



## **Report of the Board of Directors on the audited balance sheet, income statement, auditors' report and other activities of Sylhet Gas Fields Limited for the financial year 2016-2017**

**Bismillahir Rahmanir Rahim**

**Distinguished Shareholders,**

**Assalamu Alaikum.**

The Board of Directors of Sylhet Gas Fields Limited is delighted to present the 35th Annual Report of the company before the distinguished shareholders. We, the Board of Directors, feel honored to place the Directors' report and the auditors' report with audited income statement before the distinguished shareholders.

In the report, the operational activities, audited balance sheet, income statement, the audit report, ongoing development activities, completed development projects, challenge and redressal have been reflected along with the overall status of the company.

Respected Shareholders,

Energy is the backbone of an economy. Natural gas, being the primary source of energy, has been contributing significantly to the economy of Bangladesh for the last six decades. In recent times, the Government's initiative for the importation of LNG to narrow down the prevailing supply and demand gap, may indeed mitigate the situation at hand for the time being, but in the longer term, considering the higher cost associated with LNG import and use, very little freedom of choice may remain for us to exercise, other than the exploitation of any newfound natural gas reserves, either onshore or offshore.

Natural gas was first discovered in 1955 at Haripur in the district of Sylhet by Pakistan Petroleum Limited (PPL), the predecessor of Sylhet Gas Fields Limited. The usage of natural gas on commercial basis first began with the supply to Chhatak Cement Company Limited (CCCL) from the Chhatak (Tengratilla) Gas Field of Sylhet Gas Fields Limited, pioneer of gas discovery in this land.

In the post-independence era, the company operated in the name of Bangladesh Petroleum Limited (BPL). Later on, on May 08, 1982 it was incorporated as Sylhet Gas Fields Limited (SGFL) under Companies Act-1913. The first 'oil find' occurred in the country in 1986 at Haripur gas field in the course of drilling of well no. Sylhet-7.

Respected Shareholders,

In 2016-2017, total volume of gas produced from the 4 fields of SGFL, namely, Haripur, Kailashtilla, Rashidpur and Beanibazar gas field, was 51.3 Bcf; condensate obtained as gas co-product was fractionated to yield petrol, diesel and kerosene. To process the condensate obtained from Bibiyana gas field of Chevron Bangladesh Ltd a condensate fractionation plant of 3750 bbl/day capacity at Rashidpur was installed in 2009. The installation cost was financed from SGFL's own resource. The Molecular Sieve Turbo-Expander plant installed at Kailashtilla gas field employs state-of-the-art technology for extraction of NGL (Natural Gas Liquids), which is used as the feedstock for LPG production in RPGCL's plant. SGFL, being a profit making company since its inception, always deposits considerable amount of revenue to the govt. exchequer and thus has been playing the role of a proud partner in the overall economic development. In the last five years SGFL has been adjudged consecutively as the topmost VAT-payer by the National Board of Revenue in the production sector at national level.

I, now, present a brief report on the activities of the company and the Audited Balance Sheet & Income Statement, Auditors' reports for the financial year 2016-2017:



## 1.0 Operational activities

The company has 4 (four) producing gas fields namely- Sylhet (Haripur), Kailashtilla, Rashidpur and Beanibazar under its umbrella. A total of 14 gas wells (2 wells at Sylhet, 5 wells at Kailashtilla, 5 wells at Rashidpur and 2 wells at Beanibazar) was on-stream which produced approximately 141 MMscf gas daily in the year. A substantial amount of condensate (heavy + light) & Natural Gas Liquids (NGL) is recovered as spin-off products from the gas stream during the course of processing. The condensate is split into petrol, diesel and kerosene in fractionation units of Haripur and Kailashtilla. Besides, the gas-condensate available from Bibiyana gas field of Chevron Bangladesh is piped to the Rashidpur Condensate Fractionation Plant (RCFP) and is split into petrol, diesel and kerosene. Apart from that, condensate available at Fenchuganj gas field of BAPEX, and Jalalabad, Moulvibazar and Bibiyana gas fields of Chevron Bangladesh is sold to privately-owned refineries under SGFL management under separate contracts. The NGL being extracted from Kailashtilla MSTE plant is piped to RPGCL's NGL fractionation plant located at Golapgonj, Sylhet.

### 1.1 Brief description of the gas wells

The number of wells so far drilled and the wells on-stream are mentioned below:

Field	Year of Discovery	Nos. of Well		
		Total Wells drilled	Currently on-stream	Current production rate (MMscfd)
Sylhet (Haripur)	1955	4	2	8.0
Kailashtilla	1961	7	5	65.2
Rashidpur	1960	11	5	55.2
Beanibazar	1981	2	2	12.6
Chhatak	1959	1	-	-
Total:		25	14	141.0

### 1.2 Brief description of the process plants

Types of gas process plants and condensate fractionation plants now in operation at different fields/installations are as follows:

Field/Installation	Process plant			
	Plant type (installation period)	No. of Plants	Present processing capacity (gas: MMscf, Condensate: bbl/day)	Products
Haripur	Silicagel (1960-61)	1	25	gas, heavy condensate, light motor spirit
Kailashtilla	Silicagel (1982-83)	1	25	gas, heavy condensate, light condensate
	MSTE (1992-95)	1	80	gas, heavy condensate, NGL
Rashidpur	Silicagel (1991-93, 1999-2000)	3	130	gas, heavy condensate, light condensate
	Glycol (1991-93)	1	50	
Beanibazar	Silicagel (1999)	1	40	
Rashidpur Condensate Fractionation Plant	Installed in 2009	-	2500	petrol, diesel, kerosene
	Installed in 2012	-	1250	
Haripur distillation unit	Installed in 1961	1	68	petrol, kerosene
Kailashtilla fractionation unit	Installed in 1983	1	300	petrol, diesel



### 1.3 Power generation and supply

Steady and uninterrupted power supply is a prerequisite for smooth functioning of gas and liquid petroleum production facilities. Electrical power is generated and supplied round-the-clock by gas engine-driven generators at all installations of SGFL. Number of generators in each field and their power generation capacities are as under:

Sl.	Field/Installation	No. of generators	Total rated generation capacity (kW)	Present capacity (kW)
1.	Haripur Gas Field	4	1178	850
2.	Kailashtilla Gas Field	5	1112	640
3.	Kailashtilla MSTE Plant	3	1080	750
4.	Rashidpur Gas Field	6	1098	750
5.	Beanibazar Gas Field	3	1000	420
6.	Rashidpur Condensate Fractionation Plant	3	2175	1500
	<b>Total</b>	<b>24</b>	<b>7643</b>	<b>4910</b>

### 1.4 Residue Gas Compressors

At Kailashtilla MSTE Plant a total of 7 gas engine-driven reciprocating compressors are in operation. These compressors are used to boost the pressure of residue gas prior to entering the North-South gas pipeline. Of these, five are rated at 18 MMscfd each while the rest two are rated at 25 MMscfd and 20 MMscfd respectively.

