S. R. O. 29(1)/2020.— In exercise of the powers conferred by section 2 of the Regulation of Mines and Oil-fields and Mineral Development (Government Control) Act, 1948 (XXIV of 1948), the Federal Government is pleased to direct that the following further amendments shall be made in the Pakistan Onshore Petroleum (Exploration and Production) Rules, 2013, namely:—

In the said aforesaid Rules,—

(1) in rule 2,—

(a) for clause (vi), the following shall be substituted, namely:—

“(vi) “commercial discovery” means a discovery of petroleum which in opinion of a holder of a petroleum right
would justify, particularly by its quality, quantity, gravity, place and depth where found, its development and assures a continuous commercial production for a reasonable period;”;

(b) in clause (xi),—

(i) for the words “exploration well”, the words “exploratory effort in a licence or lease area” shall be substituted;

(ii) the words “at the surface” shall be omitted;

(iii) the word “conventional” shall be omitted; and

(iv) after the word “methods”, the expression “including MDT surveys” shall be inserted;

(c) in clause (xxx), the words “predominantly methane” shall be omitted; and

(d) in clause (xxxii),—

(i) after the words “controlled company”, the words “to whom petroleum right” shall be inserted;

(ii) the word “allowed” shall be omitted; and

(iii) after the words “given acreage”, the words “has been granted” shall be inserted.

(2) in rule 6, in sub-rule (1), after full stop occurring for the first time, the following shall be inserted, namely:—

“The information provided in the First Schedule shall be assessed by the Authority to grant a petroleum right to the applicant. The assessment shall be based on the information provided as it relates to the financial and the relevant technical and business experience of the applicant and/or its management team.”;

(3) in rule 13,—

(a) the existing rule shall be numbered as sub-rule (1) thereof and in sub-rule (1), numbered as aforesaid,—
(i) after the word “right”, occurring for the first time, the expression “and where there are more than one petroleum right holder, all petroleum right holders” shall be inserted;

(ii) after the words “right shall”, occurring for the second time, the words “cease to be entitled to rights and shall be liable to perform the obligations related to the surrendered” shall be inserted; and

(iii) the words “not obliged to pay rent for the remaining period of the” shall be omitted;

(b) after sub-rule (1), numbered and amended as aforesaid, the following new sub-rule (2) shall be added, namely:—

“(2) In case less than all petroleum right holders wish to surrender a petroleum right related to his working interest, he shall give the other petroleum holders as well as the Authority one month’s notice of his intention to do so and in case other petroleum rights holders decide not to acquire his working interest within such thirty days’ notice period, he shall surrender his petroleum right by paying liquidated damages equal to his proportionate share along-with outstanding financial obligations, if any to the Federal Government. The Authority, after being satisfied that all outstanding obligations and liquidated damages have been paid by the surrendering petroleum right holder, shall notify the surrender of his petroleum right and shall assign his working interest to the remaining petroleum right holders in proportion to their working interests.”;

(4) in rule 22,—

(a) in sub-rule (1),—

(i) after the expression “a firm exploration well”, the expression “or work units equivalent to a well of three thousand meters depth” shall be inserted; and

(ii) after full stop at the end, the expression “No carry forward for work unit from phase-II shall be allowed,” shall be inserted;

(b) in sub-rule (2),—
(i) after the expression “the terms of the licence”, the expression “and if the holder of the licence has complied with the committed work program and discharged all other obligations of the preceding term of the licence” shall be inserted;

(ii) for the expression “reasonable work programme comprising at least an exploration well”, the expression “firm exploration well or work units equivalent to a well of three thousand meters depth” shall be substituted;

(iii) for the word “offered”, the word “committed” shall be substituted.

