



Pakistan Oil & Gas - Sector Brief

Pakistan Upstream Petroleum Sector Highlights

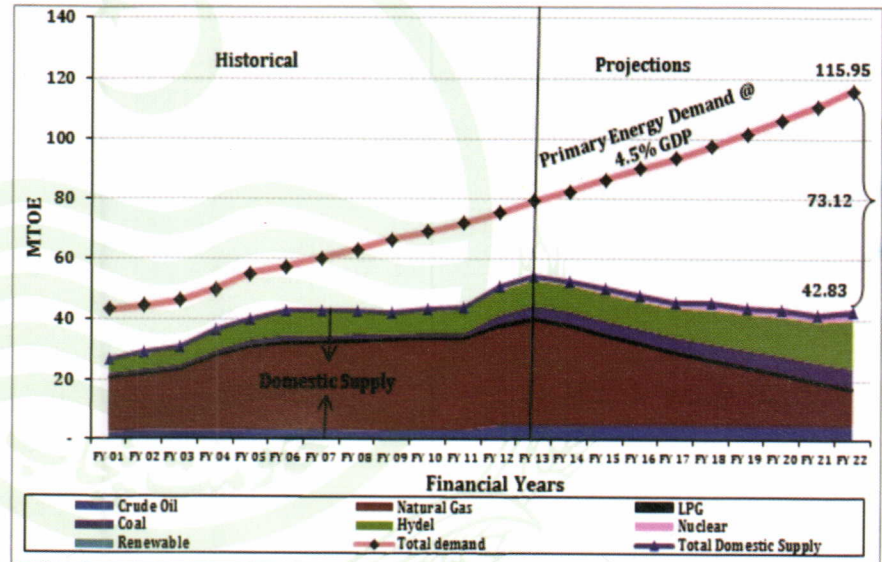
- Growing Economy: annual Energy Growth Demand 12%
- Huge Energy Needs:
 - Oil & Gas makes 80% of energy mix
 - 86% Oil Import & 16% Gas Import (Increasing to ~40%)
- 827,000 Sq. KM of sedimentary onshore & offshore basins – significantly underexplored...!
- High Success Ratio in Exploration 1:3.2 (International 1:10)
- Drilling density as-low-as 2.44 wells/ 1,000 Sq. KM (vs. International as 10 wells)
- Huge untapped potential for E&P companies – both conventional and unconventional
 - US EIA: ~ 105 TCF Tech. Rec. Shale Gas & 9 Billion Barrels of Shale Oil
 - Special incentives for shale resource exploration
- ~ 34 Oil & Gas Companies Active in Pakistan
- World Class Gas Infrastructure/ Network of TransCo & DisCo (140,000 KM)
- Trained and experienced manpower available
- PPEPCA and PIP to provide a representative platform for E&P companies

Pakistan Upstream Petroleum Sector Highlights

- Oil & Gas - A very Clean Sector - Transparent and open regulatory environment
TCM/ OCM headed by Fed. Authority (DGPC) to monitor work progress
- GOP's Investor Friendly E&P Policy & Rules with consistent yet attractive fiscal and regulatory terms
- Govt. guarantees full protection to foreign investment (1976 Law)
- Oil & Gas purchase guaranteed by the Fed. Govt.
- One window facility (via Provincial Holding Co. - PEHCL)
- State and local company's mandatory participation as JV - working interest (5% and 15-25% respectively)
- Sale of 90% share of pipeline specification gas to Government and 10% by E & P companies to any buyer
- Easy/ full Repatriation of Profits and Sale Proceeds to country of origin
- International Platts based gas pricing mechanism - with zonal prices
- Pricing incentives for Tight Gas (40% on zonal gas price), Shale Gas, Incremental Production and Marginal Fields
- Royalty: payable at 12.5% of value of petroleum produced and saved at filed gate
- Corporate income tax is capped at 40% of profit and gains - with Royalty payments allowed to be treated as expense

Pakistan's Energy Demand & Supply Projections

- 4.5 % GDP growth is assumed
- Hydrocarbon is major part of energy mix
- 73.12 MTOE gap by 2022
- Room for Oil & Gas E&P



Data Source: Petroleum Institute of Pakistan-Energy Outlook 2007-22
HDIP Energy Year Book