## 2.0 Production Statistics

### 2.1 Natural Gas

During the year, the company has produced a total of 51.3 Bcf of natural gas from its 14 wells of Sylhet (Haripur), Kailashtilla, Rashidpur and Beanibazar fields at an average approximate rate of 141 mmcf per day. Field-wise production data in the year and the year before is given below:

Field	2016-2017		2015-2016	
	Producing Well	Total Production (mmcf)	Producing Well	Total Production (mmcf)
Sylhet (Haripur)	well nos.-2 (7 & 8)	2,799.528	well nos.-2 (7 & 8)	3,002.371
Kailashtilla	well nos.-5 (2,3,4,6 & 7)	23,718.971	well nos.-5 (2,3,4,6 & 7)	26,154.762
Rashidpur	well nos.-5 (1,3,4, 7 & 8)	20,607.778	well nos.-5 (1,3,4, 7 & 8)	21,310.124
Beanibazar	well no.-2 (1,2)	4,184.898	well no.-1 (2)	3,462.958
<b>Total</b>	<b>No. of wells-14</b>	<b>51,311.175</b>	<b>No. of wells-13</b>	<b>53,930.214</b>

### 2.2 Condensate and Natural Gas Liquids (NGL)

The company produced 30,806.623 kilolitres of heavy condensate & 119.659 kilolitres of light condensate i.e. a total of 30,926.282 kilolitres of heavy and light condensate from its Sylhet (Haripur), Kailashtilla, Rashidpur, and Beanibazar fields in the year 2016-2017.

Besides, an amount of 24,881 kilolitres of Natural Gas Liquids (NGL) produced from Kailashtilla MSTE plant was transported to RPGCL's NGL fractionation plant at Kailashtilla. Field-wise production data of condensate & NGL is as follows:



(Kilolitre)

Gas Field	2016-2017			2015-2016		
	Heavy Condensate	Light Condensate	NGL	Heavy Condensate	Light Condensate	NGL
Sylhet (Haripur)	838.789	-	-	239.035	-	-
Kailashtilla	19,794.391	-	24,881	25,528.452	-	25,764
Rashidpur	1,161.358	119.659	-	1,617.745	1,084.54	-
Beanibazar	9,012.085	-	-	8,097.411	-	-
<b>Total</b>	<b>30,806.623</b>	<b>119.659</b>	<b>24,881</b>	<b>35,482.643</b>	<b>1,084.54</b>	<b>25,764</b>
Condensate (Heavy+Light)	30,926.282			36567.183		

In 2016-2017, total condensate production plummeted owing to the decline of gas production. NGL production was less by 883 kiloliters than that of the previous fiscal year due partly to RPGCL's intermittent receiving of NGL from Kailashtilla MSTE plant as well as to receiving at a reduced rate. The lighter (LPG) portion of the NGL not received by RPGCL is wasted as flare gas. Mention may be made here that Kailashtilla MSTE plant is capable of extracting about 29,000 kilolitres NGL per annum from its present gas production rate of around 55 MMscfd.

### 2.3 Petrol, Diesel, Kerosene

The condensate obtained from Bibiyana gas field of Chevron Bangladesh is fractionated into petrol, diesel and kerosene at Rashidpur Condensate Fractionation Plant (RCFP). The company produced a total of 1,11,149.798 kilolitres of petrol (including the light condensate of Sylhet, Kailashtilla, Beanibazar and Rashidpur fields), 16,311.992 kilolitres of diesel and 12,511.935 kilolitres of kerosene by processing condensate employing its fractionation plants at RCFP, Sylhet (Haripur) field, and Kailashtilla field. It should be noted that light condensate from Sylhet, Kailashtilla Beanibazr and Rashidpur fields is marketed as Petrol. Field wise production of petrol, diesel and kerosene is as follows:

(Kilolitre)

Field	2016-2017			2015-2016		
	Petrol	Diesel	Kerosene	Petrol	Diesel	Kerosene
RCFP	1,00,664.533	10,589.770	12,124.148	68,334.983	9,610.82	15,423.314
Sylhet (Haripur)	1,843.949	-	387.787	2,324.557	-	843.358
Kailashtilla	8,641.316	5,722.222	-	8,580.069	7,425.742	-
<b>Total</b>	<b>1,11,149.798</b>	<b>16,311.992</b>	<b>12,511.935</b>	<b>79,239.609</b>	<b>17,036.562</b>	<b>16,266.672</b>

In the year under report, petrol production increased by 31,910.189, diesel and kerosene production decreased by 724.57 & 3,754.737 kilolitres respectively. Composition of the condensate received from Bibiyana gas field of Chevron Bangladesh has changed remarkably after expansion i.e., addition of Light Recovery Unit (LRU) to the existing facilities there, resulting into a substantial increase (by about 60%) in petrol production and a proportional decrease in diesel and kerosene production. On the other hand, total production of finished petroleum products augmented by about 25% because of the simultaneous effect of a fall in condensate sales in the year to privately-owned fractionation plants by almost half and a significant fall in the supply of adulterated petroleum products to the market.

## 3.0 Sales Statistics

### 3.1 Natural Gas

In the year, a total of 51,211.824 MMcf of gas was sold to Jalalabad Gas T & D System Ltd., Bakhrabad Gas Distribution Company Ltd., Karnaphuli Gas Distribution Company Ltd. and Pashchimanchal Gas Company Ltd. as per consumption break-down statements given by GTCL. Besides, an amount of 27.628 MMcf of gas, considered as sales gas, was used for own consumption (fuel for power generation and domestic usage). Thus the total gas sale stood at 51,239.452 MMcf. It may also be mentioned that, in the year 2016-2017, 71.723 MMcf of gas was used as fuel for process heaters and residue gas compressors of gas process plants. The gas sold in the previous year was 53,856.105 MMcf.





