

## Overall Work of Oil & Gas Companies in Coastal Belt of Sindh: Issues & Challenges

Sindh province has two major Oil and Gas bearing regions (1) Sindh Monocline commonly known as **Badin Block Area** (2) Outside Sindh Monocline which includes Sukkur Rift Zone, Mazarani Fold Zone, Khirthar Depression and Karachi Depression. Districts including Badin, Tando Muhammed Khan, Hyderabad, Tando Allahyar and Thatta are also part of Badin Block Area. According to a newspaper report Badin Concession Block has 12 Oil and Gas fields and 307 wells majority of them being in district Badin.

Mr. Jami Chandio, a renowned writer/speaker in his book named “PAKISTAN MEN QUOMI TAZAD AUR SINDH KA MUQADMA” (National Conflict in Pakistan & the Case of Sindh) mentions that Sindh contributes 71 % of Pakistan overall gas production and 56% of the country’s Oil production. According to him 40% of Pakistan Oil reserves are in Sindh. He also makes a mention of district Badin saying the district is at the forefront in Pakistan’s overall Oil production but when it comes to development, Badin suffers the most. As per the ranking of Human Development Report of UNDP in 2003, Badin, out of 91 districts of Sindh was ranked at 60th number in the list.

Oil and Gas exploration work in Badin concession Block took start in 1978. Khaskheli Oil Field near Kario Ghanwer, Badin proved a to be a major discovery by Union Texas in 1981 in the coastal district. This discovery was followed by other major discoveries in the same area. British Petroleum Pakistan took over after UTP. United Energy Pakistan-UEP, a subsidiary of United Energy Group-UEG which is a Hong Kong listed company that assumed control of oil and gas exploration and production assets managed by BP Pakistan in September, 2011. UEP has assumed controls of assets managed by BP in Badin Concession Block too.

**Oil & Gas Exploration & Social Welfare Funds:** Social Welfare work is a birthright of the local communities from where the Oil & Gas is being mainly obtained. Both the documents namely Petroleum Exploration & Production Policy 2012 and Petroleum Concession Agreement clearly mention that the amount of Social Welfare Funds pledged by companies in their agreements shall be utilized for the betterment of the indigenous communities in and around the concession area. Table 1 below presents details of the amount to be spent in Social Welfare projects.

**Table-I: Amount to be expensed in Social Welfare Projects:**

During exploration stage until <b>USD 30,000 per Licence Year</b>	
Commercial Production	
During Phase (BOE/d)	Commercial Production Amount/Lease Year (USD) (For all Zones)
<b>Less than 2,000</b>	50,000 (Zones O & I); 37,500 (Zones II & III)
<b>2,000 - 5,000</b>	100,000 (Zones O & I); 75,000 (Zones II & III)

5,000 - 10,000	200,000 (Zones O & I); 150,000 (Zones II & III)
10,000 - 50,000	400,000 (Zones O & I); 300,000 (Zones II & III)
More than 50,000	700,000 (Zones O & I); 525,000 (Zones II & III)

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**Production Bonus:** As stipulated in Article 23.3 of Petroleum Concession Agreement and Petroleum Exploration & Production Policy 2012 the funds of production bonus received shall be expensed in and around the Concession Area. Table.2 shows that the amount of the Bonus is mainly linked with the scale of production as stipulated.

**Table-II**

CUMULATIVE PRODUCTION	AMOUNT (USD)
<b>Within 90 days of start of commercial production</b>	600,000
<b>Upon reaching 60 MMBOE</b>	1,200,000
<b>Upon reaching 120 MMBOE</b>	2,000,000
<b>Upon reaching 120 MMBOE</b>	2,000,000
<b>Upon reaching 160 MMBOE</b>	5,000,000
<b>Upon reaching 200 MMBOE</b>	7,000,000 <sup>ii</sup>

**Corporate Social Responsibility (CSR) Projects in District Badin:** Taking the funds presented above into consideration. The details of the social welfare projects mentioned below have been found on UEP's Official Website. All of these CSR projects have been undertaken by previous companies (Union Texas & BP) and the sustainability of these projects is still in question. The fact that the Oil and Gas exploration & Exploitation work was initiated more than 3 decades ago in the district Badin speaks volumes of the queries as to whether the funds namely royalty, production and social welfare development funds have been consistently utilized keeping the time frame of Oil and Gas work in mind throughout the district.

