



SUI NORTHERN GAS PIPELINES LIMITED

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 55, LAHORE (PAKISTAN)

Reference: RA-TAR-17-18(P)-012

Date: April 7, 2017

Registrar,
Oil & Gas Regulatory Authority
Plot # 54, ZTE Plaza, Fazal-e-Haq Road,
Near PIA Building, Blue Area,
Islamabad.

Subject: **REVISED PETITION FOR ESTIMATED REVENUE REQUIREMENT (ERR)**
FOR FY 2017-18

Dear Sir,

Please refer to our earlier letter No. RA-TAR-17-18(P)-011 dated April 03, 2017 on the subject matter, wherein the Company filed a revised petition for Estimated Revenue Requirement (ERR), FY 2017-18 calculating a shortfall of Rs. 42,203 million requiring an increase of Rs. 96.25/MMBTU for normal business and shortfall of Rs. 29,098 million requiring an increase of Rs. 65.86/MMBTU for LNG business in the prescribed prices from July 01, 2017.

A new gas source named Tolanj has been discovered by M/s MOL Pakistan located in TAL Block. M/s MOL Pakistan being the operator of TAL Block is initiating the construction of a new Tolanj Processing Facility (TPF) near Kohat which will process the gas and condensate produced from Tolanj X-1 well and Tolanj West-1 discoveries. M/s MOL Pakistan has confirmed that a total gas of 20 MMscfd from these discoveries (10MMscfd from each) will be supplied to SNGPL through TPF and the first gas is likely to be injected into SNGPL system in August 2017.

It is submitted that the Board of Directors (BOD) of the Company at its 484th meeting held on March 01, 2017 accorded approval for laying of 8" dia X 3.2 KM pipeline for receiving additional 20MMCFD gas from newly discovered source Tolanj in TAL Block by MOL Pakistan at the total capital outlay of Rs. 57.053 million. The detailed agenda along with the BOD approval is attached.

Accordingly, the Company has revised its petition for ERR FY 2017-18 based on the above. As per the revised petition, segment wise detail of shortfall related to normal business and LNG business is as under:

Rs. in Million

Description	Amount (Rs. in million)
Shortfall in normal business	42,209
Shortfall in LNG business on account of Cost of Service and Transportation Charges payable to SSGC	29,098



SUI NORTHERN GAS PIPELINES LIMITED

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 56, LAHORE (PAKISTAN)

The Authority is requested to increase the prescribed prices in each category of consumers as following w.e.f. from July 01, 2017.

Description	Rs/ MMBTU
	Increase / (Decrease)
Normal business	96.27
LNG business	65.86

Submitted for your consideration and approval.

Yours sincerely
Sui Northern Gas Pipelines Ltd


(KAMRAN AKRAM)
General Manager (RA)
for Managing Director

Encl. as above

SUI NORTHERN GAS PIPELINES LIMITED
Petition for Estimated Revenue Requirements
For Financial Year 2017-18

Form as per Rule 4(4) of Tariff Rules 2003

APPLICATION FORM	
Reference number	Date
	April 07, 2017
Company Profile	
1. Name of the Petitioner	
Sui Northern Gas Pipelines Limited	
2. Full address of the Petitioner	
21, Kashmir Road, Lahore 54000	
3. The grounds giving rise to the Petitioner's interest forming the basis of the Petition	
1. Laying of 8" Dia X 3.2 KM Pipeline to receive Sales Gas from M/S MOL's Tolanj Processing Facility.	
4. Number and details of the License	
License number NG 002/2003	
Transmission of Natural Gas	
i. Construction and operation of pipelines for the purpose of transmission of natural gas; and	
ii. Transmission of natural gas through transmission system of the Licensee	
Distribution and Sale of Natural Gas	
i. Construction and operation of pipelines for the purpose of distribution and sale of natural gas throughout the territories of Province of Punjab, North West Frontier Province (NWFP), Federal Capital, Federally Administered Tribal Area (FATA), Azad Jammu and Kashmir (AJK) and those areas of Province of Sindh where the Licensee operates natural gas distribution system prior to the date of issuance of the License and ;	
ii. Distribution and sale of natural gas through the distribution system of the Licensee within its authorized area, with an exclusive right till 30 th June 2010 to distribute and sell natural gas to its existing consumers and such consumers as are connected to its distribution system on or before 30 th June 2005.	

5. State, in concise manner, the grounds and facts forming the basis of the Petition and the relief or determination sought from the Authority

Our projections for FY 2017-18 reflect that a increase of Rs. 96.27 per MMBTU in normal business and Rs. 65.86 per MMBTU in LNG business is required in SNGPL gas tariff w.e.f. 1st July 2017.

6. Summary of evidence giving brief particulars of the data, facts and evidence in support of the Petition

Statement showing revenue requirement calculation is attached.

