



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF SHARES OF RALLY ENERGY
SAFED KOH LIMITED BY OCEAN PAKISTAN LIMITED**

CASE: 828/Merger-CCP/16

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Mueen Batlay
Member



ORDER

I Background

- 1 On 3rd August 2016, Ocean Pakistan Limited ("OPL") (the "Acquirer"), submitted a pre-merger application (the "application") to the Commission, for the intended acquisition of _____ shares of Rally Energy Safed Koh Limited ("RESK") (the "Target") by OPL, along with the applicable processing fee and necessary information in accordance with the Competition (Merger Control) Regulations 2007 (the "Merger Regulations").

II Merger Parties

Acquirer

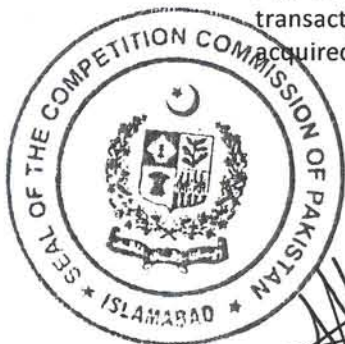
- 2 OPL is registered in Cayman Island with limited liability. The OPL Pakistan branch is engaged in exploration, evaluation, development, production and sale of crude oil, natural gas, liquified petroleum gas (LPG) and sulphur.
- 3 Total assets of OPL as on 31st December 2014 were PKR _____ its turnover for the above mentioned period remained at PKR _____

Target

- 4 RESK was incorporated in British Virgin Islands. It was registered in Pakistan as a branch office and is engaged in exploration, drilling and production of oil and gas and related activities in Pakistan.
- 5 Total assets of RESK as on 31st December 2015 were _____ its turnover for the above mentioned period remained at PKR _____

III Transaction

- 6 In the proposed transaction OPL intends to acquire _____ of the paid up share capital of RESK from Scimitar Production International Limited. RESK will continue to operate as a separate entity with the change of parent company from Scimitar Production International Limited to OPL. The consideration for the transaction is estimated to be USD _____ [PKR _____ (@1 USD= PKR 104.64)].
- 7 The transaction meets the notification thresholds prescribed in 4(2)(a)(b)(c) & (d) of the Regulations by having acquirer's assets valuing more than PKR 300 million and combined assets being more than PKR 1 billion and turnover of acquirer more than PKR 500 million and combined turnover being more than PKR 1 billion. The transaction value also exceeds PKR 100 million and percentage of share to be acquired exceeds 10% of the total shareholding of the target.



IV Relevant Market:

8 The relevant product market in this case is "Oil and Gas Exploration & Production" market. The Oil & Gas Exploration & Production (E&P) industry consists of companies that are engaged in the exploration and extraction of crude petroleum and natural gas. The oil and gas sector is divided into three stages, upstream, midstream and downstream. The upstream sector is used to refer to the search for, followed by the recovery and production of, crude oil and natural gas and is widely known as the exploration and production (E&P) sector. Stages within the upstream petroleum product industry include the search for underground or underwater oil and gas fields, the drilling of exploratory wells and, if the wells are deemed economically viable and recoverable, the operation of wells that bring crude oil and raw natural gas to the well's surface.

10 The Relevant Geographic market is Pakistan.

V Findings of the Phase I investigation on the competition assessment

11 The competition assessment in Phase I have resulted in the following findings:

- The proposed transaction involves acquisition of shares of The Target (RESK) by the Acquirer (OPL). However, the Target will operate as a separate entity with a change of ownership from Scimitar Production International Limited to OPL.
- The Target (RESK) and the Acquirer (OPL) both operate in same relevant product and geographic market creating a horizontal relationship between the two.
- The relevant product and geographic market is a highly regulated market. The market is host to a number of undertakings involved in exploration and production of crude oil and gas. The undertakings have to supply to government approved buyers/refineries.
- The Acquirer is a Hashoo group company. Hashoo group has two more undertakings namely, Zaver Petroleum Limited and Orient Petroleum Limited operating in the relevant product and geographic market.
- The Target (RESK) has a market share of in E&P of oil while the Acquirer (OPL) has a market share of . Pre-merger the combined market share of Hashoo group companies is . Post merger the combined market share of the Target and The Acquirer along with its group companies will be
- The Target (RESK) has a market share of in E&P of gas while the Acquirer has a market share of . Pre-merger the combined market share of Hashoo group companies is . Post merger the combined market share of the Target and The Acquirer along with its group companies will be
- In both the segments the post merger market shares are much below the prescribed limit of 40%. Post merger there will be no significant change in the market dynamics of the relevant product and geographic market. The transaction will result in an insignificant increase in the market power of the Acquirer in both Oil and Gas segments of the relevant market. This



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insignificant increase will not influence the market dynamics of this highly regulated relevant product and geographic market.

- Therefore, the intended merger does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Competition Act 2010 ("the Act").

VI Conclusion

- 12 In conclusion, there is no evidence that suggests a substantial lessening of competition by creating or strengthening of dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1) (d) (i) of the Act.
- 13 It is so ordered.



Mueen Batlay
(Member)



Vadiyya Khalil
(Chairperson)



Islamabad, 22nd September, 2016