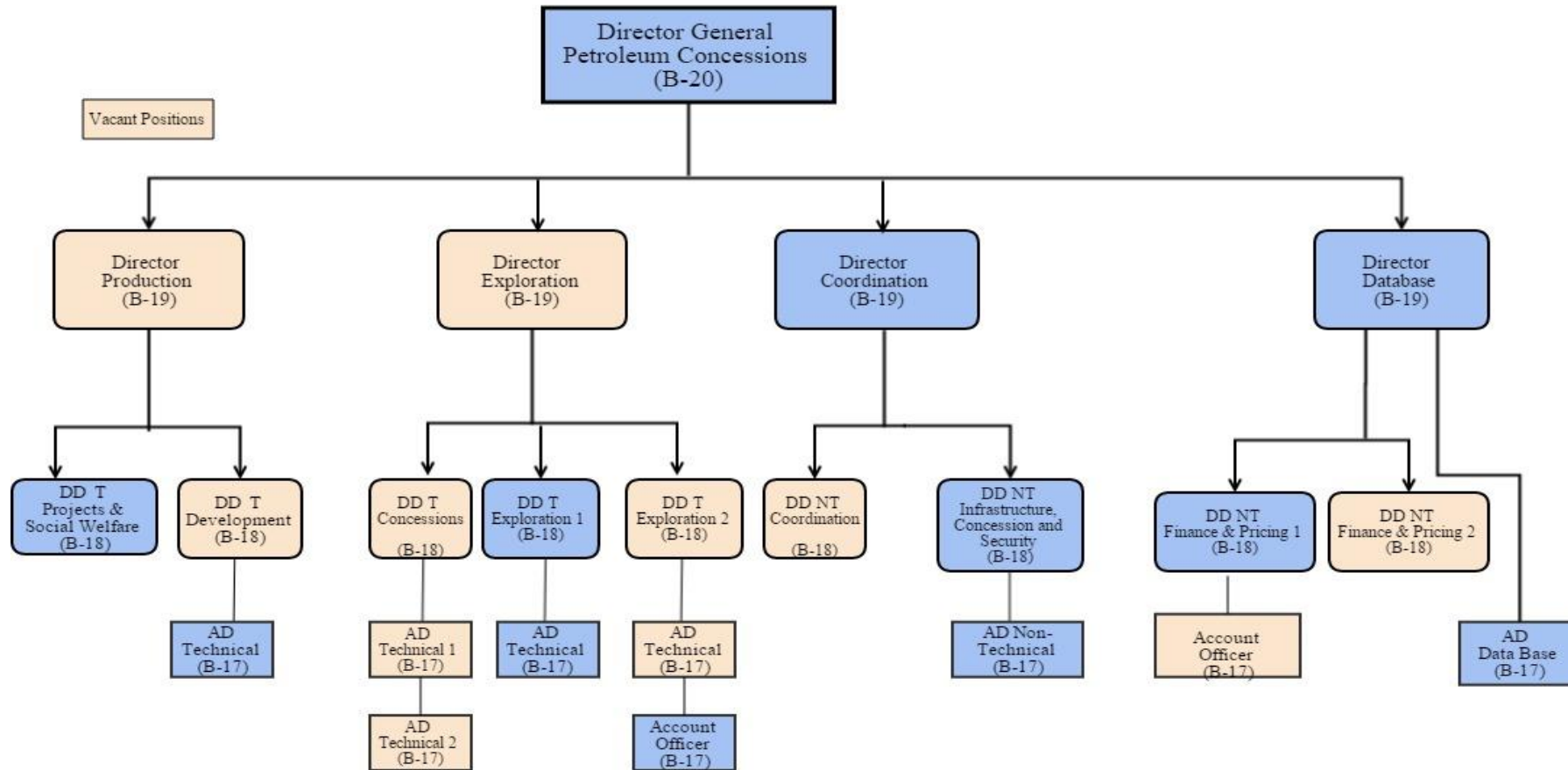
## 5. References

1. Pakistan Petroleum Exploration and Production Policy, 2012.
2. Pakistan Onshore Petroleum (Exploration and Production) Rules, 2013.
3. Overview of the oil and gas regime in Pakistan, Clyde & Co LLP, February 2012.
4. Pakistan Ministry of Petroleum & Natural Resources website, [www.mpnr.gov.pk](http://www.mpnr.gov.pk)

# ANNEXURES



**Annex-I: Ministry of Petroleum and Natural Resourcing (Organizational Chart)**



DD - Deputy Director  
 AD - Assistant Director  
 T - Technical  
 NT - Non-Technical

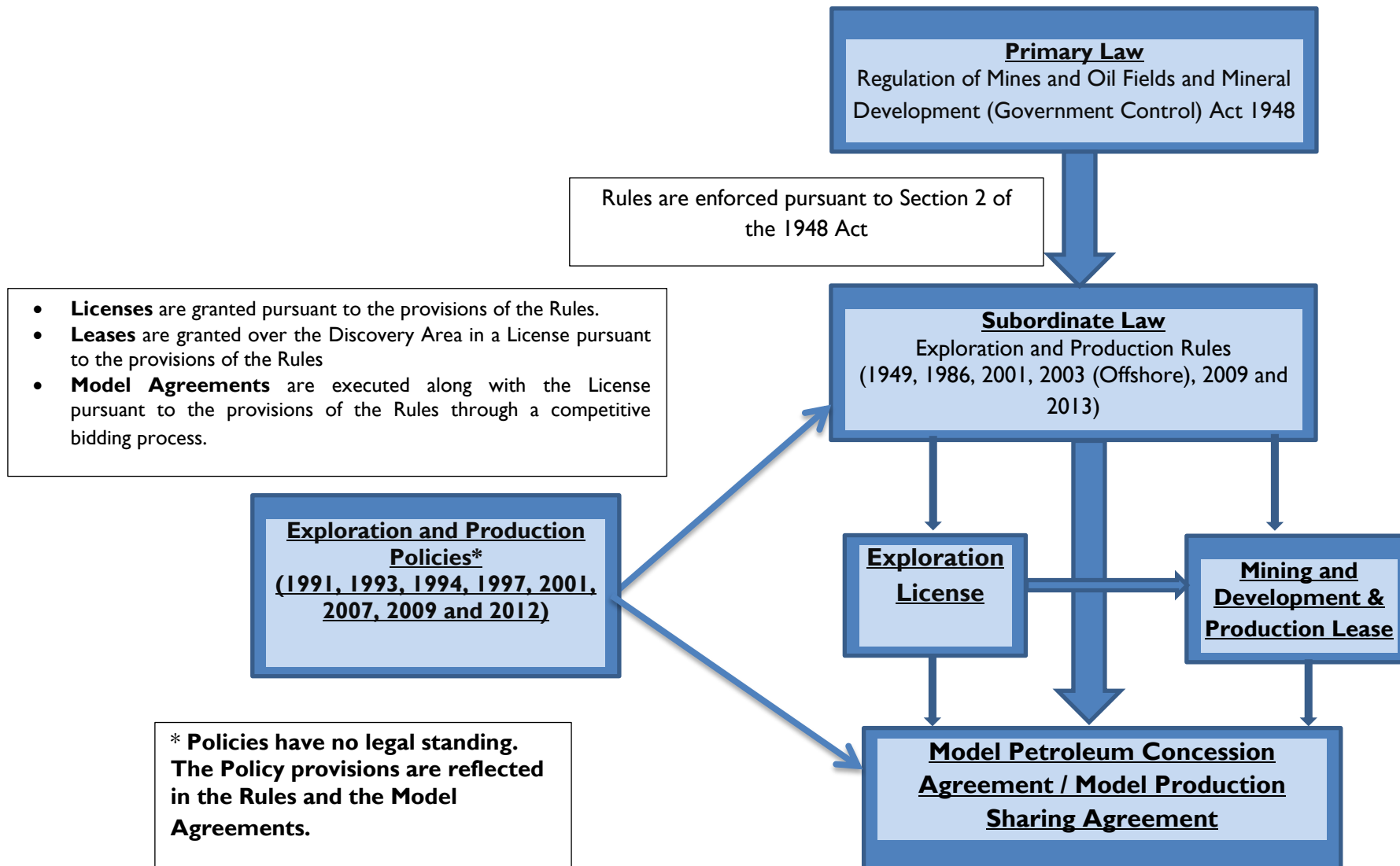
<b>Monthly Pay Scales</b>			
<b>BPS 20</b>	US\$ 1300 to US\$2300	<b>BPS 19</b>	US\$700 to US\$1500
<b>BPS 18</b>	US\$450 to US\$1200	<b>BPS 17</b>	US\$400 to US\$1000