7. List of all other Petitions filed by the Authority at the time of the filing of this Petition and which directly and significantly of any material effect the grant and denial of those Petitions will have on those other Petition

i) Motion for Review against DFRR FY 2015-16

8. Petition to be accompanied by details of the following market data

- ☐ Number and consumption details of consumers likely to be affected by the Petition
- ☐ If the Petitioner is a licensee, an estimate of the volume of natural gas to be transmitted, distributed and sold.
- ☐ The Petitioner's total annual peak day natural gas requirement; and
- ☐ The Petitioner's forecast of yearly capital expenditure for four years including year under review

April 07, 2017



(KAMRAN AKRAM)
General Manager (RA)
for Managing Director

Forecast of Yearly Capital Expenditure

Rupees in million

	2017-18	2018-19	2019-20	2020-21	2021-22
LAND FREEHOLD	3	35	35	35	35
BUILDING ON FREEHOLD LAND	521	100	100	100	100
TRANSMISSION MAINS	20,776	10,000	12,000	14,000	14,000
DISTRIBUTION MAINS	44,643	11,138	11,138	12,987	14,935
COMPRESSORS STATION EQUIP.	494	423	365	473	473
TELECOMMUNICATION EQUIPMENT	26	15	15	15	15
PLANT AND MACHINERY	316	700	700	900	900
MEASURING AND REGULATING	11,852	9,268	9,268	9,268	9,268
TOOLS AND EQUIPMENT	164	250	250	250	250
MOTOR VEHICLES	616	300	300	300	300
CONSTRUCTION EQUIPMENT	328	200	200	200	200
FURNITURE & FIXTURES	198	50	50	50	50
OFFICE EQUIPMENTS	75	50	50	50	50
COMPUTER HARDWARE	328	200	200	200	200
COMPUTER SOFTWARE SYSTEM		100	100	100	100
SCADA SYSTEM	1,550				
Total	81,890	32,829	34,771	38,928	40,876

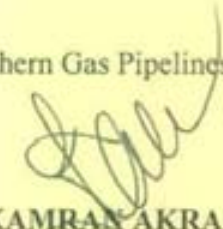
New Consumers

		Total
Connections		
Industrial	No.	25
Commercial	No.	1,100
Domestic	No.	300,000
	No.	301,125

AFFIDAVIT

I hereby certify and declare that the information given in the Petition for Estimated Revenue Requirements FY 2017-18 is correct and complete in all respects to the best of my knowledge.

Sui Northern Gas Pipelines Ltd



(KAMRAN AKRAM)
General Manager (RA)
for Managing Director

Date: April 07, 2017

SUI NORTHERN GAS PIPELINES LIMITED

TARIFF CALCULATION SHEET

Petition for Estimated Revenue Requirements

For Financial Year 2017-18

Particulars		Petition Related to Normal Consumers	Petition Related to LNG Consumers
1	Gas Sales		
1A	Sales Volume	MMCF 460,875	426,265
1B	Sales Volume	BBTU 438,471	441,830
1C	Calorific Value	BTU 951.39	
		<i>Rupees in million</i>	<i>Rupees in million</i>
2	Net Operating Revenue		
	Sales at Prescribed Price	209,003	
	Rental and Service Charges	1,968	
	Surcharge & Interest on Gas Sales Arrears (LPS)	3,600	
	Amortization of Deferred Credit	2,615	
	Other Operating Income	1,510	
2A	Total Income	218,696	-
	Less: Expenses		
	Cost of Gas Sold	183,426	
	Operating Cost	10,158	-
	HR Cost	21,117	-
	Gas Internally Consumed	1,450	3,696
	Total Operating Cost	32,724	3,696
	New Regions Phase-III (including HR Cost Rs. 292 million)	452	-
	New Regions Phase-I-IV CSC (including HR Cost Rs. 1,015 million)	1,928	
	Depreciation	18,895	3,557
	Late Payment Surcharge (Payable)	3,200	
	Finance cost for Working capital	48	
	Interest Expense on LNG Loan	-	5,221
	Transportation Charges payable to SSGC		9,286
	WPPF	831	
2B	Total Expenses	241,504	21,761
2C	Return obtainable (2A - 2B)	(22,808)	(21,761)
3	Required Return on Net Fixed Assets		
	Net Operating Fixed Assets at Beginning	105,013	33,847
	Net Operating Fixed Assets at End	148,289	50,009
3A	AVERAGE NET ASSETS	126,651	41,928
	Deferred Credit Opening	16,093	-
	Deferred Credit Closing	15,478	-
3B	AVERAGE DEFERRED CREDIT	15,786	-
3C	Average Net Operating Fixed Assets (3A - 3B)	110,865	41,928
3D	Required Return on Net Assets - In Percentage	17.50%	17.50%
3E	Required Return (3C x 3D)	19,401	7,337
4	(Surplus) / Shortfall [3E-2C]	42,209	29,098
5	Increase / (decrease) in Prescribed Prices against Provisional Prescribed Prices effective 1st July 2017		
		Rupees Per MMBTU	96.27 65.86

Note:

1) Maximum disallowance / penalty under rule 28 of Natural Gas Licensing Rules is Rs 750 million and at the moment no UFG benchmark exist.

2) No amount has been projected on account of sales and cost of gas of RLNG on the understanding that the Authority will determine the sales and purchase prices of LNG /RLNG respectively on monthly basis based on latest DES price and other related costs. Any excess or shortfall on this account will be determined by the Authority at the time of FRR or RERR and the same shall be accounted for while determining the sales price of RLNG for subsequent period(s).