### 3.2 Petroleum Co-Products

In the year 2016-2017, a total of 30,274.77 kilolitres of condensate (Heavy & Light) extracted from Rashidpur, Kailashtilla, Beanibazar and Haripur fields of SGFL was sold. Besides, 504 kilolitres of condensate ex-Fenchuganj field of BAPEX, 54 kilolitres ex-JGTDSL DRS and 1,11,579.1 kilolitres of condensate ex-Bibiyana, Moulvibazar & Jalalabad field of Chevron Bangladesh was dispatched and supplied under SGFL management to the contracted 10 (ten) privately-owned condensate fractionation plants. Therefore, in the reporting year, a total amount of 1,42,411.87 kilolitres of condensate from Chevron Bangladesh, BAPEX, JGTDSL-DRS and SGFL was supplied to the ten condensate fractionation plants, which is 1,42,780.13 kilolitres or 50.06% less than that of previous year. In addition, a total of 1,13,307.84 kilolitres of petrol, 15,503.27 kilolitres of diesel and 12,783.56 kilolitres of kerosene produced from the fractionation plants at Haripur, Kailashtilla and Rashidpur (RCFP) was sold. Moreover, 24,881 kilolitres of NGL was sold from Kailashtilla MSTE Plant to RPGCL.

### 4.0 Financial Activities

Respected Shareholders,

Now, I present a brief description of financial activities of the company for the year 2016-2017:

In the financial year 2016-2017, the actual revenue expenditure stood at Tk. 91.24 crore against the allocated revenue budget of Tk. 108.20 crore. The revenue expenditure reduced by Tk. 16.96 crore (15.68%) compared to budget estimate. In the year, the expenditure on salary and allowances reduced by Tk. 8.61 crore, expenses on repair & maintenance of plant/machinery reduced by Tk. 4.16 crore and savings of another Tk. 4.19 crore in a number of sub-heads owing to expenditure reduction and strict financial discipline maintained by the management resulted in the reduction of total revenue expenditure by Tk. 16.96 crore.

As per government directive debt-to-equity ratio of any gas production company shall be kept limited to a maximum of 60:40. In the case of SGFL, debt-to-equity ratio stood at 20.23:79.77 at the year-end which was 10.67:89.33 in the previous fiscal year. The upsurge in the debt-to-equity ratio has been caused by loans of a sum of Tk. 177.00 and Tk. 321.00 crore respectively made in the year 2016-2017 from the GDF against drilling of Rashidpur-9 and Rashidpur-10 & 12 wells. Besides, in the year 2016-2017 the rate of return on net average fixed asset stood at 42.37% which was 54.09% in the previous fiscal year. Because of the decrease in the production and sales of gas and liquid petroleum products, the decrease in the income from interests on savings, the increase in the purchase of condensate for RCFP and the increase in other expenses, rate of return on the fixed asset has decreased. In spite of the above indices, the company maintains a sound financial base.

### 4.1 Sales Income

The sales statistics of gas, condensate, petrol, diesel, kerosene and NGL during the year is as below:

(Gas: MMcf)

(Petroleum co-products: kilolitres)

Products	2016-2017			2015-2016		
	Amount sold	Revenue income (Tk.in crore)	Percentage of income	Amount sold	Revenue income (Tk.in crore)	Percentage of income
Gas	51,239.452	464.34	30.23	53856.105	466.10	33.30
Condensate	30,274.77			36959.505		
Petrol	1,13,307.84	1071.91	69.77	80533.562	933.53	66.70
Diesel	15,503.27			18267.706		
Kerosene	12,783.56			17984.036		
NGL	24,881.000			25764.000		
<b>Total income</b>		<b>1536.25</b>	<b>100.00</b>		<b>1399.63</b>	<b>100</b>

In the year 2015-2016 the total amount of sales income was Tk. 1399.63 crore. Although the sale of gas,



diesel, kerosene, NGL, and condensate decreased, the total sales income rose by Tk. 136.62 crore (9.76%) compared to the previous year thanks to the substantial increase in petrol sale in 2016-2017.

#### 4.2 Operational Expenses

In the year 2016-2017 budget estimate for the operational expense was Tk. 538.52 crore whereas actual operational expenses stood at Tk. 607.92 crore which is 12.89% more than the budget estimate. In the year 2016-2017, the expenses reduced by Tk. 8.61 crore on salary and allowances, by Tk. 4.16 crore on plant maintenance & repair, by Tk. 6.35 crore on Petrobangla cost recovery, by Tk. 4.19 crore in various sub-heads, by Tk. 1.86 crore on depreciation head as asset was not attached with the fixed asset according to budget estimate and by Tk. 5.34 crore on depletion head. On the other hand, the expenses increased by Tk. 5.91 crore on the transportation of finished petroleum products from RCFP and by Tk. 96.55 crore on the purchase of condensate for RCFP. Besides, in comparison with estimated budget Tk. 2.55 crore was spent less on storage adjustment/reconciliation head.

The actual operational expense in the previous year was Tk. 496.35 crore. But in the year 2016-2017 the actual operational expenses stood at Tk. 607.92 crore, which is Tk. 111.58 crore i.e. 22.48% more than the previous year. The expenses increased by Tk. 97.07 crore on the purchase of condensate for Rashidpur Condensate Fractionation Plant owing to increased amount of condensate processing at RCFP. Moreover, expenses increased by Tk. 15.86 crore on salary and allowances, by Tk. 2.39 crore on plant maintenance, by Tk. 8.32 crore on sales expense, by Tk. 0.75 crore on depreciation and by Tk. 0.95 crore on various sub-heads, such as, stationeries, traveling, training, insurance, fuel, transportation cost, contractor's labor, expenses for security. On the contrary, expenses reduced by Tk. 3.38 crore on depletion, by Tk. 3.84 crore on Petrobangla cost recovery and by Tk. 6.54 crore on the stock adjustment of petroleum products (excepting RCFP).