**Annex-II: Directorate General Petroleum Concessions – Current Organogram**

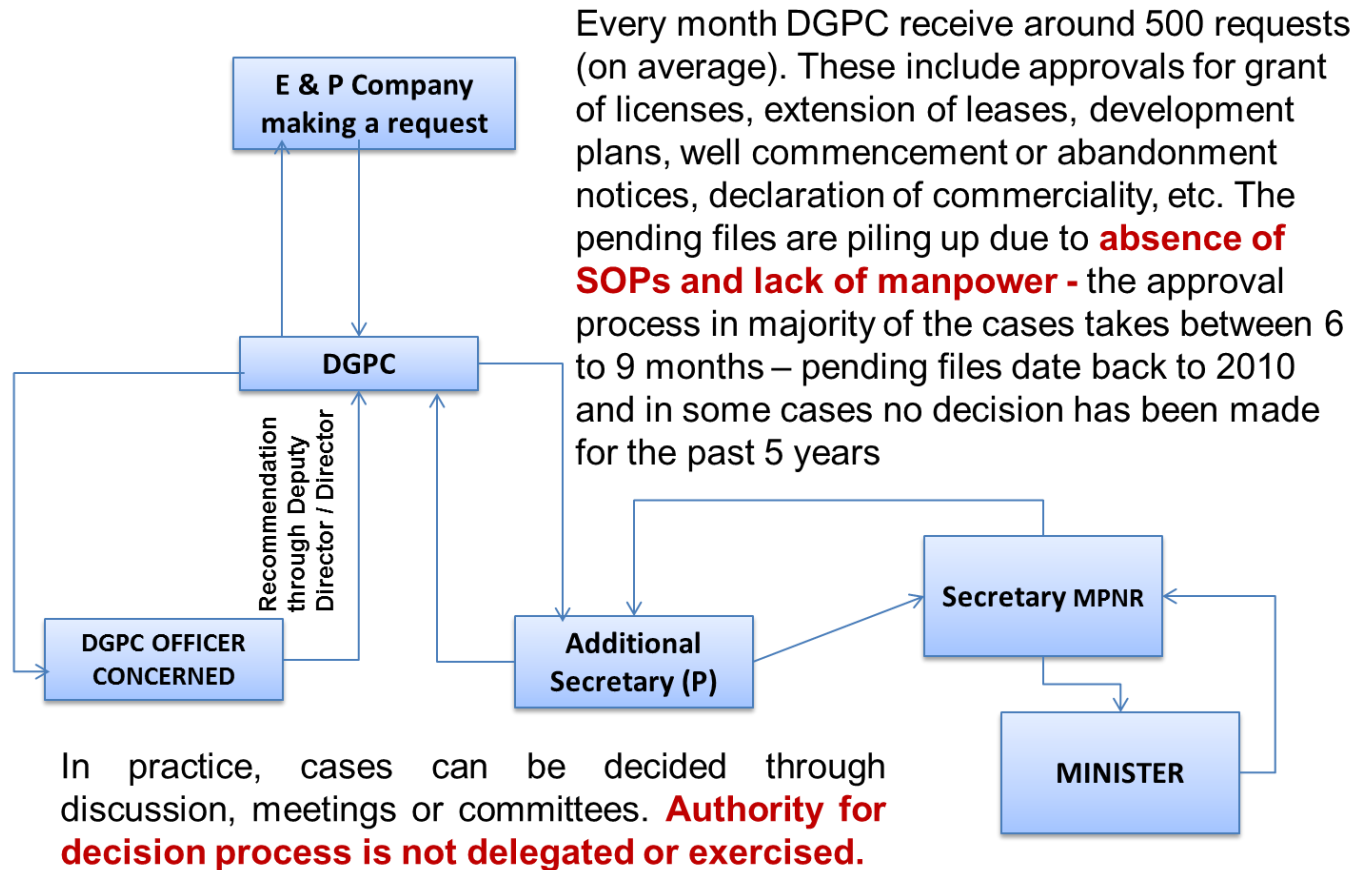
The job functions of the existing positions in DGPC are summarized in **Annex VII**.

