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Khyber Pakhtunkhwa – The New Geological Frontier for Oil, Natural Gas and LPG.

The Province of Khyber Pakhtunkhwa is rich in Oil and Gas reserves and huge deposits of oil & gas have been discovered in southern belt of the Province, including district Kohat and Karak. Khyber Pakhtunkhwa has opened new avenues of economic development in the province through the exploration of its indigenous oil and gas reserves. Due to the enabling environment created by the Government of Khyber Pakhtunkhwa through KPOGCL, a fully owned oil and gas Exploration & Production company the province has become the largest oil producer province in Pakistan. Today it is producing more than 50% of national crude oil. It is also producing 380 million cubic feet of gas per day and 350 tons of LPG per day. KP holds promise for new exciting discoveries, particularly in Kohat Basin which has become main area of focus after successful discoveries by OGDCL and MDL. Most of the area of KP is still lying unexplored and therefore, there is a potential of future hydrocarbon prospects in the Province.

According to one estimate Khyber Pakhtunkhwa has Natural Gas recoverable reserves of some 9 Trillion Cubic Feet and Oil reserves exceeding 500 million barrels. The so-called 'kitchen' in Khyber Pakhtunkhwa is about ten times thicker than Potwar. The later has been producing oil and gas for last 150 years; therefore the promises in Khyber Pakhtunkhwa are much greater. OGDCL and MOL (Hungarian) are two main Exploration & Production holding production leases. KUFPEC, a subsidiary of Kuwait Petroleum Ltd.

(KPC) has been awarded Paharpur Block lying in the southern districts, which shows the interest of Exploration & Production in Khyber Pakhtunkhwa. Tullow is another international oil company having operatorship in one of the lucrative blocks in Khyber Pakhtunkhwa & FATA. KPOGCL itself is eyeing to be the operator in one highly prospective petroleum concession block, namely Lakki in the Southern districts.

The presence of hydrocarbons provides various opportunities of investment in exploration, drilling, refineries, blending units and transportation. Given the high success rate of drilling i.e. 1:2.8 gives the Exploration & Production an impetus to enter Khyber Pakhtunkhwa. The world average is 1:10 and that of Pakistan 1:3.5 thus, the Province offers low risk opportunity for Oil and gas exploration coupled with IRR in the vicinity of 30%. The Petroleum Policy 2012 and all previous ones give much higher Well head price for Oil and gas, which increases the return on investment and lowers the risk. The Federal Petroleum Policy 2012 is one of most friendly policies in the region and developing countries. The Policy has attracted international oil companies to Pakistan.

Khyber Pakhtunkhwa covers an area of 74,521 sq.km, which consists of 9.4% of the total country area. An area of around 144,000 square kilometer is under exploration for oil and gas throughout the country; out of which 19000 square kilometers i.e. 13.15% of the total is in Khyber Pakhtunkhwa and FATA. Ten companies are presently engaged in exploration and production activities in the Khyber Pakhtunkhwa and FATA.

Why Invest in Khyber Pakhtunkhwa?

Khyber Pakhtunkhwa is the new geological frontier, the exploration success ratio is 1:2.8. The reservoirs are large with high calorific value. A number of international and national are working in Khyber Pakhtunkhwa, today Khyber Pakhtunkhwa is producing 50% of Crude Oil and about 10% of Natural gas. It provides great opportunities to the investors. As an incentive the Government of Pakistan has given very high well head price to the geological zone-1, in which Khyber Pakhtunkhwa is located. For example, at US\$ 110/barrel Platts price the well head gas price would be US\$ 6.6/MBTU.

This gives high ROE to the investors. Due to this pricing mechanism a number of new entrants have started investing in Khyber Pakhtunkhwa, including some international oil companies.

Security Status for Exploration in KP

Previously the hostile regulatory environment for investment, lack of available investment, precarious security situation in the province and lack of political will are some of the reasons behind the poor performance of oil and gas sector in Khyber Pakhtunkhwa.