3) The incremental Operating Fixed Assets and incremental Operating Cost related to RLNG business has been ring fenced and no amount on this account has been claimed in Normal business

**Existing and Suggested Prescribed Prices as per
Rule 4(4)b**

		Average Prescribed Prices Rupees per MMBTU	Revised Average Prescribed Prices Rupees per MMBTU w.e.f 01.07.2017
		793.80	
1	Domestic consumers		
A	<u>STAND ALONE METERS</u>		
B	<u>mosques, churches, temples, madrasas, other religious places and hostels attached thereto</u>		
	Upto 100 Cubic Meters Per Month- All Offtakes at the rate of	480.63	576.90
	Upto 300 Cubic Meters per Month- All Offtakes at the rate of	480.63	576.90
	Over 300 Cubic Meters Per Month- All Offtakes at the rate of	480.63	576.90
B	<u>Government and semi-Government offices, hospitals, Clinics, Minority Houses, Government guest houses, Armed Forces messes and canteens, universities, colleges, schools, private educational institutions, orphanages and other charitable institutions including with Hostels and Residential Colonies in which Gas is supplied through bulk meters including captive power</u>		
	All off-takes at flat rate of	480.63	576.90
2	<u>COMMERCIAL CONSUMERS</u>		
	<i>All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens, barber shops, laundries, tailors, places of entertainment like casinos, clubs and theaters, private offices, corporate homes etc.</i>		
	All off-takes at flat rate of	480.63	576.90
3	<u>Special Commercial Consumer (Roti Tandoor)</u>		
(a)	Upto 300 M ³ per month		
	Upto 100 Cubic Meters Per Month- All Offtakes at the rate of	480.63	576.90
	Upto 300 Cubic Meters per Month- All Offtakes at the rate of	480.63	576.90
	Over 300 Cubic Meters Per Month- All Offtakes at the rate of	480.63	576.90
4	<u>Ice Factories</u>		
	All off-takes at flat rate of	480.63	576.90
5	<u>General Industrial consumers</u>		
	<i>All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.</i>		
	All off-takes at flat rate of	480.63	576.90
6	<u>CNG Stations</u>		
	All off-takes at flat rate of	480.63	576.90
7	<u>Cement Factories</u>		
	All off-takes at flat rate of	480.63	576.90

**Existing and Suggested Prescribed Prices as per
Rule 4(4)b**

		Average Prescribed Prices Rupees per MMBTU	Revised Average Prescribed Prices Rupees per MMBTU w.e.f 01.07.2017
		793.80	
8	<u>Fertilizer Factories</u>		
	(a) <i>Pak-American Fertilizer Limited, Daudkhel</i>		
	All off-takes at flat rate of	480.63	576.90
	(b) <i>Pak-Arab Fertilizer Limited, Multan</i>		
	All off-takes at flat rate of	480.63	576.90
	(c) <i>Dawood Hercules Chemicals Limited, Chichohi Malala, Sheikhupura District</i>		
	All off-takes at flat rate of	480.63	576.90
	(d) <i>Pak-China Fertilizer Limited/ Hazara Phosphate Plant Limited, Haripur</i>		
	All off-takes at flat rate of	480.63	576.90
	(e) <i>Engro Fertilizer Company Limited</i>		
	All off-takes at flat rate of	480.63	576.90
9	<u>POWER STATIONS</u>		
	(a) <i>WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Station, Nishatnagar, Faisalabad</i>		
	All off-takes at flat rate of	480.63	576.90
	(b) <i>WAPDA's Natural Gas Turbine Station, Nishatnagar, Faisalabad</i>		
	All off-takes at flat rate of	480.63	576.90
	Fixed Charge (Rupees per month)	390,000.00	390,096
	(c) <i>Liberty Power Limited</i>		
	All off-takes at flat rate of	480.63	576.90
10	<u>Coasting Power</u>		
	All off-takes at flat rate of	480.63	576.90
11	<u>Independent Power Projects</u>		
	All off-takes at flat rate of	480.63	576.90

Based on opening balances as per provision for ERR, FY 2016-17

Report on mission

DESCRIPTION	COST					ACCUMULATED DEPRECIATION					BOOK VALUE OF ASSETS AS ON 30-06-2016	RATE OF DEPRECIATION % age
	BALANCE AS ON 01-07-2016	ADDITION	ADDITION (C/F)	Principally Approved FY 2016-17	Total Addition	BALANCE AS ON 30-06-2017	BALANCE AS ON 01-07-2016	On Opening Balance	On Addition during the year	BALANCE AS ON 30-06-2017		
LAND FREEHOLD	1,746	3	-	-	3	1,749	-	-	-	-	1,749	-
LAND LEASEHOLD	0	-	-	-	-	0	-	-	-	-	0	-
BUILDING ON FREEHOLD LAND	1,904	422	99	-	521	2,425	1,200	114	16	1,330	1,095	6
BUILDING ON LEASEHOLD LAND	253	-	-	-	-	253	24	15	-	39	214	6
TRANSMISSION MAINS	92,318	878	-	19,898	20,776	113,094	42,177	5,539	623	48,340	64,754	6
DISTRIBUTION MAINS	89,715	26,967	-	17,676	44,643	134,358	38,361	3,383	1,339	45,083	89,275	6
COMPRESSORS STATION EQUIP	11,621	494	-	-	494	12,115	7,071	697	15	7,783	4,332	6
TELECOMMUNICATION EQUIPMENT	2,280	26	-	-	26	2,306	1,942	137	1	2,079	226	6
PLANT AND MACHINERY	2,843	231	85	-	316	3,159	2,159	569	32	2,759	400	20
MEASURING AND REGULATING	45,107	9,085	-	2,767	11,852	56,959	21,159	4,511	593	26,263	30,696	10
TOOLS AND EQUIPMENT	334	153	12	-	164	518	320	117	27	464	54	33
MOTOR VEHICLES	2,869	414	202	-	616	3,485	2,468	700	77	3,245	341	25
CONSTRUCTION EQUIPMENT	8,159	323	5	-	328	8,487	5,224	1,180	33	6,437	2,051	20
FURNITURE & FIXTURES	577	105	93	-	198	775	335	87	15	436	338	15
OFFICE EQUIPMENTS	152	68	8	-	75	228	121	30	8	159	69	20
COMPUTER HARDWARE	1,595	274	54	-	328	1,923	1,068	239	25	1,332	591	15
COMPUTER SYSTEM SOFTWARE	-	-	-	-	-	-	-	-	-	-	-	33
SCADA SYSTEMS	1,207	1,550	-	-	1,550	2,757	606	181	116	903	1,854	15
TOTAL	262,780	40,992	557	40,341	81,890	344,590	124,235	19,498	2,918	146,651	197,939	-
Intangible Assets	645	-	-	-	-	645	559	37	-	596	52	-
Opening Net	138,554	-	-	-	-	-	Depreciation during the year				22,416	197,991
Advances for land	306	-	-	-	-	-	Amortization of intangible assets				37	306
	138,860	-	-	-	-	-	Total				22,453	198,297