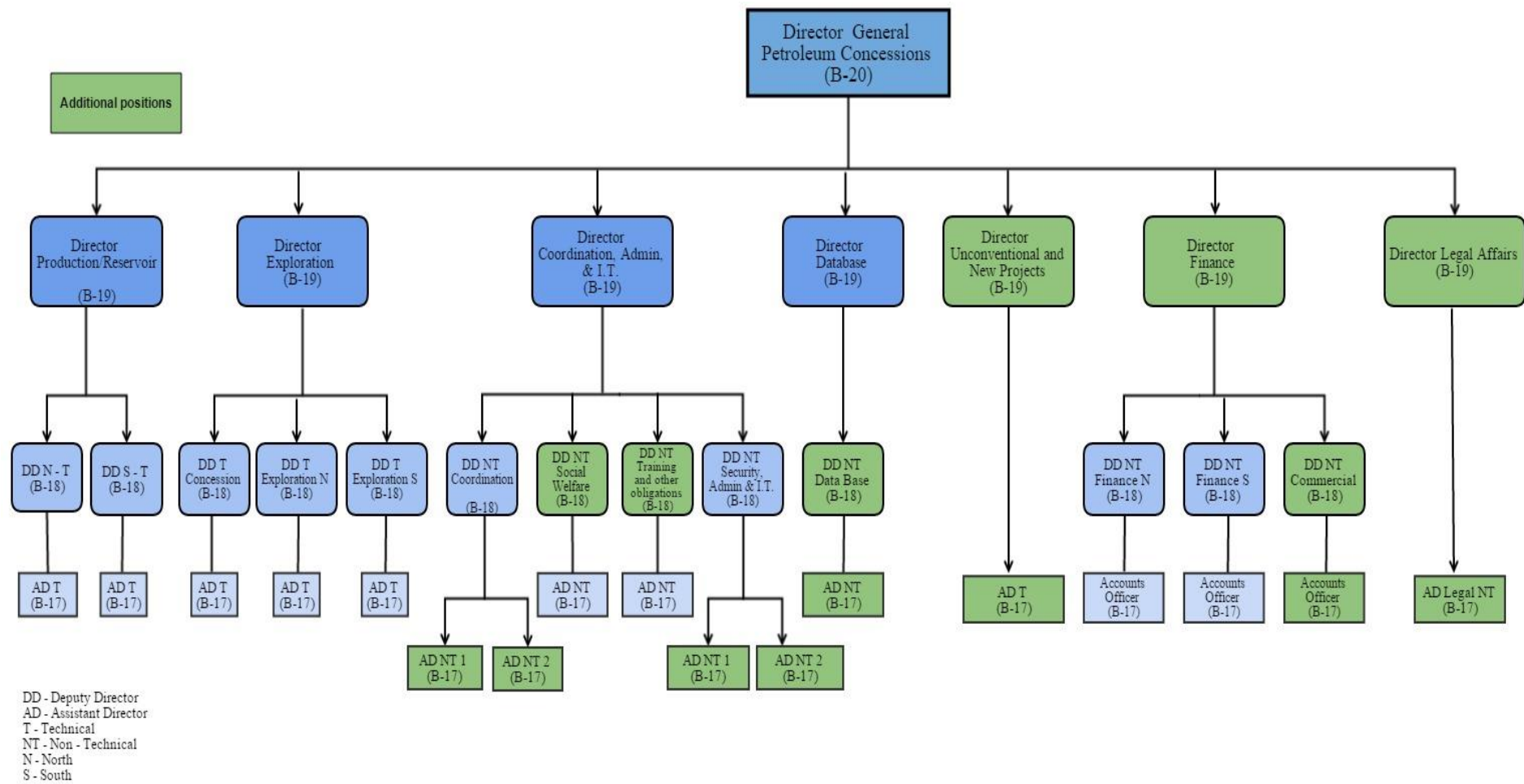


# Annex III: E & P Legal Framework Schematics



## Annex IV: DGPC – Lengthy Approval Process for a Request





Revised job functions for each Directorate are attached at **Annex VIII**.

### Annex-V: Directorate General Petroleum Concessions – Proposed/Revised Organogram

### Present Non-functional DGPC

- Depleted manpower
- Partial Advisory Support by EPP
- Some inexperienced manpower provided by ISGS, PPL etc.
- No formal forum for internal consultation

- Policy Implementation Cell under 2012 Policy not functional
- Federal – Provincial Facilitation Committee (FPFC) is not in place

- No time limit for decisions by Authority
- Investors not happy as cases get delayed
- Pending cases piling up
- No appeal forum under Rules
- No provision for penalties for minor defaults

- No SOPs/Job descriptions
- Ad-hoc system
- Rules/Policies not clearly defined - implementation is a serious issue.

**Implementation of the Interim Recommendations as to manpower, coordination committees, Policy Implementation Cell, introduction of SOPs and improvement in the legal / policy framework**

### Strengthened Functional DGPC – Future (Oct. 2015)

- Vacant positions filled up
- ISGS secondees trained internally
- Additional EPP Advisory Support
- PTS Advisory Support
- USAID support through Implementation Unit

- Coordination Committee in position for internal coordination
- Policy Implementation Cell activated with five (5) industry experts
- FPFC in place

- Authority enlarged and re-notified.
- Time limit fixed for decisions.
- Pending cases cleared.
- Independent Appeal Forum in position

- Penalties provided for minor defaults.
- SOPs/Job Descriptions in place
- Rules/policies/models clearly defined

## Annex-VI: Transformation of DGPC (Short – term)

## Annex VII: Current Job Functions of Officers in DGPC

- Grant of Petroleum rights (Reconnaissance Permits, Licenses, Leases) Area relinquishments, extensions, and renewals.
- Monitoring and regulation of all exploration and production activities through daily, weekly and monthly reports and field visits (geological, geophysical, drilling, production, reservoir etc.).
- Joint venture budgets, technical and operating committee meetings. Evaluation of cost statements and invoices.
- Technical and Commercial audits.
- Approval of well commencement, testing, side-track and abandonment notices.
- Economics of petroleum arrangements and fiscal packages for different areas.
- Monitoring of training and social welfare obligations under the policy and the concession agreements.
- Retrieval, storage and dissemination of all technical data and reports and matters relating to data base.
- Promotion of petroleum exploration and petroleum information service (PPIS) and press releases.
- Management of budget and monitoring of rents, royalty, dividends and application fees etc.
- Resource assessment, reserve evaluation, reservoir studies, monitoring of oil and gas production and short term and long term production forecasts.
- Assistance to E&P and service companies including release of maps, communication equipment, FBR booklets, explosive licenses, security clearance, work visas, branch office permissions, radio frequency allocations and land acquisition etc.
- Release of foreign exchange to E&P Companies.
- Delimitation of maritime boundaries.
- Import and export cases of equipment, materials, cores and cuttings and petroleum samples, other data of the E&P companies and service companies.
- Miscellaneous matters concerning requests from Ministries, Divisions, other agencies and Parliament and submission of periodical reports to Government and implementation of Government decisions etc.

### Director (Production)

- Monitoring the production of oil and gas from the existing fields and suggest options for increasing the production.
- Approval of development plans and oversees the development of new oil and gas fields.
- Examination of appropriate techniques for enhancement of production from depleting fields by secondary recovery or tertiary recovery methods.
- Preparation of daily, weekly and monthly oil and gas (including LPG) production and sales reports received from E&P companies.
- Monitoring of drilling operations of the E&P Companies.
- Evaluation of technical data such as logs, sample cuttings reports, mud logs, well testing and completion reports received from the wells under drilling.
- Field visits to drilling sites and producing fields as well as witnessing of well testing operations.
- Examination and approval of notices received from E&P companies under the rules and agreements (well commencement, testing, abandonment and miscellaneous notices).