Owing to the needs of the province the law and order situation in the province has been much improved following the North Waziristan military operation. Confidence level has increased for international companies, too. The fear factor has reduced considerably, thus a number of E&P companies are now working in KP. A number of companies have opened offices in Peshawar and even a greater number are contemplating and will open offices soon. KPOGCL is a bridge between the Exploration & Production companies and service companies and Government of Khyber Pakhtunkhwa and security agencies.

- High IRR 30 %
- KPOGCL established to facilitate E&P activities in KPK. One window facility.
- Oil & Gas Exploration Success Ratio 1:2.8
- 50% of Pakistan Crude oil production is from KPK
- Over 15% of Gas & 25% of LPG Produced by KPK alone
- New Geological Frontier (Unexplored terrain)
- 10 E&P Companies active in KPK

Khyber Pakhtunkhwa Oil & Gas Company Limited KPOGCL – Provincial Holding Company of Govt. of KPK

The Provinces have been declared as equal and joint owners of the natural resources after the 18th Amendment to the Constitution of Pakistan. Thus, the responsibility of KP Government has increased. KPOGCL is a young organization formed two year ago. It is working as a catalyst for oil and gas Exploration & Production (E&P) in Khyber Pakhtunkhwa. Khyber Pakhtunkhwa (KP) is now the center of gravity for Pakistan's energy future.

Khyber Pakhtunkhwa Government, being cognizant of Oil & Gas reserves established Khyber Pakhtunkhwa Oil and Gas Company Limited (KPOGCL) - a land mark achievement of the present Government. It is an oil & gas exploration and production company fully owned by the Government of Khyber Pakhtunkhwa and designated as Provincial Holding Company. KPOGCL is not only entrusted with the responsibility of carrying out Exploration and Production (E&P) activities, itself, but is as well, entrusted the responsibility to allure more E&P Companies to do so by ensuring them with the requisite security and the first hand sharing of technological data thus literally acting as a Fast Track implementation of E&P. KPOGCL, while being actually KP

Government sponsored / patronized, thus can very conveniently act as an Interface between the E&P Companies and all the other Government Related Agencies thereby actually performing the role of 'One Window of Operations. It is also the Provincial Holding Company (PHC) under the Petroleum Policy – 2012. KPOGCL is in fact a facilitator to E&P companies.

The Company promotes all E&P activities throughout KPK by investing in Producing and Exploration Blocks and procurement of heavy equipment (i.e. Rig and Seismic Data Acquisition Recorder) - all ultimately aimed at generating revenue and of course fulfilling the dire needed energy requirements of not only KPK Province but the whole Country.

The Company is also member of Production & Exploration Companies Association (PPEPCA). It is run by an independent Board of Directors, who mostly are Experts from the private Sector with Mr. Raziuddin (Razi) as its CEO. Though, being newly established, the Company is in its embryonic stage of development but owing to the strong support and patronization it has, from the KP Government, it has very rapidly developed its paraphernalia not only to engage itself, on war footing, in all E&P activities, but also arrange with the KP Government to ensure a fool proof security to all the rest of the E&P Companies from abroad and within the country.

While Government of KP, determined to boost the province's economy, has already taken a step forward by improving Communication Infrastructure, unearthing the province's hidden treasure of huge reserves of Oil and Gas initially through the province's indigenous Institutions, in which KPOGCL has taken the lead and later on through other multinational E&P Companies while KPOGCL continue to pay its role of 'One Window of

Operation' for them. Thus KPOGCL plans to cause Fast Track implementation of E&P which would generate much needed revenue for Government of KP, create jobs and generate economic activities worth billions.

KPOGCL Mandate

Our priority mandate is to co-ordinate the security and logistics of oil and gas companies moving in and out of KP. We address investor problems and also work as a conduit to other departments.