(iv) the words “or such lesser period as the Authority may allow” shall be omitted; and

(v) after full stop at the end, the expression “No carry forward for work unit from phase-II shall be allowed,” shall be inserted.;

(c) in sub-rule (3), the expression “, and such extension in the licence shall be treated as part of any subsequent phase or renewal, where applicable” shall be omitted;

(d) after sub-rule (4), the following new sub-rule (4A) shall be inserted, namely:

“(4A) The Authority may on the request of the holder of a licence allow retention of the licence area required to be relinquished subject to the commitment by the holder of a licence to undertake additional work units equivalent to ten percent of the applicable percentage in clauses (a), (b) and (c) of sub-rule (4) of the phase-I committed work units.”;

(e) sub-rule (5) shall be omitted;

(f) in sub-rule (6),—

(i) the expression “In the case of several holders of petroleum rights,” shall be omitted;

(ii) for the word “operator”, occurring for the first time, the words “holder of a licence” shall be substituted; and
(iii) the expression “, and in other cases on the request of petroleum right holder” shall be omitted;

(g) in sub-rule (7), for the expression “in no circumstances will an extension or extensions cumulatively exceed two years during the currency of an exploration licence”, the following shall be substituted, namely:-

“any extension given to a holder of a petroleum right under the foregoing provision shall always be supported by reasons justifying such extension and if such extensions are for a period beyond two years, the same shall require formal approval of the Economic Coordination Committee of the Cabinet (ECC). Subject to formal written request of licensees, this provision shall also apply to all licenses already granted under Pakistan Petroleum Exploration and Production Policy, 2012 as well as Pakistan Petroleum Exploration and Production Policy, 2009”;

(5) for rule 23, the following shall be substituted, namely:—

“23. Appraisal, evaluation, extended well testing and renewal.—

(1) A holder of a licence having made a discovery of petroleum can perform additional work, so as to appraise the discovery after submitting the appraisal program to the Authority. In case, the appraisal program is for a period of not more than one year, no approval of Authority will be required.

(2) The holder of the licence having complied with the work programme and its other obligations shall be entitled to renewal of the licence not exceeding one year for the purpose of appraisal and evaluation of the discovery. The renewal shall only apply to the estimated discovery area. The term of the appraisal renewal may be extended further keeping in view the reservoir uncertainty, the proposed investment outlay and other relevant factors for such period as may be approved by the Authority on case to case basis following a written request of the holder of the licence.

(3) The Authority shall not allow flaring of gas during appraisal for a period longer than thirty days if the gas infrastructure is located within twenty-five kilometer radius of the discovery well, except under exceptional circumstances.

(4) Subject to approval of the Authority, a holder of a licence may be permitted to undertake extended well testing (EWT) during
the appraisal phase and before the grant of lease. Such approval shall be granted provided that the operator _inter alia_ complies with the requisite royalty, tax, rentals of the discovery area and training and social welfare obligations as would be applicable under a lease.

(5) Request for approval of EWT shall be made to the Authority along-with the following information, namely:—

(a) detailed technical justification;

(b) proposed duration; and

(c) a plan for disposal of natural gas.

(6) The duration of EWT shall be allowed keeping in view the reservoir uncertainty and the proposed-investment outlay on EWT.

(7) During EWT period a holder of licence shall be allowed to produce petroleum based on EWT pricing terms and subject to the condition that the production during EWT period shall be accounted for the purpose of payment of production bonus, royalty and all other obligations as are applicable to a lease. However, the first production bonus would be payable upon commencement of commercial production subsequent to grant of lease.

(8) The facilities that are required to undertake EWT shall be constructed and operated in accordance with good international oilfield practices.”;

(6) rule 24 shall be omitted;

(7) after the omitted rule 24, the following new rule 24A shall be inserted, namely:—

“24A. Early commercial production (ECP).—(1) After declaration of commerciality and before grant of lease, the Authority may grant approval to undertake early commercial production (ECP) of petroleum from the discovery, on the condition that the production taken during ECP shall be accounted for the purpose of payment of production bonus, royalty and all other obligations as are applicable to a lease and no EWT discount will be applicable.

(2) The holder of the licence desiring to undertake ECP shall submit the request to the Authority including plan for the disposal of petroleum during ECP period.
(3) The facilities that are required for early production shall be constructed and operated in accordance with good international oilfield practices.”;

(8) in rule 26, for sub-rules (1) and (2), the following shall be substituted, namely:

“(1) Upon completion of the appraisal and evaluation work including EWT, if any, the holder of a licence may submit a notice for declaration of commercial discovery to the Authority along-with a report in accordance with clause (d) of rule 55.

(1A) Notwithstanding anything contained in sub-rule (1), submission of notice for declaration of commercial discovery would not result in accruing any right or privilege to the licensees with respect to gas, condensate or oil pricing and would not be construed as acceptance of any assumptions used in preparation of economic and financial viability for developing a discovery or field.