- Review and update oil and gas supply and utilization plans.
- Revise and update information related to oil and gas production for inclusion in the Economic Survey of Pakistan.
- Monitoring of projects and related periodical reports.
- Handle matters related to re-injection, flaring of gas and recovery of LPG.
- Review and implement all production related agreements including; producer pricing agreements, sale and purchase agreements, transportation agreements, commingling of crude oil and processing of oil and gas.
- Matters concerning hiring of drilling rigs, requirements of drilling personnel, hiring of service companies for various operations.
- Review Environmental Management Plans of E&P companies, health and safety issues and assist E&P companies in obtaining NOC from Environmental Protection Agency (EPA).
- Monitoring of development and production activities of various oil and gas fields under the Exploration and Production Rules.
- Witness drilling, testing, work over, and production operations at various oil and gas fields.
- Short term development plans and physical and financial targets of companies engaged in petroleum exploration and development activities in various concessions, leases and reconnaissance permits.
- Preparation of weekly, monthly, quarterly and annual reports for inter-departmental use and for other organizations.
- Check and sort-out technical data being regularly submitted by the companies and to archive the same in database.
- Approval of drilling, testing, work-over and other development operations under the Rules and the agreements.
- Oversee development production operations of companies and evaluate technical data.
- National Assembly and Senate questions concerning petroleum exploration, development and production activities.
- Co-ordination with other Ministries, preparation of briefs, supply of production data to different organizations and preparation of annual development and drilling plans etc.
- Provision of adequate incentives to foreign oil companies for investment in exploration and production of oil and gas.
- Sector Program (OGSP) and assistance in the preparation of annual work plan (AWP).

## Director (Exploration)

- Review model concession and production sharing agreements from time to time in the light of global oil exploration policies and evaluation of the terms and conditions being offered by other countries for grant of petroleum rights.
- Processing and finalizing award of new petroleum exploration rights through administration of bidding procedure laid down in the Policy, negotiations and execution of agreements.
- Analysis of work programs submitted by companies with regard to exploration activities, drilling and retrieval of data.
- Approval of commerciality applications.
- Evaluation of contracts and technical data received from oil companies.
- Inspection of geological and geophysical field operations.
- Examination of applications for restricted maps.
- Preparation and updating of concession maps.

- Blocking out area on land and offshore for promotional surveys.
- Technical evaluation of the geological and geophysical surveys.
- Evaluation of geophysical services contracts submitted by companies.
- Review of periodic reports submitted by the companies.
- Approval of the work program of the various companies under joint venture viz-a-viz geological and geophysical surveys, drilling program, production and development programs through operating companies.
- Approval of the well commencement, work-over, testing, plugging and abandonment operations, etc. under the Rules.
- Inspection of field operations of companies.
- Evaluation of technical data and reports in respect of exploration, drilling and production and reservoir studies submitted by companies.
- Evaluation of the geological and geophysical contracts.
- Monitoring of exploration and drilling activities.
- Evaluation of Well commencement, completion, abandonment notices, evaluation of cores and cuttings, DST and Production test results, completion reports, etc.
- Interpretation of well logs.
- Evaluation of geological, geochemical gravity and seismic work programs.
- Preparation of periodic summaries and briefs required for Cabinet and Government entities.
- Evaluation of reservoir studies and reports.
- Review of daily, weekly, and monthly exploration reports, core analysis, reserves estimates, etc.
- Examination and processing of applications for release of restricted maps and aerial photographs.
- Evaluation of proposals for geological surveys.
- Oversee all operations of the companies and participate in technical and operating committee meetings of joint ventures.

## Director (Data Base)

- Co-ordination in matters concerning data base with Director of Exploration, Production, Legal Affairs and Finance.
- Establishment of Security and access system and database back up procedures.
- Monitoring of database performance and recommendations for improvement and expansion.
- Arrange inspections of public domain geological data by companies.
- Co-ordination of database updating and access methods between operating departments.
- Maintenance of Financial database.
- Maintenance of computer equipment.
- Purchasing of hardware, software and supplies.
- Management of centralized software applications.

## Director (Co-ordination)

- Co-ordination with Exploration, Production, Legal Affairs, Finance and other sections and organizations.
- Security clearances of expatriates.
- Branch office permissions to companies.
- Permissions for Explosives, telecom frequency etc. and coordination thereof.
- Facilitate permissions for Import and export of machinery, equipment and supplies etc.
- All routine inter-governmental co-ordination.
- Monthly reports for submission to Governmental organizations and other Ministries.

## Director (Non-Technical)

- Co-ordination with Exploration, Production, Legal Affairs and Finance sections and other organizations.
- Security clearances of expatriates.
- Permissions for establishment of branch offices by companies. Permissions for Explosives, telecom frequency etc.
- Import and export permissions for machinery, equipment and materials etc.
- All routine inter-governmental co-ordination.
- Monthly reports for Cabinet and other Governmental agencies.

## Deputy Director (Technical)

- Initiating the cases for grant and renewal of Mining and Development and Production Leases under the applicable Rules.
- Evaluating and approval of well commencement, work-over, testing, plugging and abandonment notices in respect of exploratory wells under the Rules.
- Monitoring of exploration and drilling activities.
- Evaluation and approval of development work plans and infrastructure in respect of newly discovered oil and gas fields.
- Press releases in respect of new oil and gas discoveries.

## Deputy Director (Technical)

- Processing of applications for grant of licenses and execution of Exploration Licenses and Petroleum Concession Agreements. Evaluation of Blocks for provisional award to the companies on the basis of best Work Program and related financial commitments.
- Assisting in execution of Production Sharing Agreements.
- Processing of applications for grant of extensions and renewals based on technical grounds and Law and Order and security considerations.
- Processing of applications for assignment of working interests and approval of Assignment Agreements as well as change of Operatorship in different Blocks.
- Review of Bank Guarantees and Parent Company Guarantees provided by different E&P companies in respect of their Minimum Financial Obligations.



- Processing of applications for Release of Bank Guarantees and Parent Company Guarantees after due fulfillment of obligations.

## Deputy Director (Technical - 2)

- Implementation of Exploration & Production Rules and Petroleum Policies.
- Processing of new applications for grant of Petroleum Rights and Reconnaissance Permits.
- Preparation, examination and execution of Exploration Licenses and Petroleum Concession Agreements.
- Processing of requests of the companies for renewals, extensions, assignments and relinquishment of Exploration Licenses.
- Conducting bid opening for award of various blocks and processing of the bids.
- Approval of the work program of various companies under joint venture viz-a-viz geological and geophysical surveys, drilling program, through operating committees.
- Training programs under Petroleum Concession and Production Sharing Agreements, processing and finalization of training proposals and program for Pakistan nationals working in the various Exploration and Production companies and officials of Government. Handling of DGPC training account.
- Processing and finalization of cases for change of company name.
- Execution of Supplemental Agreements due to any changes in Rules, Policies or SROs.
- Security Issues and resumption of exploration activities in non-accessible areas.
- National Assembly and Senate questions.
- Attending TCMs and OCMs of the Joint Ventures and to monitor the progress of work.
- Examination of various complaints.