Based on opening balances as per pension for ERB, FY 2016-17

Respect in military[illegible]

SUI NORTHERN GAS PIPELINES LIMITED
SCHEDULE OF OPERATING FIXED ASSETS (PLNG) FOR THE YEAR ENDED 30TH JUNE-2018
Based on opening balances as per petition for ERB, FY 2016-17

Rupees in million

DESCRIPTION	COST					ACCUMULATED DEPRECIATION					BOOK VALUE OF ASSETS AS ON 30-06-2016	RATE OF DEPRECIATION % age
	BALANCE AS ON 01-07-2016	ADDITION	ADDITION (C/P)	Principally Approved FY 2016-17	Total Addition	BALANCE AS ON 30-06-2017	BALANCE AS ON 01-07-2016	On Opening Balance	On Addition during the year	BALANCE AS ON 30-06-2017		
LAND FREEHOLD	-	-	-	-	-	-	-	-	-	-	-	-
LAND LEASEHOLD	-	-	-	-	-	-	-	-	-	-	-	-
BUILDING ON FREEHOLD LAND	-	-	-	-	-	-	-	-	-	-	-	6
BUILDING ON LEASEHOLD LAND	-	-	-	-	-	-	-	-	-	-	-	6
TRANSMISSION MAINS	31,359	-	-	19,719	19,719	51,078	1,366	1,882	292	3,839	47,239	6
DISTRIBUTION MAINS	-	-	-	-	-	-	-	-	-	-	-	6
COMPRESSORS STATION EQUIP	340	-	-	-	-	340	27	30	-	48	292	6
TELECOMMUNICATION EQUIPMENT	1	-	-	-	-	1	0	0	-	0	1	6
PLANT AND MACHINERY	115	-	-	-	-	115	27	23	-	50	65	20
MEASURING AND REGULATING	-	-	-	-	-	-	-	-	-	-	-	10
TOOLS AND EQUIPMENT	10	-	-	-	-	10	1	3	-	4	5	33
MOTOR VEHICLES	734	-	-	-	-	734	310	183	-	493	241	25
CONSTRUCTION EQUIPMENT	4,112	-	-	-	-	4,112	1,239	822	-	2,061	2,051	20
FURNITURE & FIXTURES	200	-	-	-	-	200	60	30	-	90	110	15
OFFICE EQUIPMENTS	4	-	-	-	-	4	2	1	-	2	1	20
COMPUTER HARDWARE	7	-	-	-	-	7	2	1	-	3	4	15
COMPUTER SYSTEM SOFTWARE	-	-	-	-	-	-	-	-	-	-	-	33
SCADA SYSTEMS	-	-	-	-	-	-	-	-	-	-	-	15
TOTAL	36,881	-	-	19,719	19,719	56,600	3,034	2,966	592	6,592	50,009	-

33,847

3,557

50,009

Fixed Asset Schedule for Gas Department

Amount in million

	Additions	Additions (CF)	Principally Approved FY 2006/07	Fixed asset at start	Depreciation Rate	First rate applicable for first year of Addition	Depreciation
Asset at the beginning				225,819			16,532
Land freehold	3	-	-	3	0%	0%	-
Land leasehold	-	-	-	-	0%	0%	-
Building on freehold land	422	99	-	521	6%	3%	15.63
Building on lease hold land	-	-	-	-	6%	3%	-
Transmission mains	878	-	19,898	20,776	6%	3%	623.29
Distribution mains	26,967	-	17,676	44,643	6%	3%	1,339.29
Compression equipment	494	-	-	494	6%	3%	14.82
Telecommunication equipment	26	-	-	26	6%	3%	0.78
Plant and machinery	231	83	-	316	20%	10%	31.62
Measuring and regulating	9,085	-	2,767	11,852	10%	5%	592.60
Tools and equipment	153	12	-	164	33%	17%	27.12
Motor vehicles	414	202	-	616	25%	13%	77.00
Construction equipment	323	5	-	328	20%	10%	32.79
Furniture and fixture	105	93	-	198	15%	8%	14.81
Office equipment	68	8	-	75	20%	10%	7.53
Computer hardware	274	54	-	328	19%	8%	25
Computer software system	-	-	-	-	33%	17%	-
Scada system	1,550	-	-	1,550	19%	8%	116
	46,992	357	49,341	387,709			19,458
Accumulated Depreciation at the start of the year							121,201
Accumulated Depreciation at the year end							149,654
Written down value of the asset							167,058