(2) After submission of notice under sub-rule (1), the holder of the licence shall be entitled to apply for the grant of a lease in respect of discovery area along-with a field development plan in accordance with rule 36. The lease shall prevail over the licence within the area designated in the lease, but the licence continues to be valid outside such lease area without modifying the right and obligations pursuant to the licence.”;

(9) in rule 28, for sub-rule (1), the following shall be substituted, namely:

“(l) Where upon the surrender, expiry or the revocation of a licence, the obligations pursuant to rules 21, 22 or 23 have not been fulfilled, holder of a licence shall—

(a) pay to the Federal Government such sum by way of liquidated damages which correspond to the minimum expenditure of un-discharged work obligations as set forth in the licence within a period of thirty days from the surrender, expiry or revocation of the licence; or

(b) in cases of surrender or expiry of the licence, request the Authority to allow transfer of un-discharged work obligation committed under rules 21 and 22 to another area if it is demonstrated to the satisfaction of the Authority that there is no drillable prospect in the licence area. Such
transfer shall be subject to such terms and conditions as may be specified by the Authority on case to case basis.”;

(10) in rule 30,—

(a) for sub-rule (1), the following shall be substituted, namely:—

“(l) The Authority shall on being satisfied that the terms and conditions of a licence, including the work programme, have been duly observed and performed, or that a holder of the licence is in satisfactory progress with the work programme and that the requirements of sub-rule (1) of rule 36 have been duly complied with by the applicant, grant a lease effective from the date of notice of declaration of commerciality in the form prescribed in Part-III of the Second Schedule in respect of discovery area within the licence area granted to the applicant. In case, the holder of the licence does not avail ECP, the effective date of lease shall be the date of application for lease along-with submission of FDP.”;

(b) in sub-rule (2), for the words “Federal Government”, the word “Authority” shall be substituted;

(c) in sub-rule (3), for the words “Federal Government”, the word “Authority” shall be substituted; and

(d) after sub-rule (3), amended as aforesaid, the following new sub-rule (4) shall be added, namely:—

“(4) Subject to sub-rule (1) of this rule and sub-rule (1) of rule 36, the Authority shall grant a lease within thirty days from the date of approval of field development plan.”;

(11) in rule 34,—

(a) in sub-rule (2), in clause (a), for the word “three”, the word “one” shall be substituted;

(b) after sub-rule (2), amended as aforesaid, the following new sub-rule (3) shall be added, namely:—

“(3) Notwithstanding anything contained in sub-rules (l) and (2), in case the commercial production is not continuing on the expiry of lease period, the Authority may also extend or renew the lease period, as the case may be, if the holder of
lease submit a committed work program acceptable to the Authority which is likely to result in commercial production.”;

(12) for rule 36, the following shall be substituted, namely:—

“36. Development plan.—(1) After the notice of declaration of commerciality and together with the application for a lease shall be enclosed a development plan which shall contain such information as the Authority may reasonably deem necessary, including but not limited to the following, namely:—

(a) description of the nature and characterization of reserves including the map or maps of the outline of the discovered reservoirs, interpretation and description of all aspects of the geology, reservoir evaluation, estimates of reserves and production and nature and ratio of petroleum fluids;

(b) proposals for the development and production of each discovery area including possible alternatives, work program, budgets (investment plan) and proposals relating to the disposal of petroleum;

(c) proposals relating to the spacing, drilling and completion of wells, the production and storage installations and transport and delivery facilities required for the petroleum production. Such proposal shall cover—

(i) the estimated number, size and production capacity of production facilities;

(ii) estimated number of production wells;

(iii) particulars of production equipment and storage facilities; and

(iv) Particulars of feasible alternatives for the transportation of petroleum including pipelines.

(d) the projected production profiles for crude oil, condensate and natural gas and other products for the life of the field;

(e) safety measures to be adopted during field development and production operations including measures to deal with emergencies and protection of environment;
(f) anticipated adverse impact on environment, measures proposed to be taken for the prevention thereof and for the general protection of the environment;

(g) a description of the organization in Pakistan, pursuant to these rules;

(h) time schedule of all activities covered in the development plan clearly specifying the critical milestones proposed and measures to achieve such milestones;

(i) contingency and abandonment plans;

(j) description of the current and planned organizational set up of the operator in Pakistan, pursuant to these rules; and

(k) description of the measures to be taken regarding the employment and training of Pakistani personnel in accordance with these rules.