#### 4.3 Profit

Comparison between the reporting year's and the previous year's sales proceeds on gas, co-products & fractionated products and other income are tabled below:

Products	2016-2017		2015-2016	
	Amount (Tk. in crore)	Percentage (%)	Amount (Tk. in crore)	Percentage (%)
Gas	464.34	27.57	466.10	29.34
Co-products and fractionated products	1071.91	63.64	933.53	58.76
Interest and other income	147.98	8.79	188.98	11.90
<b>Total</b>	<b>1684.23</b>	<b>100.00</b>	<b>1588.61</b>	<b>100.00</b>

Upon deduction of revenue expenditure of Tk. 1205.91 crore the pre-tax profit in the year stood at Tk. 478.32 crore which is Tk. 37.05 crore or 7.19% less than the previous fiscal year.

#### 5.0 Payment to the Government Exchequer

During the year, the company paid Tk. 907.67 crore to the National Board of Revenue which is 59.08% of total sales income of the company. It is mentioned that the total amount paid to the National Board of Revenue in the year 2015-2016 was Tk. 824.35 crore. Head-wise payment in the fiscal year 2016-2017 is as under:

Head	2016-2017		2015-2016	
	Amount paid (Tk. in crore)	Percentage (%)	Amount paid (Tk. in crore)	Percentage (%)
Supplementary Duty and VAT	596.17	65.42	529.02	64.17
Income Tax	168.43	18.48	160.78	19.50
Dividend	140.00	15.36	134.55	16.32
DSL (Debt Service Liability)	6.75	0.74	-	-
<b>Total</b>	<b>911.35</b>	<b>100.00</b>	<b>824.35</b>	<b>100.00</b>





## **6.0 Accounts Receivables and Accounts Payables**

At the year ended on 30 June 2017, the accounts receivables on the sales of gas and petroleum products stood at Tk. 608.64 crore which is equivalent to 5.23 months' average receivables. Earlier, POCL, JOCL & MPL used to pay the supply bill of petroleum products directly to SGFL. As per authority's decision that Bangladesh Petroleum Corporation (BPC) by itself, instead of oil marketing companies, would pay the supply bill of petroleum products to SGFL from January, 2015. But BPC often delays in making payment and did not pay the supply bill fully within the stipulated 30 June, 2017. The accounts receivables in the previous year were Tk. 654.94 crore, which was equivalent to 4.62 months' average receivables.

At the year ended on 30 June 2017, the accounts receivables from the gas distribution companies stood at Tk. 148.53 crore which is equivalent to 3.84 months' average receivables. In the previous year this amount was Tk.153.38 crore which was equivalent to 3.98 months' average receivables.

On the other hand, accounts payable as payment of SD and VAT to the Government exchequer stood at Tk. 58.60 crore which is equivalent to 1.64 months' average payables, and accounts payable to Petrobangla stood at Tk. 153.68 crore as the cost of Petrobangla's condensate purchased for RCFP, and on the sale of Petrobangla's condensate to different privately-owned fractionation plants under SGFL management, which is equivalent to 2.14 months' average payable. Accounts payable in the previous year was Tk. 263.49 crore. The fund hitherto received from GDF stood at Tk. 738.00 crore. Mentionable that Kailashtilla-7, Rashidpur-9, 10 & 12, Kailashtilla-9, Sylhet-9 are the GDF-financed SGFL projects. The return of fund borrowed from GDF has not yet started.

## **7.0 Capital Structure**

### **7.1 Authorized Capital**

The present authorized capital of the company is Tk. 500.00 (five hundred) crore divided into 5 (five) crore of ordinary shares of worth Tk.100.00 (one hundred) each.

### **7.2 Paid-up Capital**

The paid-up capital of the company on the last day of the financial year under report stood at Tk. 88.43 (Eighty-eight point four three) crore.

### **7.3 Dividend**

In the year 2016-2017 the dividend on Sylhet Gas Fields Limited was fixed at Tk. 140.00 (one hundred forty) crore by the Govt./Petrobangla which is 158.32% of SGFL's paid-up capital. The dividend fixed has already been paid as advance.

## **Distinguished Shareholders,**

Now, I present a brief on the completed projects and the projects under implementation in the company.

## **8.0 Ongoing Development Projects**

Sylhet Gas Fields Limited has been implementing various development projects for enhancing its revenue income alongside increasing company's contribution to meeting the ever-growing energy demand of the country.

### **8.1 Installation of a 4000-bbl/day capacity Condensate Fractionation Plant at Rashidpur**

The project has been undertaken with the objective of evacuating the enhanced condensate available at Bibiyana gas field of Chevron Bangladesh and fractionating the condensate into marketable products i.e. petrol, diesel & kerosene. As per RDPP, approved on 12-08-2014, the project was scheduled for completion between July 2012 and December 2017 with a total project outlay of Tk. 463.50 crore including a foreign currency component of Tk. 328.80 crore. The proposal for extending the project implementation period up to August, 2018, without cost escalation, has been forwarded to the appropriate authority.

The EPC contractor-The consortium of PT Istana Karang Laut and Energypac Power Generation Ltd.- has completed 96% of procurement, 84% of engineering and 67% of facilities installation. Construction of 17 nos. of storage tanks, dike wall, loading bay, internal road and surface drains is in progress. Installation of



fractionation column, heater and other equipment is underway. Actual physical progress as of September, 2017 stood around 58%. The period of the EPC contract would expire on December 31, 2017.

Pipeline construction for transportation of liquid petroleum (feedstock) and fuel gas is in progress and is scheduled for completion by mid-December of 2017.

The project would yield 2800 bbl of petrol, 360 bbl of diesel and 840 bbl of kerosene upon successful completion. This would save the country's foreign currency to a considerable extent. The successful completion of the plant would be a milestone in the advancement of SGFL.

### **8.2 Installation of a 3000-bbl/day Catalytic Reforming Unit to convert petrol into octane at Rashidpur**

The project has been undertaken to convert petrol into octane employing catalytic reforming process (CRU). Petrol feedstock would be available from Rashidpur Condensate Fractionation Plant. The RDPP (2<sup>nd</sup> revised) of the project was approved on 29-12-2016. The project implementation period has been rescheduled from March 2012 to June 2019 and the project is being financed from company's own resource. The total outlay of the project is Tk. 497.9831 crore including a foreign currency component of Tk. 369.8683 crore.