Assets Reconciliations

	CSC Shikot Ftd	CSC Khorshah	Regular Capital Expenditure	SCADA	Construction of Sakhalin Region	New Regions (Phase III)	Compressor Year-II	New Regions (Phase II)	New Regions (Phase II)	Primarily Approved FY 2016-17	Total
Land freehold			3								3
Land leasehold			-								-
Building on freehold land			150		288	22		21	40		521
Building on lease hold land			-								-
Transmission mains			878							19,898	20,776
Distribution mains			26,967							17,676	44,643
Compression equipment			-				494				494
Telecommunication equipment			26								26
Plant and machinery			161			70		21	65		316
Measuring and regulating			9,085							2,767	11,852
Tools and equipment			145			8		3	8		164
Motor vehicles	1	1.27	300			114		61	139		614
Construction equipment	2	2.45	323								328
Furniture and fixture			60			45		23	70		198
Office equipment			65			3		3	5		75
Computer hardware	3	2.875	252			22		15	34		328
Computer software system			-								-
Scada system			-	1,550							1,550
	6,518	6,598	28,415	1,550	288	287,485	494,008	145,513	360,648	48,341,000	81,890

**EXTRACT FROM THE DRAFT MINUTES OF THE 484TH MEETING
OF THE BOARD OF DIRECTORS HELD ON WEDNESDAY, MARCH 01, 2017**

**5518 ITEM-E LAYING OF 8" DIA X 3.2 KM PIPELINE TO RECEIVE SALES GAS
FROM M/S MOL'S TOLANJ PROCESSING FACILITY**

After due deliberation and in accordance with the recommendations of the Finance and Procurement Committee given at its 280th meeting held on March 01, 2017, the Board of Directors accorded approval for laying of 8" dia X 3.2 KM pipeline for receiving additional 20 MMCFD gas from newly discovered source Tolanj in TAL Block by MOL Pakistan at the total capital outlay of Rs.57.053 million.



Sui Northern Gas Pipelines Limited

AGENDA FOR ^{22nd} FINANCE COMMITTEE MEETING – ITEM-D

51

LAYING OF 8" DIA x 3.2 KM PIPELINE TO RECEIVE SALES GAS FROM M/S MOL'S TOLANJ PROCESSING FACILITY

BACKGROUND

A new gas source named Tolanj has been discovered by M/s MOL Pakistan located in TAL block. M/s MOL Pakistan, being the operator of TAL Block, is initiating the construction of a new Tolanj Processing Facility (TPF) near Kohat which will process the gas and condensate produced from Tolanj X-1 well and Tolanj West-1 discoveries. M/s MOL Pakistan has confirmed that a total gas of 20 MMscfd from these discoveries (10 MMscfd from each) will be supplied to SNGPL through TPF and the first gas is likely to be injected into SNGPL system in August 2017. In order to receive the sales gas, SNGPL is required to lay a pipeline from MOL's facility to SNGPL's existing network for which an 8"dia x 3.2 Km pipeline would suffice the requirement.

The detail of these discoveries is as follows:

- Commerciality over Tolanj X-1 discovery has been approved by DGPC vide letter No. Expl-8(2&3) (MOL-Tolanj X-1)/2015-Vol-II & 2016 dated 03.11.16. M/s MOL has also requested DG (Gas) to allocate its gas up to 10 MMscfd to SNGPL vide letter No. MOL/8343/2016 dated 03.11.16.
- MOL JVPs has announced commerciality over Tolanj West Field on 10.11.2016 for which approval of the Government is awaited. MOL has also requested DG (Gas) to allocate its gas up to 10 MMscfd to SNGPL vide letter No. MOL/8968/2017 dated 18.01.17.

M/s MOL's relevant letters are attached as Annex – A.

OBJECTIVE

To pick up gas supplies from MOL's upcoming fields Tolanj X-1 & Tolanj West through TPF by laying 8"dia, 3.2 Km pipeline from MOL's Tolanj Processing Facility to SNGPL's existing 24"dia Kohat – Dakhni Line near Gorazai Valve Assembly.

The map is attached as Annex – B.

PROJECTED GAS SUPPLIES

The gas sales projections provided by M/s MOL, vide letter No. MOL/8739/2016 dated 22.12.2016, from Tolanj X-1 and Tolanj West fields are tabulated below.

(Figures in MMscfd)																		
Fields	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Tolanj X-1	4.1	9.9	9.2	2.3														
Tolanj West	4.1	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.1	8.3	7.6	7.0	6.4	5.9	5.4	5.0	4.6

PROJECT COST

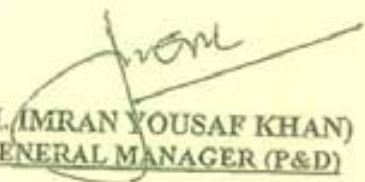
The budgeted cost of the project is Rs. 57.053 Million. Detail is attached as Annex – C.


FINANCIAL ANALYSIS

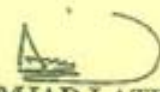
The payback period from net cash generated from the investment is 6.83 Years and Internal Rate of Return (IRR) to the Company after accounting for payment of all taxes is 10.55%. Detail is attached as Annex – D.

RECOMMENDATIONS

The Finance Committee of Directors is therefore, requested to consider and recommend to the Board of Directors for undertaking above proposed 8"dia x 3.2 KM pipeline project for receiving additional gases from newly discovered Tolanj wells by M/s MOL Pakistan at the total capital outlay of Rs. 57.178 Million.