## Deputy Director (Non-Technical)

- Examination of applications for exploration, reconnaissance and leases.
- National Assembly and Senate questions.
- Promotion of Petroleum Exploration through bidding rounds and promotional campaigns.
- Examination and processing of draft concession and production sharing agreements submitted by companies.
- Assignment of working interests and processing of applications.
- References to Ministries of Defense, Interior, Provincial Governments, etc. for their “no objection” for grant of licenses and reconnaissance permits.
- Examination of cases of renewals, surrender and relinquishment of areas and concessions.
- Maintenance of register of applications for inspection by companies and public as per E&P Rules.
- Evaluation of deeds for reconnaissance permits, exploration licenses and Mining and D&P leases and their registration.

## Deputy Director (Non-Technical - 2)

- Economic analysis of commerciality declarations, development plans and other projects.
- Assist in planning and policy issues relating to DGPC.

- Data compilation and evaluation. Checking of statistical data for the annual reports and brochures and investment opportunities in petroleum sector.
- Preparation of statistical data and material and briefs for Economic Advisory Board, Energy Wing, Joint Ministerial Commissions (JMCs) of different countries.
- Processing of cases and correspondence with the Chief Inspector of Explosives regarding Explosives Licenses for 2.D, 3.D seismic surveys and logging in respect of Exploration & Production Companies and service companies.
- Processing of cases and correspondence with the Pakistan Telecommunication Authority regarding the frequency allocation and wireless and Inmarsat and Walky-talkies etc. in respect of E&P companies and service companies.
- Implementation of Cabinet decisions and submission of monthly reports.
- Implementation of all directives of PM, President, Cabinet, ECC, CCI etc. and submission of reports thereof.
- Industrial Relations Ordinance with reference to its application to the Exploration and Production companies.
- Assist in preparation of WAR Book and related matters.
- General and Co-ordination matters regarding the E&P and service companies relating to the individuals, Government Departments and Provincial Governments and Districts Administration etc.
- Coordination with the Ministries and Divisions and other Departments.
- Coordination with the E&P companies regarding individual complaints and applications of general nature from the public including land matters, if any and attending the Wafaqi Mohtasib and Court cases regarding land matters.

### Deputy Director (Non-Technical - 3)

- Matters concerning Import and Export of materials by E&P companies and service companies.
- Assist DG (PC) in drafting proposals for SROs and Policy and CGOs for Import of Machinery and Equipment by E&P and Service companies.
- Arrangement for security clearances and work visas for visiting employees and consultants of E&P and Service companies.
- Assist the companies in obtaining permissions from various Government agencies for drilling and seismic surveys in onshore and offshore and opening of branch offices.
- Coordination for arrangement of security troops required by the companies.
- Supply of information and petroleum statistics to all public and private organizations.
- Implementation of President and Prime Minister and Cabinet, ECC and CCI Decisions.
- Coordination in issuance of CBR Booklets to companies.
- Formulation of Security Policy and guidelines.
- Preparation of Briefs for JMCs and Minister, Secretary and others.
- Internal issues of DGPC like staff positions, Disposal of Vehicles, registration of FIRs, arrangement of computers, furniture etc.

### Deputy Director (Legal)

- Legal matters related to E&P operations.
- Vetting of PCAs and PSAs and Lease Deeds and other instruments.

- Handle court cases.
- Matters related to Rules and Policies.
- References to Law Division.

## Deputy Director (Finance and Pricing)

- Monitoring of Government receipts such as
  - Receipts against Government interest in various joint ventures on account of sale of crude oil, gas and LPG etc.
  - Royalty share of receipts from production of oil and gas.
  - Advance yearly rents from the oil and gas concessions.
  - Dividends receipts from those oil and gas companies in which Government of Pakistan holds equity shares.
  - Miscellaneous receipts (application fees, data sales, etc.).
- As regards expenditures, following activities are carried out:
  - Co-ordination with oil and gas companies where Government of Pakistan is joint venture partner to obtain and scrutinize their budgetary requirements.
  - Consolidate the budget and arrange funding for Government investments in joint ventures.
  - Examine and process the cash calls from joint venture companies for release of payment.
- Attend Finance Sub-Committee meetings to discuss and review the budgetary estimates.
- Review the crude and gas sales and pricing agreements.
- Reconciliation of expenditures with AGPR on a monthly and quarterly basis.
- Government audits of joint venture expenditures, Audit Paras and Publics Accounts Committee (PAC) matters.

## Deputy Director (Social Welfare)

- Processing of cases for Social Welfare (SW) Obligations of the E&P companies against respective PCAs and PSAs and Petroleum Policies.
- Production Bonus matters under Petroleum Policies and PCAs and PSAs. Assist in preparation of procedure and legal frame work for utilization of Production Bonuses.
- Preparation and submission of project proposal on form PC-I to Planning Division, Central Development Working Party (CDWP) and Executive Committee for National Economic Council (ECNEC) for approval, attend different quarterly meetings in the said forums during approval stage.
- Attend various PSDP meetings and correspondence with Planning Division, presenting brief position and outcome of the ongoing projects approved under PC-I. Preparation of work plans for ongoing projects under PSDP.
- Review the existing collection procedures of royalty payment by E&P companies and suggest improvements to monitor timely collection.
- Coordinate royalty audits of various E&P companies.
- Review the audit reports, pursue and discuss the issues with E&P companies in order to recover the under-paid royalty.

## Assistant Director (Technical)

- Processing of the applications for grant of Exploration Licenses.
- Assisting in execution of Exploration Licenses and Petroleum Concession and Production Sharing Agreements.
- Processing of applications for grant of license and lease extensions and renewals based on technical grounds and Law and Order and security situation. .
- Processing of applications for assignment of working interests and approval of Assignment Agreements and change of Operatorships.
- Evaluation of Blocks for provisional award to the companies on the basis of Best Work Program and related financial commitment.
- Processing of applications for Release of Bank Guarantees and Parent Company Guarantees after due fulfillment of obligations.
- Review of Bank Guarantees and Parent Company Guarantees provided by different E&P companies in respect of their Minimum Financial Obligations.

## Assistant Director (Technical – 2)

- Processing of the applications for grant of Exploration Licenses.
- Assisting in execution of Exploration Licenses and Petroleum Concession and Production Sharing Agreements.
- Organizing bidding rounds and promotion campaigns.
- Processing of applications for grant of License and lease extension and renewals.
- Processing of Supplemental Agreements to incorporate new SRO's and CGO's and Policy incentives.
- Processing of applications for assignment of working interests and approval of Assignment Agreements and change of Operatorships. .
- Evaluation of Blocks for provisional award to the companies on the basis of best Work Program and related financial commitment.
- Processing of applications of Release of Bank Guarantees and Parent Company Guarantees after due fulfillment of obligations including but not limited to data, social welfare, training rentals etc.
- Review of Bank Guarantees and Parent Company Guarantees provided by different E&P companies in respect of their Minimum Financial Obligations.
- Monitoring of training obligations and retrieval of Government's share.
- Assist in preparation of briefs for the Minister.
- Coordinating with Database section for new bidding rounds.