Under the project, the land acquisition & development, obtaining of environmental clearance certificate, construction of guard wall and the assay of petrol being produced from RCFP have been completed. Civil construction work, pipeline construction for transportation of liquid petroleum (petrol feedstock) and fuel gas are in progress and is scheduled for completion by mid-December of 2017. The contract between EPC contractor- The Consortium of PT Istana Karang Laut and Energypac Power Generation Limited- was signed on 31-01-2017. The plant facilities is scheduled for completion in all respects by March-2019. Actual physical progress as of September, 2017 stood around 35.68%.

The plant, when goes into operation, would produce 2710 bbl of octane and 25.68 MT of LPG. This will help save substantial amount of foreign exchange which would otherwise be spent in importing such products. Successful completion of this state-of-the-art technology plant would be a milestone in the furtherance of SGFL.

### **8.3 Drilling of appraisal /development well Kailashtilla-9**

The project has been undertaken based on the result of 3-Dimensional seismic survey conducted in 2010-2012 over Rashidpur, Kailashtilla and Sylhet (Haripur) structures. The DPP of the project was approved by Energy and Mineral Resources Division on 18-09-2014. The total project expenditure is Tk. 140.07 crore including a foreign currency component of Tk. 60.99 crore. The project is being financed from Gas Development Fund (GDF).

As the drilling of Rashidpur-8 and Kailashtilla-7 wells, done based on the outcome of aforementioned seismic survey, did not produce intended results SGFL board directed to halt all the remaining activities of Kailashtilla-9 project until the completion of ongoing review of data and reports of the 3-D seismic survey.

As the implementation period of the project expires on 31-12-2017, a proposal for extending the implementation period up to 31-12-2019 without cost escalation has been forwarded to the appropriate authority.

Successful drilling of the well would produce around 25 MMscfd of gas and 250 bbl/day of condensate.

### **8.4 Drilling of appraisal /development well Sylhet-9**

The project has been undertaken based on the result of 3-Dimensional seismic survey conducted in 2010-2012 over Rashidpur, Kailashtilla and Sylhet (Haripur) structures. The DPP of the project was approved by Energy and Mineral Resources Division on 22-10-2014. The total project expenditure is Tk. 160.27 crore including a foreign currency component of Tk. 55.80 crore. Implementation period is from December 2013 to June 2018. The project is being financed from Gas Development Fund (GDF).

As the drilling of Rashidpur-8 and Kailashtilla-7 wells, done based on the outcome of aforementioned seismic survey, did not produce intended results SGFL board directed to halt all the remaining activities of Kailashtilla-9 project until the completion of ongoing review of data and reports of the 3-D seismic survey. The drilling of Rashidpur-8 and Kailashtilla-7 wells was done based on the aforementioned seismic survey.





As the drilling of these two wells did not produce intended results SGFL board directed to halt all the remaining activities of Sylhet-9 project until the completion of ongoing review of data and reports of the 3-D seismic survey.

Successful drilling of the well would produce around 15 MMscfd of gas and 90 bbl/day of condensate or 300 bbl/day of crude oil.

### **8.5 Reviewing of 3-D seismic survey data and reports of Sylhet (Haripur), Kailashtilla and Rashidpur structures of Sylhet Gas Fields Limited**

The objective of the project is to review the data and reports of 3-D seismic survey conducted over Rashidpur, Kailashtilla and Sylhet (Haripur) structures in the year 2010-2012. The review will help find new sands, demarcation of aerial distribution of the existing sands and determine the accuracy of the proposed well-locations identified earlier by BAPEX. The scope of work includes re-processing, re-interpretation and reporting. A contract to this effect was signed on 14-02-2017 between SGFL and M/s. Schlumberger SEACO Inc. The review is targeted to be completed by Feb. 2018.

The DPP of the project was approved on 10-01-2017 with a total outlay of Tk. 13.1877 crore including a foreign exchange component of Tk. 9.7102 crore. The final report of Sylhet structure has already been submitted. Overall progress up to September 2017 is 50%.

### **8.6 Workover of 3 wells (Kailashtilla-1, Rashidpur-2 and Rashidpur-6) of Sylhet Gas Fields Limited:**

The DPP of the self-financed project with a total outlay of Tk. 134.39 crore (foreign currency component being Tk. 45.00 crore) was approved by the Energy and Mineral Resources Division on 12-07-2017. The objective of the project is to workover the wells KTL-1, Rashidpur-2 & Rashidpur-6. Gas production from these wells is now suspended and up to 24 MMscfd gas may be available upon effective workover. The work is scheduled for completion by December 2018.

## **9.0 Completed development projects**

Sl	Projects' name	Objective of the project	Implementation
1.	Drilling of wells Rashidpur-10 & 12 (exploratory)	To augment gas production from Rashidpur field. The project was undertaken with GDF financing based on BAPEX-conducted 3-D seismic survey report. Russian gas giant GAZPROM worked as drilling contractor.	Rashidpur-10 was spudded-in on 17-05-2016 and drilled to a target depth of 3055 meter. Rashidpur-12 was spudded-in on 09-07-2016 and drilled to a target depth of 3200 meter. As DST results did not prove the wells to be gas producer, the wells have been declared "suspended".
2.	Drilling of Rashidpur-9 (appraisal/development) well	To augment gas production from Rashidpur field. The project was undertaken with GDF financing based on BAPEX-conducted 3-D seismic survey report. Russian gas giant GAZPROM worked as drilling contractor.	The well was spudded-in on 10-08-2016 and reached a total depth of 3309 meter on 17-09-2016. As high pressure zone was encountered, drilling was terminated at this stage. As a course of further operation, DST tool was run in the interval of 3225-3245 meter (lower zone), but the conducted DST was not conclusive. In the next phase, DST tool was re-run in the interval of 1316.5-1327 meter (upper zone). 12.9 MMscfd gas flow with a wellhead pressure of 1591 psi was observed. On the basis of DST result, completion string was run in the upper zone and the well was completed. For reasons of having not enough recoverable reserve in the well, the construction of planned 17- km long and 6 inch diameter gas gathering pipeline was not considered to be cost-effective. The well has been kept in 'shut-in' condition.
3	Remedial work of well no. Beanibazar-1.	To bring the well back on line	M/s Halliburton International GMBH, Switzerland was contracted for the remedial work and the well started gas production from 26 December, 2016.