(M. IMRAN YOUSAF KHAN)
GENERAL MANAGER (P&D)


(MOHAMMAD ASLAM)
SR. GENERAL MANAGER (T)


(AMJAD LATIF)
MANAGING DIRECTOR

Date: November 28, 2016
Ref: MOL/8556/2016

53

Engr. Ali Hussain Qureshi
Senior General Manager (T & P)
Sui Northern Gas Pipelines Limited
Gas House, 21 - Kashmir Road
Lahore

T-103



Subject: TAL Block: Gas Sales from New Discoveries - Tolani Facility

Dear Sir,

We would like to apprise you that MOL Pakistan being the Operator of Tal Block is initiating the construction of a new Tolani Processing Facility (Tolani PF) near Kohat. Tolani PF will have the capacity to process 20 MMSCFD gas and 5,000 bpd condensate. First gas from Tolani Discovery is expected to be in August, 2017.

Tolani PF will be used to process gas and condensate produced from the Tolani X-1 well discovery (Tolani Discovery) and Tolani West-1 well discovery (Tolani West).

Tolani Discovery has been approved (copy attached) as a Commercial Discovery by the Regulator whereas similar approval for the Tolani West is under process with the Regulator. Following the approval of commerciality a request for allocation of 10 MMscfd gas from the Tolani Discovery submitted to the office DG Gas (copy attached) and approval is awaited.

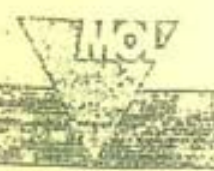
Tolani PF is located at Latitude: 33 30 32.70"N and Longitude: 71 42 28.07"E close to villages Ghurazai and Soni Ghambat. In order to receive sales gas from this facility, SNGPL is required to lay an approximately 3.2 km sales gas pipeline of 8" diameter which will connect the outlet flange of the Tolani PF with the nearby Transmission Line of SNGPL.

In view of the foregoing, SNGPL is requested to make necessary arrangements to receive the sales gas from Tolani Discovery as on expected First Gas date in August, 2017.

Best regards,


Akos Grosz

Managing Director/CEO



Date: January 23, 2017
Ref: MOL/8984/2017

54

Mr. Mohammad Aslam
Senior General Manager (T)
Sui Northern Gas Pipelines Limited
Gas House, 21 - Kashmir Road
Lahore

Subject: Tal Block: Gas Sales from New Discoveries - Tolani Facility

Dear Sir,

This is with reference to your letter Ref: SGMT-103/288 dated January 16, 2017 on the subject matter.


Please note that commerciality over Tolanj Field was announced on September 08, 2016 which has been approved by the Government. Subsequently, MOL vide letter Ref: MOL/8343/2016 dated November 03, 2016 has requested the office of DG Gas to allocate 10 MMscfd gas from the Tolanj field to SNGPL.

Moreover, commerciality over Tolanj West Field was announced on November 10, 2016 for which approval of the Government is awaited. Subsequently request to allocate 10 MMscfd gas from the Tolanj West field to SNGPL was sent to DG Gas vide letter Ref: MOL/8968/2017 dated January 18, 2017.

The approvals of our above requests for gas allocation are awaited from the office of DG Gas. Copies of the relevant letters have been attached for your ready reference.

Hope this will meet your requirements.

Best regards,


Akos Grosz
Managing Director/CEO

No. Expl-8(283) (MOL-Tolani X-1)/2015-Vol-II & 2016
Government of Pakistan
Ministry of Petroleum and Natural Resources
Directorate General of Petroleum Concessions
03rd Floor, Petroleum House, G-5/2

55

✓
Managing Director/CEO,
MOL Oil and Gas Company B.V.
Plot No. 5/A, Crown Plaza F-7 Markaz,
Islamabad,
Fax: 251-2655827

Islamabad, the 03rd November, 2016

Subject: Tolani Field - Notice of Commercial Discovery

Dear Sir,

I am directed to refer to your letter No. MOL/7924/2016 dated September 08, 2016 and previous correspondence relating on the above subject and to say that Government has been pleased to approve Declaration of Commerciality over Tolani X-1 discovery covering an area of 19.08 Sq.Kms as per map attached as Annex-I, located in district Kohat of KPK Province, in accordance with TAL Exploration Licence, Petroleum Concession Agreement (PCA) and under rules 24 & 52(d) of Pakistan Petroleum (Exploration & Production) Rules, 1985.

Yours truly,

(Muhammad Imran Farid)
Assistant Director (Exploration)
For Director General Petroleum Concessions

Cc:

Director,
(Database Section)
DGPC,
Islamabad.

MOL PAKISTAN OIL and GAS Co. B.V.
Branch Office, Islamabad

Date: November 3, 2016
Ref: MOL/8343/2016

Qazi Muhammad Saleem Siddiqui
Director General
Directorate General of Gas
1st Floor, Petroleum House, Sector G-5/2
Islamabad

Subject: TAL Block Allocation of Gas to SNGPL from Tolani Field

Dear Sir,

We would like to apprise you that commerciality over Tolani field has been approved by the Government vide DGPC letter dated November 03, 2016 (copy attached).

In view of the above and pursuant to Article X of the TAL PCA, we request you to allocate up to 10 MMscfd gas from the Tolani field to the SNGPL being the President nominated buyer. Your good offices earliest approval/allocation will enable us and SNGPL to proceed further.