## Assistant Director (Technical – 3)

- Initiating the cases relating to grant and renewal of Mining and D&P leases under the applicable Rules.
- Evaluating of well commencement, work-over, testing, plugging and abandonment notices in respect of exploratory wells under the Rules.
- Monitoring of exploration and drilling activities.
- Initiating the cases for approval of development work plans and infrastructure in respect of newly discovered oil and gas fields and approvals of press releases. .
- Preparation of Company and Country briefs for visits, meetings of President, Prime Minister and Minister and Advisor.
- Attending Technical Committee Meetings and Operating Committee Meetings of JVs.
- Review of Gas Pricing Agreements, Gas Sale Agreements Crude Oil Sale Purchase Agreements in the light of relevant PCAs and PSAs and Leases.

## Assistant Director (Technical – 4)

- Handling Sector Programs related to strengthening of DGPC.
- Matters related to disinvestment and restructuring of OGDCL.
- Matters related to technical audits of joint ventures having GOP shareholding.
- Oversee Occupational health, Safety & Environment (HSE) Guidelines and related issues for E&P sector.
- Processing of training programs proposed by E&P companies to discharge their obligations.
- Assist in matters related to technical and operating committee meetings of Joint Ventures.
- Compilation and evaluation of technical information for plans including annual and five-year plans.
- Update technical material for various organizations in public and private sector.

## Assistant Director (Data Base)

- Maintenance of computer equipment.
- Management of centralized software applications.

## Assistant Director (Non-Technical)

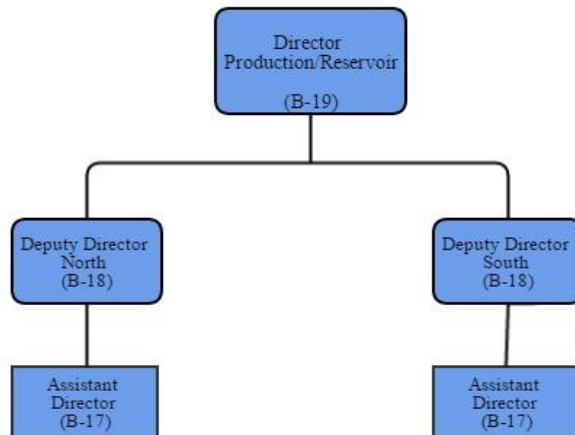
- General Assistance to companies in (i) Work permits (ii) Branch office permissions (iii) Multiple entry visas (iv) Explosive Licenses (v) Octroi charges (vi) CBR Booklets.
- Monthly reports on directives of the Prime Minister, President, Minister. Training reports, appointments and briefs for the Minister, Secretary etc. and quarterly reports for the Cabinet.
- Coordination with Ministries and Divisions, Wafaqi Mohtasib Secretariat and with regard to Parliament business, National Assembly and Senate business.
- General Administration matters of DGPC.
- Examination of litigation cases of companies with private landowners etc., if any.
- Joint Ministerial Commissions and Committees and collaboration with other countries.

## Accounts Officer

- Follow-up for sanctions for release of the Government's share of investment in various joint ventures and companies.
- Carry out reconciliation of Revenue Receipts and PSDP in Karachi and Islamabad respectively.
- Assist DD (SW and Admin.) in his work as required.
- Process the foreign exchange allocation cases of E&P Companies through External Finance Wing of Finance Division.
- Keeping and maintaining all files, documents and record relating to E&P and Social Welfare section.

## Annex VIII: Revised Job Functions of each Directorate

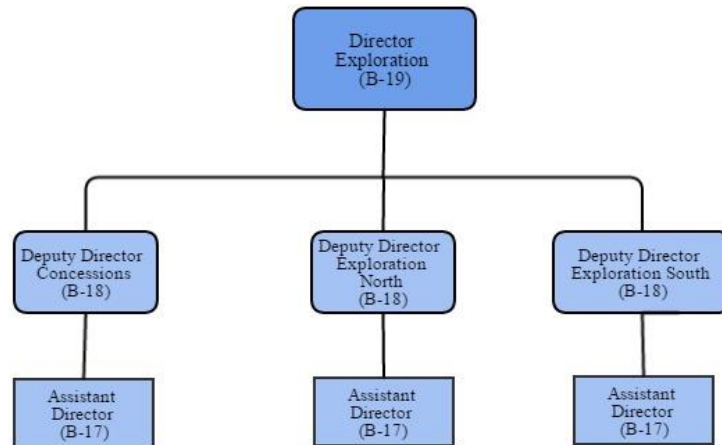
### Director - Production/Reservoir



- Reports of Discoveries, Discovery Area Maps, reserves, short term/long term production profiles.
- Matters concerning grant of leases, execution of lease deeds, expiry or extension or renewal of leases, exploration within a lease area (in consultation with Exploration Section) and use of facilities by third parties, surface facilities, standards of operations, measures for maximizing the ultimate economic recovery of hydrocarbons.
- Approval of Commercial Discovery Notices and Development Plans and revisions thereof.
- Conservation of petroleum resources as per good international practices and notification of depletion policy and production of petroleum from fields.
- Flaring and venting of gas.
- Appraisal Programs, approval for commencement of appraisal/development wells, logging, testing and abandonment.
- Safety and environmental considerations including spills and wastes.
- Size and the shape of the lease area to be relinquished.
- Early production tests/EWTs.

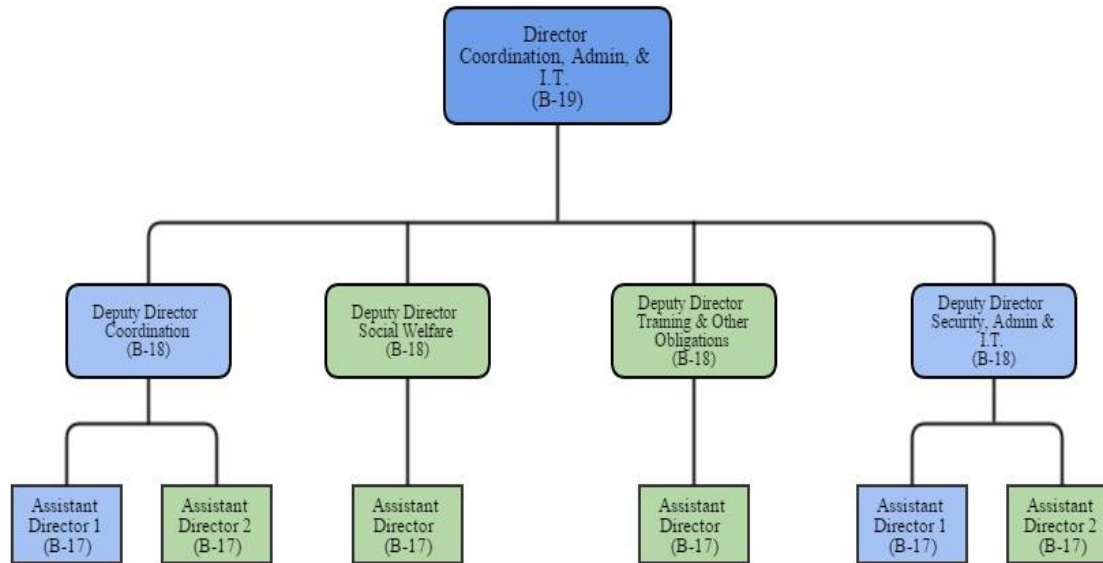
- Wells and production records, measurements of petroleum.
- Joint exploration and development under unitization agreements.
- General rights of a lease holder to enter upon land.
- Rights of Government to installations and facilities etc. upon termination of a petroleum right including restoration of area to its original condition.
- Lessee's organization in Pakistan and related matters as per rules, Declaration of force majeure, arbitration and indemnities.
- Issues concerning Tight Gas, Low BTU Gas, and Marginal/Stranded Discoveries.
- Reserves estimates, reservoir studies and production profiles, Secondary/tertiary recovery methods, reinjection of gas and production enhancement proposals.
- Gas sales, Gas pricing and other production /pricing agreements.