## 10.0 Future planning

Against the critical backdrop of waning natural gas reserve in the country, the following plan of actions have been conceived/laid-out for carrying out development activities of the company to increase SGFL's contribution in meeting the mounting energy demand of the country.

### 10.1 Short-Term Planning (2017-2019)

- Construction of 3 storage tanks of 2500 bbl capacity each and installation of 1 gas generator at Haripur gas field.
- Operating right of Chhatak gas field, if given back to SGFL, well drilling activities would be undertaken there upon reviewing the data of Chhatak structure.
- Conduction of 3-D seismic survey over Beanibazar gas structure engaging either BAPEX or international firm.
- Workover of Sylhet-8 (Surma 1/1A) upon running in the wireline logging tool.
- Conduction of survey on the relinquished area beyond the ring-fenced area of gas blocks 12, 13 and 14.

### 10.2 Medium-Term Planning (2017-2021)

- Based on the result of 3-D review project and result of subsequent drilling of Kailashtilla-9 well, drilling of Kailashtilla-8 & 10 wells.
- Based on the result of 3-D review project and result of subsequent drilling of Sylhet-9 well, drilling of Sylhet-10 & 11 wells.
- Drilling of new well(s) at Beanibazar field based on the planned 3-D seismic survey report.
- Running of wireline logging in the well Surma -1/1A (Sylhet-8) to be followed by workover, if the logging result suggests so.
- Drilling of two new wells at Chhatak structure upon completion of 2-D/3-D seismic survey there, if operating right of Chhatak gas field is given back to SGFL.
- Undertaking exploration activities with BAPEX's assistance in the relinquished areas of gas blocks 12, 13 & 14 (outside the ring-fenced areas).
- Installation of a 60-mmcfd capacity gas processing facilities at Haripur gas field.

### 10.3 Long-Term Planning (2017-2025)

- Provided the operating right of Chhatak gas field is given back to SGFL, drilling of new wells at Chhatak structure in the year 2021-2023 upon conduction of 3-D seismic survey.
- Conduction of 2-D/3-D seismic survey in gas blocks allocated to SGFL and undertaking drilling of new wells accordingly.
- Based on the results of exploration in the relinquished areas of gas blocks 12, 13 & 14 (outside the ring-fenced areas), undertaking drilling programs.

## 11.0 Environment Conservation & Occupational Safety

Due emphasis is always given to environment protection alongside the day-to-day activities of the company. Safety regulations and procedures are strictly observed in the production of gas, condensate, petrol, kerosene, diesel and NGL. To protect the environment and maintain safe work condition, the following action plan has been undertaken:

### 11.1 Environment Conservation

Environmental regulations are properly followed in operating the process plants in all the installations. Water produced from the wells are collected and separated from the condensate in API separators and the recovered water is disposed of regularly in environment-friendly manner. Weeds are either killed or trimmed regularly in and around the wells, process plant, office and residential area. Wastes generated at residential area and clinical wastes are collected & burnt in a pit in environment-friendly manner.





Saline water and sludge are discharged from the process plants during the course of gas and condensate production. Setting up of an effluent treatment plant (ETP) at each field/location is underway to treat the water and sludge being generated during process operations before discharging. BUET is providing technical assistance for setting up of ETP. In the preliminary stage, BUET has submitted a report on the sludge of condensate and saline water upon making a visit to SGFL's fields. On the basis of the report and the design & geometric drawing provided by BUET consultant, SGFL has undertaken steps to set-up an ETP at Beanibazar Gas Plant. The setting up of ETP at the other fields/installations would be undertaken later on in phases.

### 11.2 Safe Work environment/Safety

Safety rules are maintained aptly in producing gas, condensate, petrol/ octane, kerosene, diesel from the process plants of different fields. Personal Protective Equipment (PPE) are worn by the employees during maintenance and operation works in the process plants, power houses and other vulnerable points/areas. The procedure/instructions for using PPE are displayed at locations adjacent to each field/installation with a view to increasing awareness among the officers, employees and visitors as well. The efficacy of all Jockey Pumps, Fire Fighting Pumps, Fire Extinguisher, Water and Foam Deluge System, carbon di oxide deluge system Fire Hydrants, Fire Monitor, Thermal Insulation, threaded joints, pipe fittings are regularly checked / investigated. Besides, periodic maintenance of various equipment is done as per schedule.

### 11.3 Fire fighting and disaster management

Fire fighting and fire prevention equipment are in place at all important and vulnerable points/installations for preventing and combating fire and fire-related incidents. Fire Hydrants/ Monitors and Firewater Ring Mains are always kept serviceable to face any emergency situation. Suitability certificates for all kinds of extinguishers are obtained from local Fire Service & Civil Defence stations. In addition, company's two standalone fire tenders are kept ready round-the-clock to face any fire incident. On top of that fire-fighting workshops and fire drills in each field in every year is arranged with the assistance/guidance of Fire Service & Civil Defence station, Sylhet to impart training on fire extinguishing operations, rescue and first aid. In continuation of that program the following training courses titled-Fire Fighting, Rescue, First-Aid and Earthquake survival were held in SGFL's different field/installations in the year 2016-2017:

Field/Installation	Duration of the Course	No. of Participants
Sylhet (Haripur)+Headquarters	24-25 April, 2017	40
Kailashtilla+MSTE+Beanibazar	22-23 April, 2017	40
Rashidpur+RCFP	26-27 April, 2016	40
<b>Total:</b>		<b>120</b>

Besides, the following in-house workshop/training was arranged by company's Environment and Safety section:

Field	Duration of Training	No. of participants
Sylhet (Haripur)+Headquarters	20-24 November, 2016	188
Kailashtilla+MSTE+Beanibazar		
Rashidpur+RCFP		

