

# **Amu Darya Oil Tender Process and Transparency Review Final Report**

**Public Disclosure  
of the Tender Process**



Prepared for the  
Government of the Islamic Republic of Afghanistan  
H.E. Wahidullah Shahrani, Minister of Mines



Prepared by The Marx Group LLC  
Independent Reviewers

20 December 2011



## Preface

The Amu Darya Process and Transparency Review Final Report (this document) concludes the Independent Process and Transparency Review (IPTR) requested by the Government of the Islamic Republic of Afghanistan (GIRoA) for the Amu Darya Oil Tender (ADOT). The review was requested by the Minister of Mines, His Excellency Wahidullah Shahrani, and funded by the US Department of Defense Task Force for Business and Stability Operations (TFBSO or Task Force).

**Acknowledgements.** Minister Shahrani is a strong proponent of fairness and transparency in the Tender process and enthusiastically supported this independent review. The full and open cooperation of the Minister of Mines and his staff and the Inter-Ministerial Commission (IMC) and its Secretariat made this Independent Process and Transparency Review possible, as well as the ADOT Team who assisted the Ministry of Mines (MoM) in the preparation of the ADOT (alternatively referred to as the “Tender”). The Independent Review Team acknowledges the special assistance and cordial cooperation of the following persons:

- H.E. Wahidullah Shahrani, Minister of Mines
- Abdul Jalil Jumriany, DG Policy and Promotion, MoM
- Hafizullah Afzaly, Inter-Ministerial Commission Economic Advisor, IMC
- Sayed Hashemi, Legal Services Director, MoM
- Mirahmad Quesemi, Head of Cadastre, MoM
- Amirzada Khosti, Petroleum Engineer, MoM
- James Bowen, ADOT Advisor
- Greg Murray, ADOT Advisor
- Glenn Corliss, ADOT Advisor
- Abudullilah Qadeer, ADOT Advisor
- John Villar, ADOT Advisor

**The Independent Review Team.** The Independent Review Team members are Joanne N. Satterfield, CPA, and Donald L. Marx, Eng., from the Marx Group LLC, Arlington, Virginia, USA. The Independent Review Team had full and open access to all Tender documentation and to all Tender activities. The Independent Review Team directly observed many of the activities during 30 days in Kabul including: bid receipt, control of documents, bid opening, bid evaluation including the activities of the Contract Evaluation Team (CET), preparation of evaluation findings for presentation to the IMC, and the meetings of the IMC approving CET recommendations and the EPSC to the Council of Ministers (Cabinet). Additionally, the Independent Review Team had multiple office interviews with the Minister and his senior staff. At the recommendation of H.E. Shahrani the Independent Review Team suggested real-time transparency improvements during the Tender process and these suggestions were welcomed and adopted immediately.

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# 1. Executive Summary

The Government of the Islamic Republic of Afghanistan Ministry of Mines initiated a Tender for the award of a single Exploration and Production Sharing Contract for hydrocarbon operations in three blocks, Kashkari, Bazarkami and Zamuradsay in the Amu Darya Basin in northern Afghanistan. H.E. Wahidullah Shahrani, Minister of Mines, and members of the Inter-Ministerial Commission have placed strong emphasis on the fairness, openness and transparency of the Tender process. To improve transparency, Minister Shahrani requested, and the US Department of Defense Task Force for Business and Stability Operations funded this Independent Process and Transparency Review.

## 1.1. Objective

The Independent Process and Transparency Review has two principal objectives:

- Provide an independent review of the transparency of ADOT processes, and conformance with the Afghan Hydrocarbons Law, Hydrocarbons Regulations and international best practices
- Document the ADOT processes, make recommendations for improving transparency, and provide a documented model for future MoM tenders.

