



ACL:554(OGRA)

April 16, 2013

Chairman
Oil & Gas Regulatory Authority,
54-Old ZTE Plaza,
G-6/F-6, Near PIA Building,
Fazal-e-Haq Road, Blue Area,
ISLAMABAD.

Dear Sir,

Issuance of Revised FRR for FY 2010-11 and FY 2011-12

Further to our earlier letter Ref: ACL 554(OGRA) dated April 04, 2013 wherein the Authority was requested to issue revised FRR for FY 2010-11 and FY 2011-12 in light of the recent decision by Honorable Lahore High Court, Lahore (LHC) dated February 15, 2013, wherein the LHC has dismissed the Company's petitions for FY 2010-11 and FY 2011-12 against OGRA's determinations of fixation of lower UFG benchmark as well as treatment of LPS as operating income. The issuance of revised FRRs for these years were requested in the light of our external auditors' views regarding accounting for the total impact of such FRRs in the current financial year i.e. FY 2012-13.

In this regard, although Authority has allowed 7% UFG benchmark and treated LPS as non operating income for FY 2010-11 and FY 2011-12 in its earlier orders (FRRs) for FY 2010-11 and FY 2011-12, however, while issuing these orders, the Authority had mentioned that decision on these two issues are subject to announcement of final judgment by the LHC while on the announcement of final judgment by the LHC, the orders of the Authority may be altered, amended or rescinded accordingly.

In the above context, the Authority, in its recently issued determination on the Company's motion for review of FRR FY 2011-12 dated April 13, 2013, has not accounted for the impact of reduction in UFG benchmark and treatment of LPS as operating income in view of aforementioned LHC decision.

We have already explained in our aforesaid letter that the Company was constrained to seek extension for issuance of the First and Second Quarter Accounts for FY 2012-13 from SECP, as our external auditors were persistent that the total impact of LHC decision for FY 2010-11 and FY 2011-12 should be incorporated in our First and Second quarter accounts for FY 2012-13. The external auditors were also of the view that they are not in the position to verify the actual impact of the LHC decision on Company's Financial statements for FY 2012-13 without the issuance of revised FRRs in respect financial year 2010-11 and 2011-12 by OGRA.

In the above context and in view of the fact that the Authority has not accounted for the adverse financial impact of lower benchmark of UFG as well as treatment of LPS as operating income, (despite the fact that orders of LHC rejecting the Company's petitions on these points now holds the field), in its recently issued revised FRR for FY 2011-12, we understand that the Authority will include the aforesaid adverse impact while finalizing the FRR for FY 2012-13 onwards.

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