### 12.0 Annual Performance Agreement (APA)

Under the Government's performance management plan, for proper implementation of Vision-2021 by instilling institutional skill in government departments and organizations, establishing transparency and accountability, and thereby good governance, SGFL has been executing annual performance agreement with Petrobangla from the year 2014-2015. The indicators of SGFL's performance, such as, recent achievements, challenges and future plans are included in the agreement. The agreement is signed incorporating the agreed points on SGFL's vision, mission, strategic objectives and functions. A roadmap is outlined at the beginning of each year for achieving the APA goal. Monthly, quarterly, half-yearly and yearly



reports are forwarded to Petrobangla indicating the achievements against the commitments made in the agreement. The achievement of SGFL, as shown in the APA, from 2014-2015 to 2016-2017 is as under:

Sl	Fiscal Year	Value of Performance Indicator	Actual Achievement
1.	2014-2015	100	87.6
2.	2015-2016	100	90.2
3.	2016-2017	100	97.3

### 13.0 Innovative Plan

Cabinet Division, Government of Bangladesh, published a booklet titled "Preparation and Evaluation Instructions for Innovation Plan -2015" with a view to speed up and simplify the process of providing services to the citizen by innovating ways to bring in dynamism in public administration, qualitative change and enhancing innovative skills. The core objective of innovation planning is to ensure simplification of providing services to the people in 'less time', with 'less cost' and 'less visit' thereby improving 'quality' -TCVQ. Pursuant to the instruction and as per advice of Petrobangla, SGFL constituted an innovation team to create and practice innovativeness for bringing dynamism, qualitative change and raising innovation skill in SGFL. A total of 13 innovative ideas, such as, employing of social media, networking and partnership, raising capability for innovation and improving the performance of departmental activities-has been implemented in SGFL in the year 2016.

### 14.0 Healthcare

Sylhet Gas Fields Ltd. is mainly a gas producing/processing and petroleum co-products processing company. As the health risks always exist among those working in the process plants for production, operation and maintenance, medical facilities are there at headquarters and each of the fields to ensure proper and timely treatment and medication. Officers and employees including dependents are given medical assistance by the medical retainer under company's medical rules. Besides, first aid kits are there at every process plants. A comparison of expenditure on treatment & medication in the year 2016-2017 with that of the previous year is depicted below:

(Tk. in crore)

Installation/ Field	2016-2017			2015-2016		
	Number of Officer/Employees	Budgetary Allocation	Expenditure made	Number of Officer/Employees	Budgetary Allocation	Expenditure made
Headquarters	232		0.64	228		0.77
Sylhet (Haripur)	32		0.10	32		0.13
Kailashtilla	75		0.15	76		0.18
Kailashtilla MSTE Plant	48	1.68	0.09	51	1.49	0.12
Rashidpur	95		0.13	107		0.05
RCEP	47		0.04	48		0.12
Beanibazar	40		0.06	43		0.05
<b>Total</b>	<b>569</b>		<b>1.21</b>	<b>585</b>		<b>1.41</b>

### 15.0 Security and Protection

Field/installations including company headquarters are the Key Point Installation (KPI) graded facilities. Security rules applicable to KPI are strictly adhered to. Company-appointed security personnel and members of the Ansar are on round-the-clock duty to maintain surface security at the company headquarters and gas fields. Besides, assistance from the police administration is sought when the law and order situation warrants. Meetings of the internal security committee are regularly held and actions are taken with all seriousness as per their suggestions/advice, if any. Required number of street lights/flood lights are in place for proper lighting of installations for the convenience of night shift duty personnel. Closed-Circuit Television (CCTV) cameras are in operation at all the installations including the company headquarters as part of strengthening security measures. Walk-through metal detectors /archway have been installed at Haripur Gas Field and Kailashtilla MSTE Plant entrances.





## **16.0 Manpower**

In the latest revised organogram, the company has a provision of total manpower of 940 comprising 427 officers and 513 employees. As at June 2017, a total of 569 personnel including 264 officers and 305 employees were in the payroll of the company. It may be noted that, in the year 2016-2017, 6 officers and 5 staff went on retirement while 3 officers & 1 staff member have resigned from the company's service. 1 staff member died. As per court directive following the writ petition no. 13418/2016, 20 nos. of casual laborers working in the company under labor contractors were appointed as fourth class employee with due concurrence from company board. Besides, appointment letter for recruiting 18 Assistant Managers in the technical cadre has been issued.

## **17.0 Implementation of National Integrity Strategy**

A seven-member committee has been formed in the company to develop strategy with regard to the implementation of National Integrity Strategy. The committee sits quarterly to review the implementation status on morality, awareness, integrity strategy, e-filing, e-tendering, e-procurement, that is, e-governance, innovation, monitoring etc. Besides, the committee convenes discussion to create awareness about the said issues among the employees.

## **18.0 National Energy Security Day**

Father of the nation, Bangabandhu Sheikh Mujibur Rahman's prudent decision in 1975 to purchase five large gas fields from Anglo-Dutch Royal Shell Oil Company was a landmark step to establish country's ownership in the energy sector. The purchase agreement was signed on August 09, 1975. To mark the occasion, 9<sup>th</sup> August has been declared by the government as 'National Energy Security Day'. In continuation of the event, 9<sup>th</sup> August, 2016 was observed jointly by SGFL and JGTDSL highlighting the importance of the day. A discussion meeting on the significance of energy security was held at JGTDSL Auditorium, Sylhet in presence of the district administration. To create awareness among the common people, traffic islands, main thoroughfares, important city corners and points of Sylhet division were decorated with banners, festoons and placards inscribed with various energy security slogans.

## **19.0 Human Resource Development**

To develop professionalism and to broaden skill, officers and employees engaged in different categories of jobs are imparted foreign and local training. In the year 2016-2017, budget allocation on training head was Tk. 2.00 crore. The expenditure on local training was Tk. 24,51,723.00 and on foreign training Tk. 1,55,56,758.00.

A total of Tk. 1,80,08,481.00 was spent for arranging local and foreign training.

### **19.1 Local Training**

A total of 398 personnel including 248 officers and 150 staff participated in 34 different local training courses/seminars.

### **19.2 Foreign Training**

A total of 42 officers from SGFL and 11 officers from Ministry/Petrobangla, Planning division and BPC went abroad for participating in different training courses at SGFL's expense.