(2) The plan shall require the approval of the Authority. Upon being satisfied, the Authority shall approve field development plan within ninety days from the submission of original field development plan or any revised field development plan or submission of further information, as the case may be.

(3) After approval of the plan, a holder of a lease shall carry out development and production in accordance with the plan, subject to such modifications as may be necessary and are approved by the Authority from time to time which approval shall not be unreasonably withheld or delayed.

(4) The holder of a lease shall provide to the Authority the updated reserves and production profile after every five years from the date of approval of field development plan.

(13) in rule 45, in sub-rules (1) and (2), for the words “Federal Government”, wherever occurring, the word “Authority” shall be substituted;

(14) for rule 48, the following shall be substituted, namely:—

“48. Well records.—(1) Notwithstanding the generality of rule 47, a holder of a petroleum right shall always keep full and accurate record of the drilling, deepening, plugging, completion, re-
completion, sidetracking, testing or abandonment of all wells containing particulars of the following matters with respect to each well, namely:—

(a) the strata and sub-soil through which the well was drilled;

(b) the casing used in any well and any alteration to such casings; and

(c) any petroleum and other reservoir fluids or minerals encountered.

(2) If required by the Authority, a holder of petroleum right shall deliver additional well record to the Authority.

(15) in rule 49, after the expression “record of production”, the expression “from each formation or reservoir and field wherever possible” shall be inserted.

(16) for rules 52 and 53, the following shall be substituted, namely:—

52. Annual reports.—(1) A holder of a petroleum right shall each year submit to the Authority annual reports containing the following:—

(a) a financial statement with an abstract of the accounts, prepared in accordance with accounting principles generally accepted in the petroleum industry and audited by a recognized firm of chartered accountants;

(b) a description of all exploration, development, production and other work carried out by the holder during the year relating to the licence or lease area;

(c) estimates of in place and recoverable reserves of petroleum at the end of each year classified on the basis of good international oilfield practices. If so desired by the Authority, the holder of petroleum rights shall be required to carry out reserves certification from an independent reputable consultant; and

(d) estimates of petroleum production and exports for each quarter of the next year.
(2) The report referred to in clause (a) of sub-rule (1) shall be submitted within six months and the other reports within ninety days after the end of year to which those relate.

53. Quarterly reports.—Within fifteen days after the end of each quarter, each holder of a petroleum right shall prepare and submit a progress report to the Authority for each month of the relevant quarter which shall contain a narrative report of activities with plans and maps showing the places where work was done. Such report shall also contain—

(a) a summary of all geological and geoophysical work carried out;

(b) a summary of all drilling activity and results obtained;

(c) a list of maps, reports and other geological and geo-physical data prepared or acquired in connection with the activities carried out during the reported quarter; and

(d) a statement of expenditure incurred by the holder of petroleum right during the quarter on a standard format or as may be prescribed by the Authority.

(17) in rule 55,—

(a) the word “namely”, occurring for the first time shall be omitted.

(b) in clause (a), the words “telex or” shall be omitted and after the word “fax”, the words “or email” shall be inserted;

(c) in clause (b), for the word “seven” the word “fifteen” shall be substituted; and

(d) for clause (d), the following shall be substituted, namely:—

“(d) at the latest upon the submission of a commercial discovery notice, a report which shall substantiate such notice and contains all relevant geological information, including estimates of recoverable reserves and daily production;”;}

(18) for rule 60, the following shall be substituted, namely:—
“60. Commencement, testing and abandonment of drilling operations.—(1) A holder of a petroleum right shall not commence drilling, re-entry, testing and related operations or abandonment of any well without first giving a notice for approval of the Authority in writing and in the manner as follows:—

(a) forty-five days before the commencement of drilling or re-entry;

(c) five days before testing; and

(c) as soon as possible for all the related operations or abandonment of any well.