Best regards,


Akos Gorz
Managing Director/CEO

Address: Bel No. 5/A, Crown Plaza, F-7 Markaz, Islamabad, 44000-Islamabad, P.O. Box 1562,
Tel: +92-51-111-665-728, 2655801-15, Fax: +92-51-2655827 E-mail: info@molpakistan.com
Ullaneta Company: MOL Rt. H.117 Budapest, Címőseir hűtőszekrényekkel utca 18. Tel: (+36-1) 484-4767, Fax: (+36-1) 465-4778

www.mol.hu

MOL

Date: January 18, 2017
Ref: MOL/8968/2017

Qazi Muhammad Saleem Siddiqui
Director General
Directorate General of Gas
1st Floor, Petroleum House, Sector G-5/2
Islamabad

Subject: TAL Block: Allocation of Gas to SNGPL from Tolanj West Field

Dear Sir,

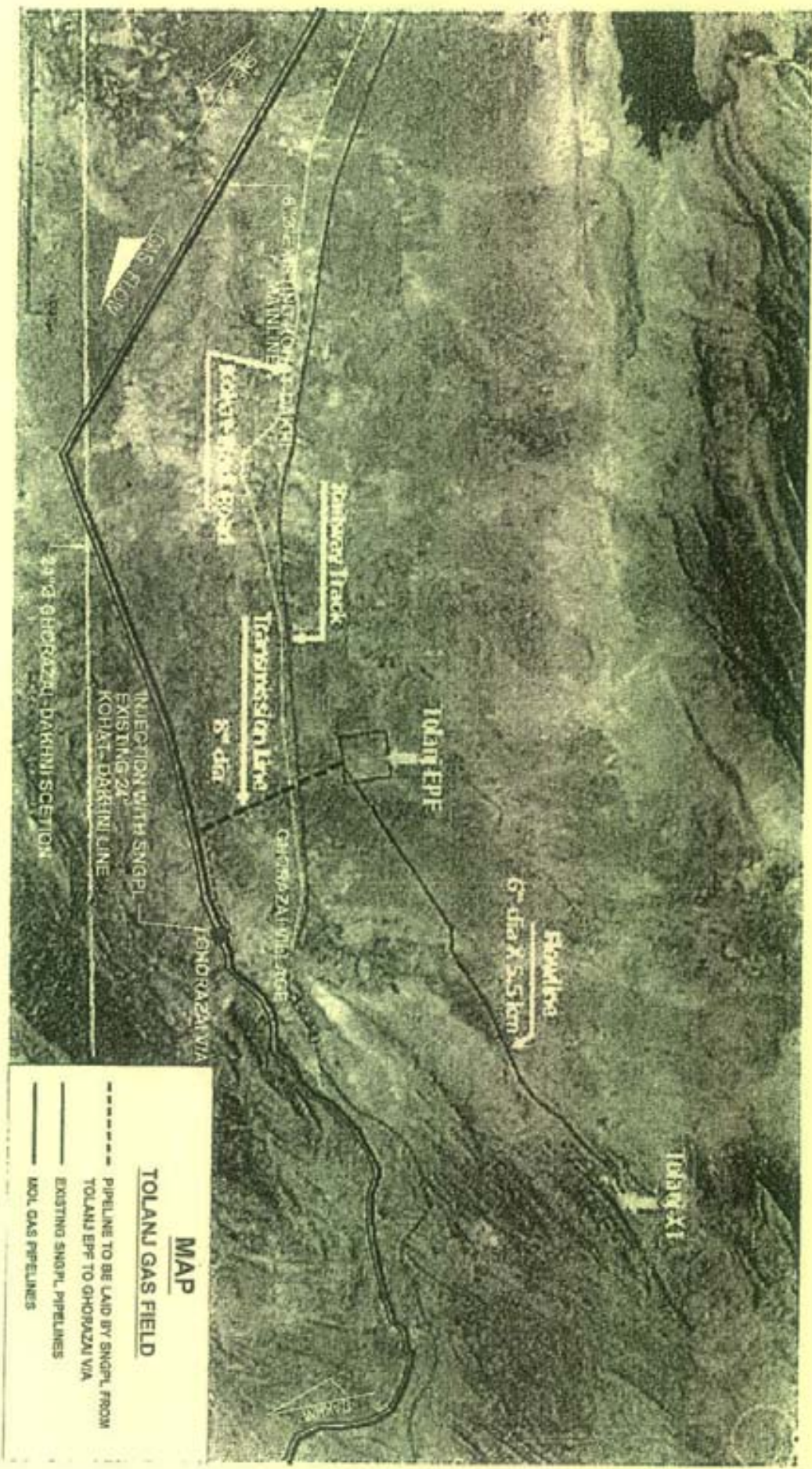
We would like to apprise you that commerciality over Tolanj West field has been announced vide MOL letter Ref: MOL/8425/2016 dated November 10, 2016 (copy attached).

In view of the above and pursuant to Article X of the TAL PCA, we request you to allocate up to 10 MMscfd gas from the Tolanj West field to the SNGPL being the President nominated buyer. Production from Tolanj West will commence in 2nd Q 2017 after the completion of Tolanj Processing Facilities.