## Director - Exploration



- Well commencement, work over, testing, plugging and abandonment and other notices.
  - Exploratory drilling, production testing, log evaluation, test reports, reserves estimates.
  - Geological, Geophysical, geochemical, gravity, magnetic, aerial and other surveys and reports.
  - Field visits, inspections and technical audits.
  - Joint venture technical and operating committee meetings.
  - Processing of applications for extension of licenses, renewals, assignment of interest, change of operatorship, transfer of work commitment, relinquishment of areas/licenses.
  - Approval of exploration work programs.
  - Recommendations to Finance Section for release of performance guarantees after due fulfillment of work commitment.
  - Evaluation of Discovery Area maps and press releases for new discoveries.
  - Retention of significant gas discoveries and related matters.
  - Review of model agreements and policies from time to time.
  - Area clearances and definition of blocks,
  - Promotion of petroleum exploration through bidding rounds and promotional campaigns.
- Evaluation & processing of applications for grant of petroleum rights (ELs) through bidding, performance guarantees, award and execution of lease deeds/agreements.
  - Supplemental Agreements to cover changes in Rules, Policies, SROs etc.
  - Applications for release of aerial maps, photographs and other data.
  - Submission of periodical reports, briefs, press releases, summaries and other documents to Government.
  - Maintenance of Register of applications for inspection by companies and public as per Rules.
  - National Assembly/Senate Questions.
  - All other matters concerning concession affairs.

## Director - Coordination, Admin & I.T.



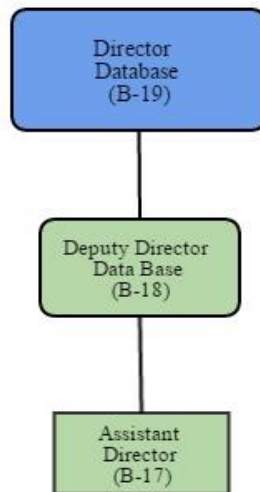
- Presentation of statistical data/material, briefs for different organizations.
- Implementation of the decisions of ECC, ECNEC, CCI and Cabinet as well as directives of the President/PM.
- Industrial Relation Ordinance and its applicability to E&P companies.
- Trade Policy, SROs and CGOs.
- Coordination in court cases with Director Law and other Directors as necessary.
- Compilation of information for various plans including annual and 5 year plans in consultation with other Directors.
- Other Coordination matters as necessary and periodical Meetings of the Coordination Committee and to act as its secretariat.
- Annual plans of the companies and processing of cases of social welfare obligations.
- Use of production bonuses for social welfare schemes and related matters.
- Coordination with Provincial Governments and MNAs' committees.
- Standing Instructions on utilization of social welfare obligations from time to time.
- Audit reports of social welfare schemes.
- Other matters concerning social welfare obligations.
- Monitoring of training obligations of the companies through their annual plans and audit certificates, Approvals of such programs

- Coordination with different Sections through Coordination Committee or otherwise, other Ministries/ Organizations, E&P and Service companies and PPEPCA.
- Branch office permissions to companies and change of name.
- Permissions for explosives, telecom frequencies, imports/exports of equipment, materials & supplies, disposal of duty free /concessionary imports, CBR booklets, luxury /field vehicles and coordination thereof.
- Press releases in respect of new discoveries in consultation with Director Exploration.
- National Assembly/Senate Questions and other business.
- Examination of various complaints and applications.
- References to Ministries of Defence, Interior, Provincial Governments and agencies for NOCs for grant of RPs/Licenses/Surveys/ drilling operations in consultation with Director Exploration.



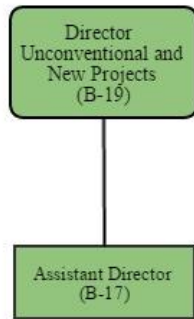
- Standing instructions on utilization of training funds issued from time to time
- Management of DGPC training fund and its audit
- Audit reports of the training amounts spent on an annual basis
- Outstanding training obligations of the companies.
- All other matters concerning training obligations.
- Security clearances /work visas cases of E&P and Service companies
- Security Policy and coordination issues and resumption of exploration activities in non-accessible areas and arrangements of troops in consultation with Director Exploration
- War Books and related security documents
- Internal organizational issues of DGPC like structure, housing, staff positions, recruitment rules, seniority, disposal of vehicles and other items, registration of FIRs, arrangements for computers, furniture and various programs of financing institutions etc.
- Maintenance of Computers/other equipment and all IT issues.

### Director - Database

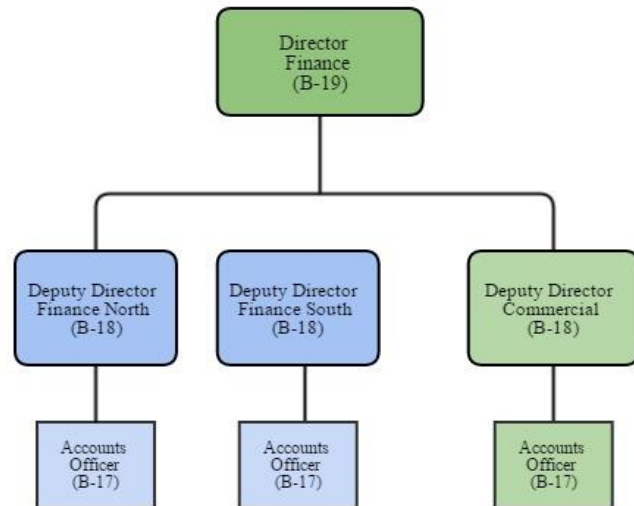


- Data retrieval from companies on transparent/stable and digital format, archiving, storage, sale/release to interested companies, Governmental agencies and third parties, confidentiality agreements and data management by outsourcing or otherwise.
- Price lists of different kind of data and reports including completion reports, logs, cores and cuttings.
- Confidentiality of data and transfer to public domain and disclosure to third parties after the period specified in the rules.
- Data acquired through multi-client surveys and studies and execution/implementation of related agreements.
- Preparation of data packages for bid rounds and promotional campaigns.
- Maintenance of computer equipment and software applications.