## 1.2. Key Milestones and Events

Amu Darya Oil Tender Key Dates

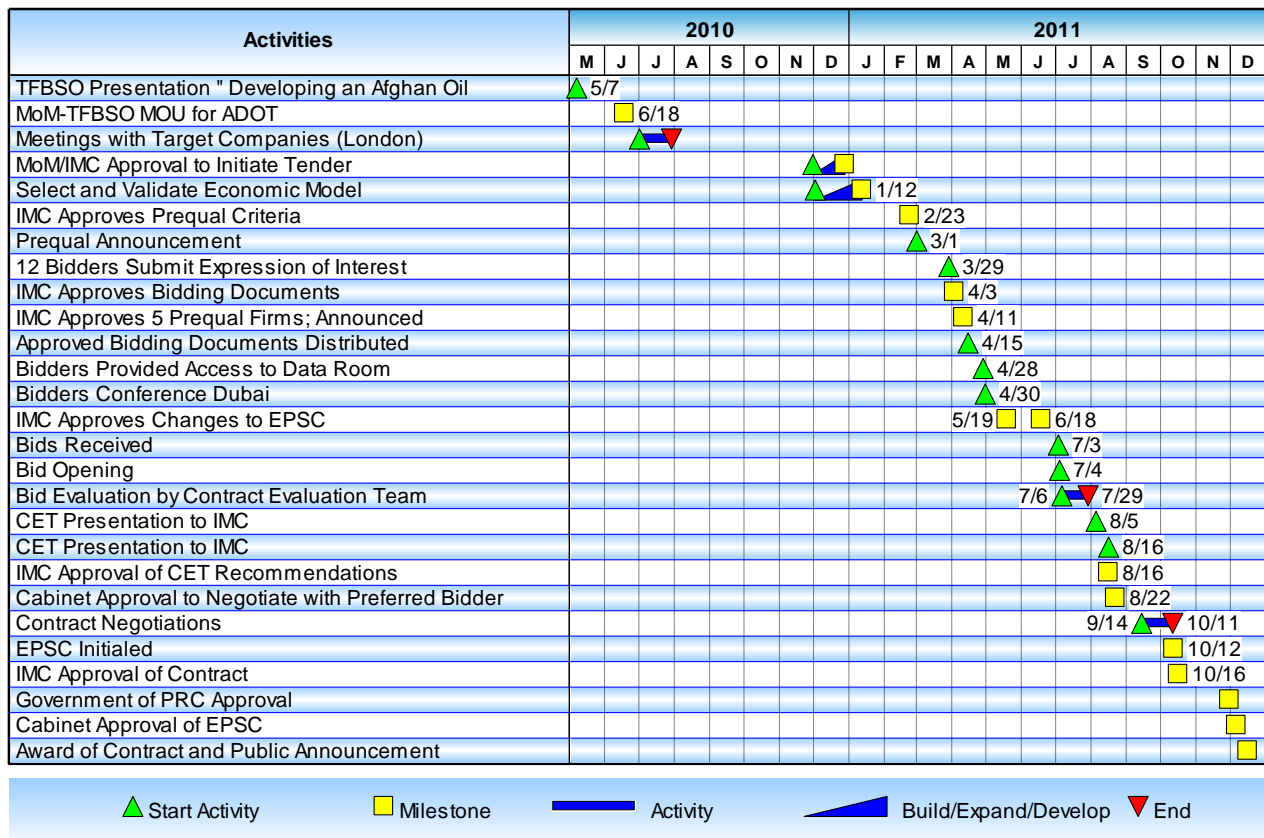


Figure 1.2-1: Key Dates and Milestones in the ADOT



### **1.3. Principal Results**

The Independent Review Team had full and open access to all Tender documentation and to all Tender activities. The Independent Review Team directly observed many of the activities during 30 days in Kabul including: bid receipt, control of documents, bid opening, bid evaluation including the activities of the Contract Evaluation Team (CET), preparation of evaluation findings for presentation to the IMC, and the meetings of the IMC for approval of CET recommendations and EPSC to the Council of Ministers (Cabinet). Additionally, the Independent Review Team had multiple office interviews with the Minister and his senior staff. At the recommendation of H.E. Shahrani the Independent Review Team suggested real-time transparency improvements during the Tender process and these suggestions were welcomed and adopted immediately.

***Objective: independent review of the transparency of ADOT processes, and conformance with Afghan Hydrocarbons Law, Hydrocarbons Regulations 2009 and international best practices.***

The Independent Review Team observed the ADOT processes to be designed and executed with transparency as a principal attribute in accordance with Article 12 of the Regulations. Key Tender processes are described in the Tender Documents and were closely followed in execution. The principal participants in the ADOT processes were aware of and generally conformed to transparency protocols. The Tender Documents conformed to the Hydrocarbons Law and Hydrocarbons Regulations 2009. In practice, the Minister of Mines directed broader participation in the Tender decision process and more stringent transparency processes than prescribed by the Law and Regulations. The IMC Secretariat maintained a well established records keeping process that provided an excellent audit trail of Tender proceedings. The ADOT was conducted in accordance with international best practices for fairness and transparency – a testament to the commitment of the Minister of Mines and the IMC and their staffs. ADOT has produced an Exploration and Production Sharing Contract with the potential to maximize revenues from Amu Darya for the GIRoA over the 25 year contract as well as contribute to the nation's workforce development.