## **20.0 Management-Employee Relation**

The overall work environment in the company was quite satisfactory during the year. The differences/disputes arisen were settled amicably and through bilateral discussions.

## **21.0 Welfare Activities**

### **21.1 Stipend**

Under the company's education scheme in the year 2016-2017 a total of 19 students were given lump sum grant while 33 students were given monthly stipend among the children of company's officers/employees who passed the Primary School Certificate (PSC) /equivalent examination. 35 students were given monthly



stipend while 24 students were given lump sum award among the JSC/equivalent passed. 28 students were given monthly stipend while 11 students were awarded lump sum grant from among the SSC/equivalent examination passed. 22 students were given monthly stipend while 12 students were awarded lump sum grant from among the HSC or equivalent examination passed. A lump sum grant was given to 2 students for achieving brilliance in Degree (hons)/ BSc (Engineering) courses.

In the year, a total of Tk. 23,66,800.00 was spent on the stipend awarded to the children of the staff & officers for their academic feat/ brilliance.

### 21.2 Corporate Social Responsibility (CSR)

Under the company's CSR policy, Tk. 17,67,600.00 was given as lump-sum stipend to the poor and financially disadvantaged but meritorious students in the four upazilas situated adjacent to the company's field/installations. The selection was made from next to the government scholarship recipients who passed in different examinations. The stipend was awarded with the objective of nurturing merit among the students.

Besides, Tk. 12,000.00 to each of Golapganj, Beanibazar & Bahubal upazila (a total of Tk. 36,000.00) and Tk. 42,000.00 to Jaintapur upazila was given to arrange seminars/symposia and rallies on the occasion of Great Independence & National Day-2017. In addition, a total of Tk. 1.0 (one) lakh i.e. Tk. 25,000.00 to each of the four upazilas was given for arranging reception in honor of the valiant freedom fighters on the occasion of Great Victory Day-2016. Besides, Jaintapur upazila was given Tk. 20,000.00 to celebrate the National Children's Day.

Total expenditure on CSR activities stood at Tk. 19,65,600.00.

### 21.3 Grant

Under social developments activities, the monthly and lump-sum grant given in the year is as below:

Sl No.	Name of the Institution	Grant		Expenditure in the Fiscal Year
		Lump-sum (Tk.)	Monthly (Tk.)	
1.	Chiknagool Adorso Uchho Biddaloy, Jaintapur, Sylhet	-	15,000.00	1,80,000.00
2.	Haripur Multilateral Uchho Biddaloy, Jaintapur, Sylhet	-	20,000.00	2,40,000.00
3.	Ronokeli Girls' High School & college, Golapganj, Sylhet	-	18,000.00	2,16,000.00
4.	Kamrangi Govt. Primary School, Jaintapur, Sylhet	50,000.00	-	50,000.00
5.	Bangladesh Scouts, Dhaka	5,00,000.00	-	5,00,000.00
6.	Bangladesh Scouts, Sylhet	2,00,000.00	-	2,00,000.00
7.	Banani Jame Masjid, Dhaka	1,00,000.00	-	1,00,000.00
8.	Kalikatala Jame Masjid, Kushtia	2,00,000.00	-	2,00,000.00
9.	Charikata High School, Jaintapur, Sylhet	2,00,000.00	-	2,00,000.00
10.	Madhyapara Granite School, Dinajpur	5,00,000.00	-	5,00,000.00
11.	Shahjalal University of Science & Technology, Sylhet	10,000.00	-	10,000.00
12.	Unnayan Mela, Jaintapur, Sylhet	1,19,725.00	-	1,19,725.00
13.	Bangabandhu Krirashebi Kalyan Foundation, Dhaka	5,00,000.00	-	5,00,000.00
14.	Financial assistance to some of the employees of EMRD and Petrobangla	20,000.00	-	20,000.00
<b>Total:</b>				<b>30,35,725.00</b>

Of the budgeted amount of Tk. 170.00 (one hundred and seventy) lac on CSR activities, a total of Tk. 50,01,325.00 (19,65,600.00+30,35,725.00) was spent in the year 2016-2017.





#### 21.4 Socio-cultural activities

As in the past, annual sports and cultural functions were arranged as part of recreational activities for the officers and employees of the company. Besides, annual Milad Mahfil and Ifter Mahfil were arranged with due religious fervor and dignity. The great Shahid Dibash and International Mother Language Day, the great Independence Day, the Victory Day, National Mourning Day and Bangla New Year were celebrated in a befitting manner with due festivity and enthusiasm.

#### 22.0 Challenges and Redressal

Gas extraction and supply has been continuing nearly for the last six decades and as there has been no discovery, the gas reserves in SGFL's gas fields are dwindling. While about 15 years ago SGFL was capable of producing and supplying 210-220 MMscf gas daily, total gas production at present has declined by almost 40% to less than 140 MMscfd. As there is no standby gas production well in the company there is little leeway for undertaking any lengthy or risky maintenance job. Raising the capability of gas production of this oldest profit-making company is now a demand of the time. All concerned in the policy making levels in the energy sector should look into the situation.

Distinguished Shareholders,

I am delighted to mention that SGFL has been adjudged as one of the topmost VAT and income tax payer in the country in the last few years consecutively. Gradual depletion of gas reserves in the company has become a real challenge for us. I hope SGFL would be able to overcome this reserve crisis and production stagnation with concerted and time-befitting endeavor of our experienced and meritorious workforce.

On behalf of the board of directors and on my own behalf, I sincerely thank the officers and employees of all tiers for their continued effort in maintaining the company's profit-earning trend, for its contribution to the national exchequer and for maintaining a conducive/favourable work environment.

I am really grateful and sincerely pass my appreciation to EMRD, Finance Division, Planning Commission, ERD, Petrobangla, development partners (DP) and local administration for their unwavering and unflinching support and assistance for smooth conduction of the company affairs. Expressing full trust on the company management I congratulate the shareholders and all other distinguished guests for their gracious presence in the Annual General Meeting of Sylhet Gas Fields Limited.

I now present the annual report for the year 2016-2017 of Sylhet Gas Fields Limited to the distinguished shareholders for their consideration, approval and adoption.

Thank you all.

Allah Hafez.

On behalf of the Board of Directors

(Abul Mansur Md. Faizullah, ndc)  
Chairman