**Director - Unconventional and New Projects**



**Director - Finance**

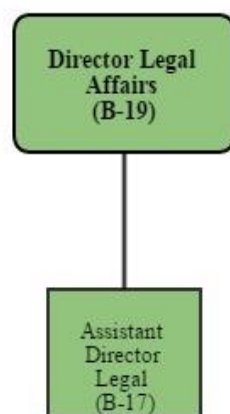


- Training, social welfare and marine research obligations of companies.
- National Finance Commission Awards.

- Assessment of shale gas, CBM, Tight gas resource potential etc.
- Policy framework for exploitation of unconventional resources.
- Regulatory framework for such resources to avoid interference with conventional framework.
- Studies on economic utilization of un-conventional resources, environment and infrastructure issues.
- Promotional campaigns /bidding rounds for grant of rights for exploitation of un-conventional resources.
- New projects in this domain including use of abandoned wells (in free areas or in existing leases) for use in Geo- thermal energy/ power generation.
- Other projects as may be assigned from time to time.
- Monitoring of receipts of Government such as royalty (cash/kind), rental payments, production bonuses, marine research fees, receipts from sales from JVs, dividends, application fees, data sales etc.
- Coordination with companies for budgetary requirements and processing/release of cash calls where GOP has an interest.
- Finance Sub Committee meetings of JVs to review budgets, cash calls, expenditures.
- Reconciliation of expenditure with AGPR on monthly and quarterly basis
- Government audits of JV expenditure, audit paras, and Public Accounts Committee matters.
- Performance Guarantees for obligations and liabilities of holders of petroleum rights and release thereof in consultation with Director Exploration.
- Insurance by companies against any liabilities of the Government as per the Rules.
- Release of foreign exchange to companies.

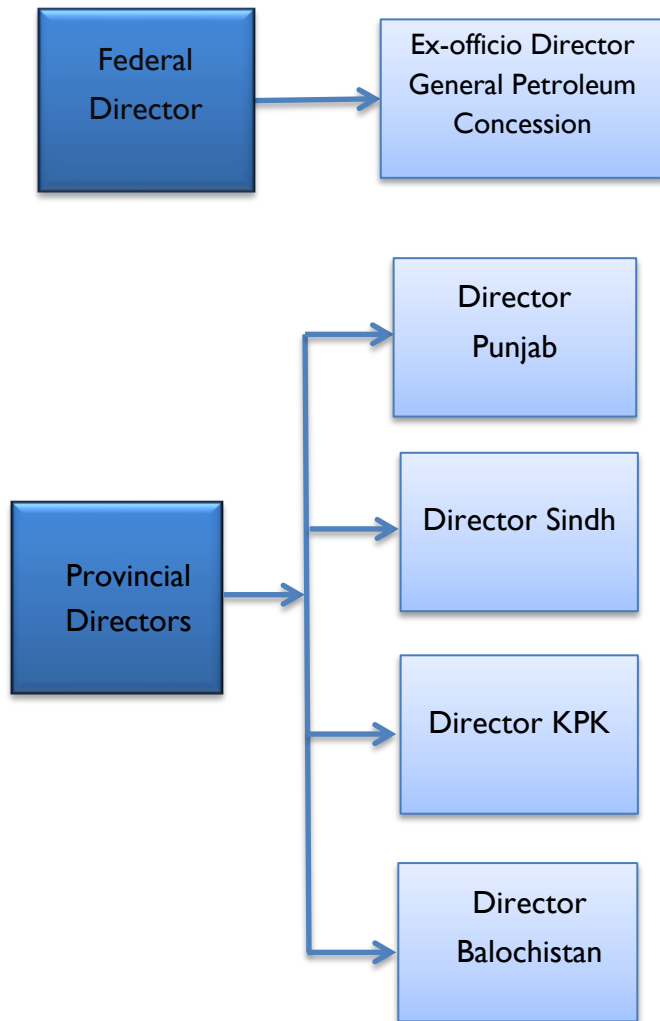
- Records of Accounts and monthly, annual and occasional and financial statements of companies.
- Other matters concerning Finance.
- Declaration of Commercial Discoveries in consultation with Directors Exploration and Director Production.
- Development Plans, possible alternatives and economics.
- Economics of significant gas discoveries submitted by companies for availing the license retention period incentive.
- Financial terms and conditions for re-grant of a lease after expiry of term.
- Pipeline tariffs and use of pipeline/ facilities by third parties under Third Party Access (TPA) regime and a rational system of transportation.
- Value of Petroleum and Lifting or sales agreements for royalty petroleum.
- Petroleum Own use Loss statements of companies.
- Petroleum measurements in consultation with Director Production.
- Auditing or inspections or examination of wells, records, plants, appliances, buildings or other works.
- Wellhead pricing issues.
- GSAs, GPAs, and other agreements/ commercial matters.

## Director - Legal Affairs



- Review of all legal documents and issues arising therefrom and related to petroleum rights i.e. Rules, Policies, PCAs, PSAs Assignment Agreements, Supplemental Agreements, agreements for transfer of work commitment ,performance guarantees ,GSAs, GPAs, Indemnity Insurance, Third Party Access Agreements, royalty lifting and sales agreements etc.
- Exploration Licenses and Lease Deeds and extensions thereof.
- RPS and agreements for multi-client surveys and studies.
- Force majeure and Arbitration cases.
- Court cases and documents/statements to be filed on behalf of the Government.
- Changes in the laws, rules, policies and agreements.
- Invitation to bid for grant of rights, bid documents and matters related thereto.
- All legal matters which may arise during the course of exploration and production operations.
- Roles and rights/obligations of the Federation and the Provinces under the Constitution

## Annex IX: Federal & Provincial Facilitation Committee (FPFC)



### Role of reorganized Directorate General of Petroleum Concessions

- Monitoring of E&P activities in the country.
- Issues of the strategic nature of the inter-provincial importance / inter-governmental.
- Overseeing the development plans and work progress of E&P companies on work committed.
- Facilitation to the E&P companies in respective Provinces by concerned Provincial Director.
- To oversee and monitor the revenue regime of each concession awarded.
- To address operational issues faced by the company in various concessions and assist in development.
- To give proposals for facilitation of E&P activities in the awarded concessions and goal development of the sector.
- Dispute resolution between the E&P companies and Provinces.
- Put up suggestions / recommendations for dispute resolution.
- Periodic review, evaluation and upgrading of the policy recommendations for the Petroleum Policy.

[www.ep-ep.com.pk](http://www.ep-ep.com.pk)  
[info@ep-ep.com.pk](mailto:info@ep-ep.com.pk)