***Objective: document the ADOT processes, make recommendations for improving transparency, and provide a documented model for future MoM tenders.*** The Independent Review Team documented more than 400 process steps during the ADOT from Tender initiation through contract award. Detailed process maps and workflows are contained in this report. The Independent Review Team analyzed processes for transparency and recommended improvements in administration, records keeping, avoidance of conflict of interest, and consistency. The MoM adopted many of the recommendations in real-time. The Independent Review Team prepared a Tender Process Model which will assist in the design of future tenders.



## 2. Introduction

The Government of the Islamic Republic of Afghanistan (GIROA) Ministry of Mines (MoM) initiated a Tender process for the award of a single Exploration and Production Sharing Contract (EPSC) for hydrocarbon operations in the Amu Darya Basin in northern Afghanistan described herein as the Amu Darya Oil Tender (ADOT). Three blocks, Kashkari, Bazarkami and Zamuradsay with estimated reserves of more than 80 million barrels of oil are included in ADOT in an area where many oil and gas fields already have been discovered. One of the blocks offered, the Kashkari block, contains the Angot field that is currently in production. The other known reserves are not yet in production.

H.E. Wahidullah Shahrani, Minister of Mines, has said, “The development of these blocks will increase the opportunities, improve infrastructure and enhance the lives of the citizens of Afghanistan.” ADOT is expected to be the first of several tenders for Afghanistan’s oil and gas resources over the next few years.

The MoM is assisted by the ADOT Team<sup>1</sup> funded by United States Department of Defense Task Force for Business and Stability Operations. The TFBSO was established in June 2006 to aid in the revitalization of Iraq's economy and the creation of jobs for the Iraqi people. TFBSO focuses on initiatives that restore the core industrial capability of a state's economy including foreign direct investment, banking and financial networks, industrial revitalization, corporate development, private sector development, procurement assistance, and agriculture revitalization. In the summer of 2009 the Task Force was asked to conduct an economic analysis of opportunities in Afghanistan. The analysis focused on developing resource sectors to support the economy of Afghanistan. The TFBSO was asked in June 2010 to begin operations in Afghanistan, aimed at creating state revenues and economic opportunities for the people of Afghanistan. The TFBSO-funded ADOT Team assisted the MoM in planning, preparing and conducting the ADOT.

## 3. Objectives and Review Methodologies

H.E. Wahidullah Shahrani, Minister of Mines and members of the Inter-Ministerial Commission<sup>2</sup> (IMC) have placed special emphasis on the fairness, openness and transparency of the ADOT and establishing a model that will assist in attracting quality global investment for future tenders. The objectives established by the Minister of Mines<sup>3</sup> for this Independent Process and Transparency Review (IPTR) include:

- Providing an independent review of the transparency of ADOT processes and conformance with Afghan Law, Regulations and international best practices

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<sup>1</sup> ADOT Team refers to TFBSO-funded independent technical advisors and their counterparts in the MoM and IMC acting as an integrated team. The principal participants and decision-makers were from the MoM, CET, IMC and IMC Secretariat.

<sup>2</sup> The IMC is defined by the Law, Article 4, and includes the Ministers of Mines, Finance, Foreign Affairs, Economy and Commerce and the President of National Environmental Protection Agency.

<sup>3</sup> Throughout this document MoM refers to the Ministry of Mines. The Minister is referred to as the Minister of Mines.



- Documenting the ADOT processes, making recommendations for improving transparency, and providing a documented model for future MoM tenders.

The Independent Review Team documented the ADOT processes through review and analysis of Afghan Law and Regulations, ADOT Tender Documents, other published documents, and interviews with MoM, IMC and TFBSO staff and consultants, and direct observation.

## 4. ADOT Background and Development History

### 4.1. Background

#### 4.1.1. History of Hydrocarbon Discovery

Oil was discovered in Afghanistan in the 1930's in the Sar-e-Pul area. Swedish engineers drilled the first wells in the Kashkari block in 1957. The Soviets began development drilling in 1959 in the Angot Field with additional exploration leading to discovery of the Kashkari and Aq Darya Fields. Three hundred twenty two (322) wells were drilled in the Amu Darya Basin. This huge basin is largely underexplored despite 27 years of limited exploration between 1957 and 1984. A total of 15 discoveries were made in that period, seven oil fields and eight gas fields, with the most recent oil discovery being made in 1978. Most of the oil and gas fields were discovered in the 1970's during Soviet-led exploration campaigns – the only exception being the Angot Oil Field within the Kashkari block that was discovered in 1959. Angot is the only oil field to have been in sustained production in Afghanistan, according to the Ministry of Mines. It was, however, shut down in 2006 with estimated remaining reserves of six million barrels.