- Government Girls' Degree College, Matli
- Government Girls' Higher Secondary School at Golarchi
- Government Girls' Higher Secondary School at Talhar, Badin
- Kario Medical Center
- UNDP Small Grants Program

**Oil & Gas Data Collection from UEP in Badin:** As per Petroleum Exploration & Production Policy, Petroleum Concession Agreements and other relevant documents, facts & figures regarding overall work of Oil & Gas Companies has to be shared with general public since it is their right to have the information needed. PFF team, keeping this right to information in mind visited Khaskheli Oil Field in Golarchi, Badin since it is field office of United Energy Pakistan Limited (UEP). Upon our visit there at the above mentioned field office, we informed the reception staff at the entrance gate of meeting with Mr. Kashif Fayyaz Awan, Community Relation Officer-UEP, field office Badin. The staff said he is unavailable. Following his unavailability at the field Office, PFF team once again contacted him on the phone and emailed him an Official Letter requesting him an appointment for a meeting as regards information

sharing relating to UEP's work in district Badin. The Community Relations Officer, in reply of the email required a Letter from Ministry of Petroleum & Natural Resources or from DCO, Badin.

**Oil & Gas Data Collection from District Government, Badin:** Part of the Oil & Gas Companies Data Collection from District Government Badin, PFF team spent a week meetings with district government including meetings with ADC-II, District Information Officer, Badin, DDMA Focal Person, DO Social Welfare and Deputy District Officer. PFF Official Letters requesting information sharing on the work of "Oil & Gas Companies in Badin" part of PFF's study on the subject matter was also submitted to the concerned departments. Availability of the concerned government officials was a major concern relating to the task. It was known from the District Information Office, that no information regarding Oil & Gas Companies in the district is shared with the district information cell. DO Social Welfare Office said no record of Social Welfare Projects undertaken part of Corporate Social Responsibility is shared with DO Social Welfare Office. Finally ADC-II, district Badin after submitting our Official Letter, said that Oil & Gas Companies working in Badin shared their information in an Annual Briefing with the district government and that data will be shared with you soon.

**Meetings with Local Media Persons - Badin:** Meetings with Media correspondents of Daily Kawish, GEO, KTN and JEEJAL newspaper were held. Following findings and facts and figures were gathered from one-on-one discussions and the news stories that they shared with PFF team.

- District Badin leads in overall Oil & Gas production of the country. Badin Concession Block that consists of 05 districts of Sindh is spread over an area of 10000 square kilometers having 12 major fields, 307 wells and thousands of pipelines.
- Royalty (12.5%) and Production Bonus from Badin Concession Block are paid to federal government. These funds are to be legally expensed for the development of areas in and around the concession block.
- Acting against Petroleum Concession Agreement, Oil & Gas Company, Federation, Provincial Government, elected representatives and officials of the concerned departments at the district level collaboratively misappropriate these development funds.
- Part of the Community Development Rs. 9 caror 70 lac are to spent on infrastructure and other developmental work in the concession area, but the actual ground work is not as agreed in the legal documents.
- Out of 579 field staff in the concession block 80% of the staff is from Punjab and KPK. In case of unavailability of technical staff in the area, the concerned company is responsible as per the PCA to train the local staff technically as per the budget agreed. But violating all the agreement the company hires field and management staff from out the side the province. For example 373 new field staff was hired belonging from Gilgit and Karachi in the in following fields of the concession area; Khaskheli Oil Field 13, Dhabi Field, 03 , Golarchi Field 04, Bukhari Field 04, 06 Rug Field 28 and 21 in Rug 34.
- Oil and Gas Production in Badin Concession Block (Badin, Tando Muhammed Khan, Tando Allahyar, Thatta and Hyderabad) has reached to 35000 BOE/per day. Badin,

Tando Muhammed Khan, Hyderabad, Tando Allahyar and Thatta contribute 56%, 26%, 10%. 5% and 3% respectively in the Oil and gas production per day mentioned above.