(2) The Authority shall communicate its approval or otherwise within a period of fifteen working days from the date of receipt of the notice, complete in all respects in accordance with the prescribed template, failing which the notice shall be deemed to have been approved. In case the Authority disagrees with the classification of the well by the petroleum right holder (e.g. exploration versus development), the Authority shall inform the petroleum right holder to provide additional information or reject the classification with reasons. In case of an emergency due to technical or safety reasons the notice requirement may be reduced till emergency situation is over. However, such notice shall contain explanation for the emergency.

(3) Notwithstanding anything contained in sub-rules (1) and (2), in case of dis-agreement over classification of well, the holder of petroleum right may commence drilling of the well while the Authority may decide the classification of any well based on the data obtained after drilling of well and such classification shall be binding on holder of the petroleum right.

(4) For testing of wells, the petroleum right holder shall—

(a) as soon as possible make known to the Authority the proposal for testing a well;

(b) inform the Authority with respect to petroleum right holder’s plan to test potentially productive horizons based on its interpretation of the wire-line recording or relevant drilling data; and
(c) promptly undertake the technical evaluation of the well testing results and of all other relevant data and submit the same as soon as possible to the Authority.

(5) After the completion of all operations, the well shall be safely plugged and abandoned in accordance with good international oilfield practices.”;

(19) in rule 73,—

(a) after sub-rule (4), the following new sub-rule (4A) shall be inserted, namely:—

“(4A) Subject to the payment of compensation, which shall be determined through competitive process, by the holder of a lease, the Authority may consider its request to transfer any equipment to another area in Pakistan for his petroleum operations.”; and

(b) in sub-rule (5), for the words “one year”, the words “six months” shall be substituted; and

(20) for the first Schedule, the following shall be substituted, namely:—

“THE FIRST SCHEDULE
(See rule 6)

APPLICATION FOR A RECONNAISSANCE PERMIT OR EXPLORATION LICENCE OR WHERE APPLICABLE, DEVELOPMENT AND PRODUCTION LEASE

1. Name of the applicant in full exactly as appearing in the certificate of incorporation:

2. Nature of business and incorporation of the applicant:

(a) Place of incorporation:

(b) Juridical status of the applicant at the place of incorporation:

(c) If incorporated outside Pakistan, whether the applicant has valid permission to operate as a branch of a foreign company in Pakistan:
(d) Nature of the applicant’s business: _______________________

(e) Principal place of the applicant’s business: ___________________

(f) If principal place of business is outside Pakistan, name and address of duly authorized agent in Pakistan: _______________________

(g) If the applicant is a local company, name and address of duly authorized representative: _______________________

3. Details of principal shareholders and the directors:

(a) Name of Principal shareholder(s): Shareholding(%) 

<table>
<thead>
<tr>
<th>Name(s)</th>
<th>Nationality</th>
<th>Residential Address</th>
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(b) Directors: 

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4. Authorized, subscribed and paid up capital of the applicant: __________

5. Economic and financial data for the applicant (Year-wise for the last five years, if available):

a. Total investment in petroleum activities breaks up as follows:—

   (i) exploration;

   (ii) production; and

   (iii) any other related activities;

b. The total turnover of the group as well as the turnover with regard to petroleum activities.

c. Net income after taxes.

d. Trading profit and loss forecasts for the next five years (including projected balance sheets and cash flow statements and any assumptions made in preparing the forecasts), and if appropriate, how any deficit will be met.
6. If applicant intends to apply as an operator, he shall provide the following, namely:—

a. **Applicant structure:** Details of management structure showing clear lines of responsibility and processes for upstream operations providing all details of operations staff to be based in Pakistan. Details of the role of sub-contractors in the applicant’s decision making process.

b. **Health, safety and environmental management (HSE):** Details of health, safety and environmental management systems implemented and used by the applicant.

c. **Management system:** Details of how company will manage in practice an exploration, development or production operation, clearly describing the division of responsibility between the applicant’s own staff and sub-contractors, if the latter are to be employed.

d. **Worldwide operating experience of the company and/or its management team:** Details of all worldwide operating experience overseas to demonstrate a track record of effective exploration and field management.

e. **Field management resources:** Details of the technical resources available to the prospective operator. The company’s own capacity to analyse the potential of a field. Details of capability and experience in relation to enhanced recovery operations.

f. **Training policy:** Details of any formal training standards that the applicant has adopted including how the company will establish such standards with sub-contractors. Particular reference should be made to the company’s record of training its indigenous staff.

g. **Additional information:** Any additional information that the company considers relevant to the application.