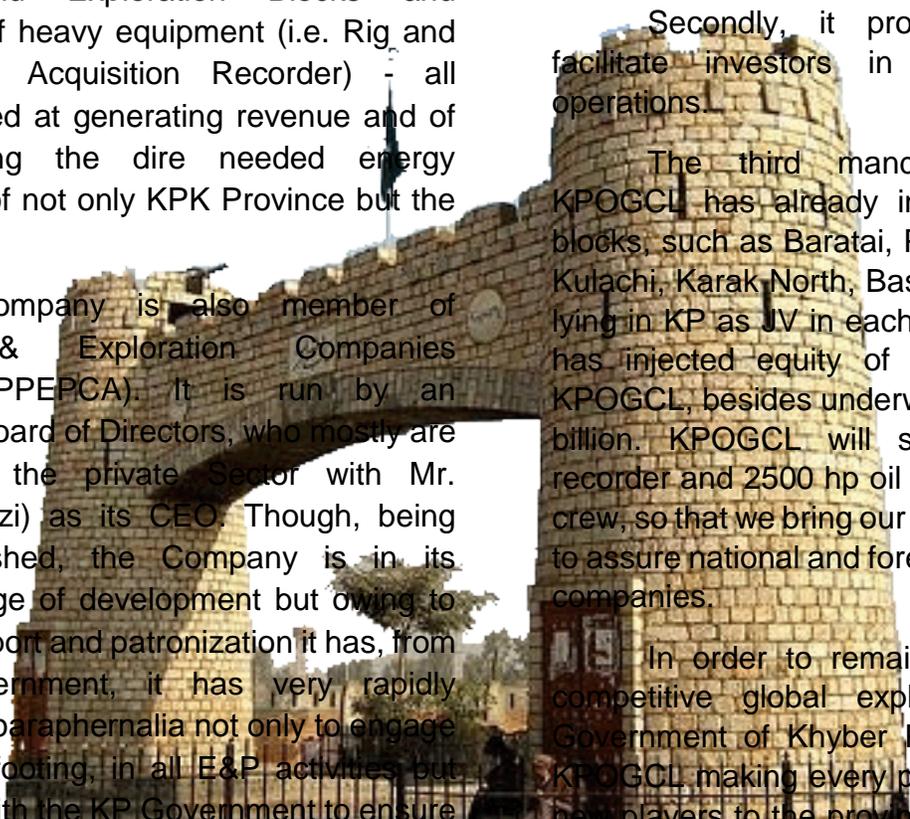
Secondly, it provides services that facilitate investors in seismic & drilling operations.

The third mandate is investment. KPOGCL has already invested in petroleum blocks, such as Baratai, Pezu, Peshawar East, Kulachi, Karak North, Baska North and Marwat lying in KP as JV in each. The KP government has injected equity of Rs. 500 million into KPOGCL, besides underwriting another Rs. 7.5 billion. KPOGCL will soon buy a seismic recorder and 2500 hp oil rig. It is hiring seismic crew, so that we bring our stakes into the system to assure national and foreign E&P and services companies.

In order to remain attractive in highly competitive global exploration market, the Government of Khyber Pakhtunkhwa through KPOGCL making every possible effort to invite new players to the province, assist foreign and local E & P companies in their work, providing full proof security cover in order to ensure the development of oil & gas resources of Khyber Pakhtunkhwa.

Opportunities for IOC/NOCs via KPOGCL

KPOGCL is the operator of a block in Southern districts of KP, namely LAKKI, which is an 1800 square kilometers block having a potential of 7/20 mmcf/d of gas and 1980-6000 barrels of oil per day. It is inviting International and national oil companies (IOC/NOCs) to join us in E&P operations.'



KP has a number of other prolific petroleum concession blocks. If an investor intends to apply as an operator i.e. wants to plan and execute the Exploration & Production activities on its own than that option is also available. Apart from this other prospective blocks are available for investment as non-operator, in case, the investor to have more (or less) JV it can be tailored accordingly. KPOGCL can share preliminary information on geology, success expected and economics of Exploration & Production blocks in KP.

Services that KPOGCL Offers.....

Investment in services also provide great opportunities to the investors. The services include preliminary Geological and Geophysical (G&G) Survey/Study, Magnetic and Gravity Survey, 2D/3D Seismic Data Acquisition, Drilling, Security services, Land permitting, camp supply/management logistics, diesel engine supply/operation/maintenance, catering, human resource supply and other support services.

Policy Framework, Incentives, Pricing and Legal/Contractual Information, coordinate access to Data Rooms and LMKR Data Repository, set up office and Manning in Pakistan, coordinate and Execute JV (Working and Non-Working) Agreements, Concession Agreements.



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