- For the past 30 years, since the Oil & Gas Exploration and Exploitation started in Badin Block, land owners complain that the land lease has not been significantly increased. ivRs 35000 per acre lease is being paid to local land owners since 1980 in Badin Concession Block, while per acre lease in Punjab province is Rs. 60000.

**Employment Opportunities:** The secondary data collection, interviews and meetings with Media and other concerned stakeholders hint that local communities of the concession area in Badin are not given their due share in employment. News stories in Media, interviews with local communities and discussions with senior citizens of Badin validate this fact that local population, by and large had been ignored in employment and training opportunities since the very start of the Oil and Gas exploration and production work in district Badin. Following table is an instance of the opportunities being *provided* to locals in the area. It was known that Oil and Gas Companies in district Badin hire influential lords as their local contractors who are always at the forefront when it comes to any public agitation for employment issues. These local land lords hired selected people for their contract activities.

**Statistics of Employment in a Company:**

Office	Total	Local Staff
Head Office	225	15
Field	300	20 <sup>v</sup>

**Interviews with Local Communities:** A Visit to Village Gagan Das (Golarchi- Rahoki) near Khaskheli Oil fields, Badin was made on May 30, 2014. The Village is at a walking distance from Khaskheli Oil Field. Interviews with the residents of the Village were conducted. Following findings were documented part of the visit.

- The villagers had been living in the area for decades.
- They had very little knowledge about what Oil and Gas Companies were doing around there dwellings.
- No opportunities of labor or other employment were provided to them even after their trying to get in touch with the persons concerned.
- The major reason of their not getting any labor opportunities in Oil and gas companies nearby their homes as per them was that the land-owners whose land they cultivated as peasants are themselves employed by these Oil and Gas companies. So their Chances of getting income earning opportunities there were very less.
- During Off-season, the villagers are compelled to migrate to Degree, Dolat-pur, Shahdad-pur and other remote areas of Sindh province to make both ends meet.
- They sad transportation costs make matters worse for them, besides they live in make-shift shanties where ever they migrate to. This way, their families are more prone to insecurity and illness and other hazards.

- It was observed that no any school was there in the vicinity of the village. The villagers used muddy flowing water of a nearby water-course for drinking and all other purposes. No provision of electricity was observed there in the village.

**Meetings with UEP Personnel through Personal Contacts:** Meetings with some of local UEP staff in managerial position technical position were held. Following findings were shared by them in confidence.

- No Jobs are announced/advertised in Newspapers.
- Part of the HR recruitment, Referral Policy is mostly used.
- Theft of Gas is a major issue in which Contractors are also involved more than local community.
- No recommendations for Internships in Oil and Gas Companies are made by academia of Badin while fake Internship Certificates are awarded to the students from Punjab.
- State/district government and local administration does not ensure the usage of royalty and development funds for district Badin.

National/Provincial assembly representatives and others are responsible for the chaotic state of the district despite of the provision of royalty and developments funds.

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<sup>i</sup> Petroleum Exploration & Production Policy 2012

<sup>ii</sup> Petroleum Exploration & Production Policy 2012 & Petroleum Concession Agreement

<sup>iii</sup> Daily Kawish, Hyderabad, December 30, 2011

<sup>iv</sup> Daily Kawish, Hyderabad, October 19, 2013

<sup>v</sup> Oil & Gas Resources & Rights of Sindh- A Case Study of Sindh by Naseer Memon

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