7. Details of technical capacity of the applicant:

a. Name of technical and business professionals including number of years and details of relevant experience to be employed. In case of replacement, the applicant shall employ another professional of equivalent exploration and production experience and expertise.
b. Proven oil and gas reserves booked as per standards set under good international oilfield practices as of the end of the last accounting year:

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<th>Onshore</th>
<th>Offshore</th>
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<tbody>
<tr>
<td>Oil (million barrels)</td>
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<tr>
<td>Gas (billion cubic feet)</td>
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<tr>
<td>Total (million barrel of oil equivalent)(MMBOE)</td>
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</table>

c. Production of oil and gas (Year-wise for the last five years ending at the last accounting year):

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<tr>
<th></th>
<th>Onshore</th>
<th>Offshore</th>
</tr>
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<tbody>
<tr>
<td>Oil (barrels per day)</td>
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<tr>
<td>Gas (million cubic feet per day)(MMCFD)</td>
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<tr>
<td>Total (barrel of oil equivalent per day)(BOE)</td>
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</table>

d. Wells drilled by applicant or its management team(Year-wise for the last five years ending at the last accounting year):

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<thead>
<tr>
<th>Year</th>
<th>Exploration</th>
<th>Appraisal</th>
<th>Development</th>
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<tbody>
<tr>
<td>20</td>
<td>Operator</td>
<td>Non-operator</td>
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<tr>
<td>Total</td>
<td>Operator</td>
<td>Non-operator</td>
<td>Onshore</td>
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</table>

8. Operational experience of the applicant:

a. Name of the countries in which holding operatorship at present (details separately for onshore and offshore):__________________
b. Years since acting as the operator (separately for onshore and offshore):


c. Same details as required under (a) and (b) above for worldwide non-operated interests:

9. We hereby swear that we are not incapable of contracting with the Federal Government, Government Holdings (Private) Limited (GHPL) or [name of Provincial Holding Company, if any].

10. We hereby declare that—

   (a) there is no pending litigation, legal process or other circumstances that might cause us to breach our obligations; and

   (b) all particulars contained herein are correct.

11. Furthermore, we hereby declare that we will abstain from all political activities whatsoever affecting the sovereignty or security of Pakistan or such as may be tantamount to interference in its internal affairs and that especially we will eschew all espionage.

   Signatures of the authorized representative of the applicant

   Title____________________

   Date_______________

   Exhibit-I

Particulars to be furnished by applicant for an exploration licence / petroleum concession agreement

1. **Information concerning the areas (blocks).**

   (a) Details of areas (blocks) applied for.

   (b) If the applicant applies for more than one area (block) the priority assigned to the different areas (blocks) must be given.

   (c) The applicant must state the percentage working interest applied for in the different areas (blocks).
(d) The applicant must state if he applies for operatorship on any or all of the areas (blocks) applied for.

(e) Information given in clauses (a) to (d) and paragraph 2 shall be summarized in a separate form.

(f) The application must comprise information about the geological and geo-physical material and parameters upon which the application is based, accompanied by structural maps.

(g) The application shall, in a separate enclosure, comprise a geological study of the area in a regional geological context. Further, the said enclosure shall contain an evaluation of the prospectivity of the different geological provinces in the area and how knowledge about prospectivity in one geological province may depend upon information from another geological province.

(h) Information about the techniques used for the evaluation of the prospects from a geological and geo-physical point of view must be included.

2. **Proposed work programme, economic terms, etc,—**

   The applicant shall indicate his proposed terms regarding,

   (a) the work programme, expressed where applicable in Work Units, for each of the area (blocks) applied for, including the size of seismic grid, number of exploration wells (wildcats) with indications of depths and geological horizons to be penetrated in each exploration well, and the minimum expenditure amount to be allocated to and spent on exploration activities;

   (b) information as to the applicant’s intentions and plans regarding transfer of technology and training, development and integration of the Government officials and Pakistani nationals in general.”.

(21) for the Annexure-I, the following shall be substituted, namely:—
"Annexure-1

MAP OF LICENCING ZONES

[See rule 4(2) and 25]


MIAN ASAD HAYAUD DIN,
Secretary.