Best regards,


Akos Gerst

Managing Director/CEO



MAP
TOLANI GAS FIELD
 - - - - - PIPELINE TO BE LAID BY SNGPL FROM
 TOLANI EPR TO GHORAZAI VIA
 - - - - - EXISTING SNGPL PIPELINES
 ———— LOCAL GAS PIPELINES

Tolang Sales Line
8" dia x 3.2 KM 0.219 WT X-52 Pipeline
Budgeted Estimates

A Pipeline System

Description		(Million Rupees)
		Total
1	- Material	
	- Line pipe	
	- Coating Cost	10.584
	- Valves & Fittings	3.917
	- Joint Coating	15.000
	- Cathodic Protection	0.896
	- Transportation	3.000
		0.898
	(a)	<u>34.295</u>
2	Construction Cost	
3	Crop Compensation	7.040
4	Freehold Land	1.312
5	Major Crossings	6.562
6	Civil Works	-
7	Security	1.000
8	Quality Assurance / HSE	0.500
9	Survey & Design	1.000
10	Camp set-up	0.500
11	Overheads	2.000
		1.760
	Contingencies (5 %)	(b) <u>21.674</u>
	Total	<u>1.084</u>
	(a+b)	<u>57.053</u>

Per Km. Cost

17.829

Basis: Pipe cost is based on Rs. 110,000/- per ton

GC and moisture analyzer cost is not included.

Orifice metering as check metering and pig launcher & receiver cost is included.



Amr: - D

60

SUI NORTHERN GAS PIPELINES LIMITED
MEMORANDUM

From: General Manager (Finance)	To: Sr. General Manager (Transmission)
Ref: ACC-500(CBA-Tolanj) Dated 01.02.2017	Thru: CFO

FINANCIAL ANALYSIS FOR LAYING OF 8" DIA X 3.2 KM PL TO RECEIVE SALES
GAS FROM MOL'S TOLANJ PROCESSING ACTIVITY

This refers to your memo Ref. SGMT-103/289 dated 16.01.2017 and manuscript noting dated 24.01.2017 on our memo ACC-500 dated 17.01.2017 on the subject.

The analysis of project and project cost is based on the following significant assumptions:

S.No.	Description	Assumption/Comments
1.	Costing	The budgeted cost of the project is Rs. 57.053 million;
2.	Financing	Project shall be financed through Company's own sources;
3.	Economic life of the project	Analysis has been made on 17 years. Proposed Sales Gas pipeline will receive gasses from both discoveries through Tolanj Processing Facility [Tolanj X-1 well discovery - (Tolanj Discovery) and Tolanj West-1 well discovery (Tolanj West)].
4.	Rate of return	The Company will continue to earn a guaranteed return on the assets created through this investment at the rate of 17.5%;
5.	Tax rate	31%

FINANCIAL ANALYSIS

Based on above assumptions, the results of financial analysis are as under:

1. The payback period from net cash generated from the investment	Years	6.83
2. Net cash flow generated by the project (non discounted)	Million Rs.	57.32
3. The internal rate of return (IRR) to the Company after accounting for payment of all taxes	IRR %	10.55%

GENERAL MANAGER (FINANCE)

SUI NORTHERN GAS PIPELINES LIMITED
PROJECT COST / BENEFIT ANALYSIS
LAYING 8" DIA X 3.2 KM PL TO RECEIVE SALES GAS FROM MOL'S TOLAHJ PROCESSING FACILITY
 Rs in Million

YEARS		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TOTAL
RETURN																			
CAPITAL EXPENDITURE / ASSET AT BEGINNING		57	-	55	52	48	45	42	38	35	31	28	25	21	18	14	11	7	4
ASSETS AT END			55	52	48	45	42	38	35	31	28	25	21	18	14	11	7	4	0
AVERAGE ASSET			28	54	50	47	43	40	37	33	30	26	23	19	16	13	9	6	2
AVERAGE ASSET			28	54	50	47	43	40	37	33	30	26	23	19	16	13	9	6	2
DEPRECIATION	10% PER 100 YEARS		2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4
RETURN	17.50%		5	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
RETURN			5	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
TAX	31%		2	3	3	3	2	2	2	2	2	1	1	1	1	1	0	0	0
PROFIT AFTER TAX			3	6	6	6	7	7	7	7	7	8	8	8	8	8	9	9	9
CASH IN FLOW (NET)			5	10	9	9	9	8	8	7	7	7	6	6	5	5	5	4	4
CASH OUT FLOW			57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH FLOW			(52)	10	9	9	9	8	8	7	7	7	6	6	5	5	5	4	4
PAYBACK PERIOD	CASH		9	10	9	9	9	8	8	7	7	7	6	6	5	5	5	4	4
PAYBACK PERIOD	RETURN		5	9	9	9	9	7	5	5	5	5	4	3	3	2	2	1	0
								1	(1)	(0.27)		(1)	(0.17)						

Cost Benefit Analysis

Assumptions

- The cost of the project
- The Company will continue to earn a guaranteed return on the assets created through this investment at the rate
- The life of the project - Depreciation rate applied:
- The life of the project
- Financing
- The rate of tax will be

Million Rs.	57.00
17.50% (As per CERA, a transmission line is depreciated at 14.57 years, accordingly the financial analysis has been restricted on life of the project)	
6.00%	
Years	17
100%	(To be financed through Company own resources)
31%	

Analysis/Conclusion from the feasibility study:

1. The payback period from net cash generated from the investment	Years	6.83
2. Net cash flow generated by the project (from discounted)	Million Rs.	57.32
3. The Internal rate of return (IRR) to the Company after accounting for payment of all taxes	IRR %	10.55%

Conclusion/Remarks:

Total return earned netting of tax and depreciation in 17 years is Rs. 57 million. Investment payback period is 6.83 years with IRR of 10.55%

Signature
1/2/17