The U.S. Geological Survey believes the hydrocarbon potential in northern Afghanistan to contain undiscovered resources of more than 1.6 billion barrels of crude oil, 16 trillion cubic feet of natural gas and 500 million barrels of natural gas liquids. Two-dimensional seismic data exists for some of the Amu Darya Basin. Extensive well reports (in Russian), logs and some core samples are available. The geology of the area is similar to the vast hydrocarbon reservoirs in Turkmenistan, Uzbekistan and Tajikistan. Because of the similarity of the geology in these known regions an Afghan priority is hydrocarbon exploration in northern Afghanistan.

#### 4.1.2. Preceding Tenders

##### 4.1.2.1. First Afghan Hydrocarbon Bidding Round 2009

The MoM initiated the First Afghan Hydrocarbon Bidding Round 2009 with the technical assistance of the Norwegian Agency for Development Cooperation (Norad) which included three blocks with known hydrocarbon-bearing accumulations; Jangalikalán (gas), Juma-Bashikurd (gas) and Kashkari (oil)<sup>4</sup>. Norad developed a model Exploration and Production Sharing Contract (EPSC) along with Tender documents conforming to the Hydrocarbons Law and Regulation. The Tender process required prequalification of bidders who were permitted to bid on one or more blocks. This first round Tender failed to attract quality investors (one bid was received for the Kashkari block and rejected) and the MoM terminated the tender without an award. MoM engaged Price Waterhouse Coopers (PWC) to conduct a commercial sounding process to deter-

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<sup>4</sup> First Afghan Hydrocarbon Bidding Round Terms of Reference 3 Sept 2009



mine factors contributing to the failed Tender (see Section 4.1.2.1). The results of this commercial sounding indicated two foremost factors led to the failed Tender: 1) the EPSC fiscal terms were non-competitive compared to other frontier countries, and 2) the licensing area was too small to be commercially attractive. The MoM incorporated lessons learned from this bidding round in creating the ADOT.

#### **4.1.2.2. Aynak Copper Mine Tender 2008**

MoM's Aynak Copper Mine Tender 2008 resulted in a successful award but has not subsequently progressed at the anticipated rate envisioned in the contract. ADOT also incorporated lessons learned and recommended improvements from this Tender.

### ***4.2. Activities Leading to the Development of ADOT***

In the Summer, 2009, the TFBSO was requested by the United States Department of Defense to conduct an analysis of economic development opportunities for Afghanistan. The analysis led to the identification of Afghanistan's natural resource sector as an opportunity for economic development and a future source of state revenues. In June, 2010 the TFBSO began operations in Afghanistan. The TFBSO's Energy Sector assessed the prior hydrocarbon activities of the Soviet-era and subsequent MoM activities including the First Afghan Hydrocarbon Bidding Round 2009. PWC was already under contract to assess the reasons for the failed Tender. In June 2010, PWC invited 20 international oil companies to meet in London at a hydrocarbon roundtable to discuss options for future development of Afghanistan's oil resources. The Minister of Mines presented opportunities and in the afternoon PWC met one-on-one with the oil company representatives. Based upon the results, PWC was asked to assist in developing a Tender. After months of analysis and preparation, PWC made little progress toward the Tender, and the effort was terminated.

Subsequently, the TFBSO assisted the MoM in assembling the ADOT Team, a team of independent experts, including a petroleum engineer, economist, attorneys specializing in global oil tenders/contracts, and a hydrocarbon marketing expert to work with MoM counterparts to analyze options and prepare a Tender. The ADOT Team presented the results of a preliminary analysis, "Developing an Afghan Oil Industry" in May 2010 to the International Security Assistance Force Commander and to the Minister of Mines. In the following months the ADOT Team met with many potential target companies to assess their interest in Afghanistan's hydrocarbon resources and to understand the terms necessary to attract investment. Working with the MoM, the ADOT Team developed a progressive three phase plan described as "crawl-walk-run."

- Phase 1: a DoD-funded project in the Angot Field to demonstrate re-start of oil production in the dormant field (this project was successful in reactivating selected wells and oil began flowing in October, 2010)
- Phase 2: Re-structure and re-Tender of the Kashkari block, and potentially additional adjacent blocks
- Phase 3: Prepare Tender for the Afghan-Tajik Basin

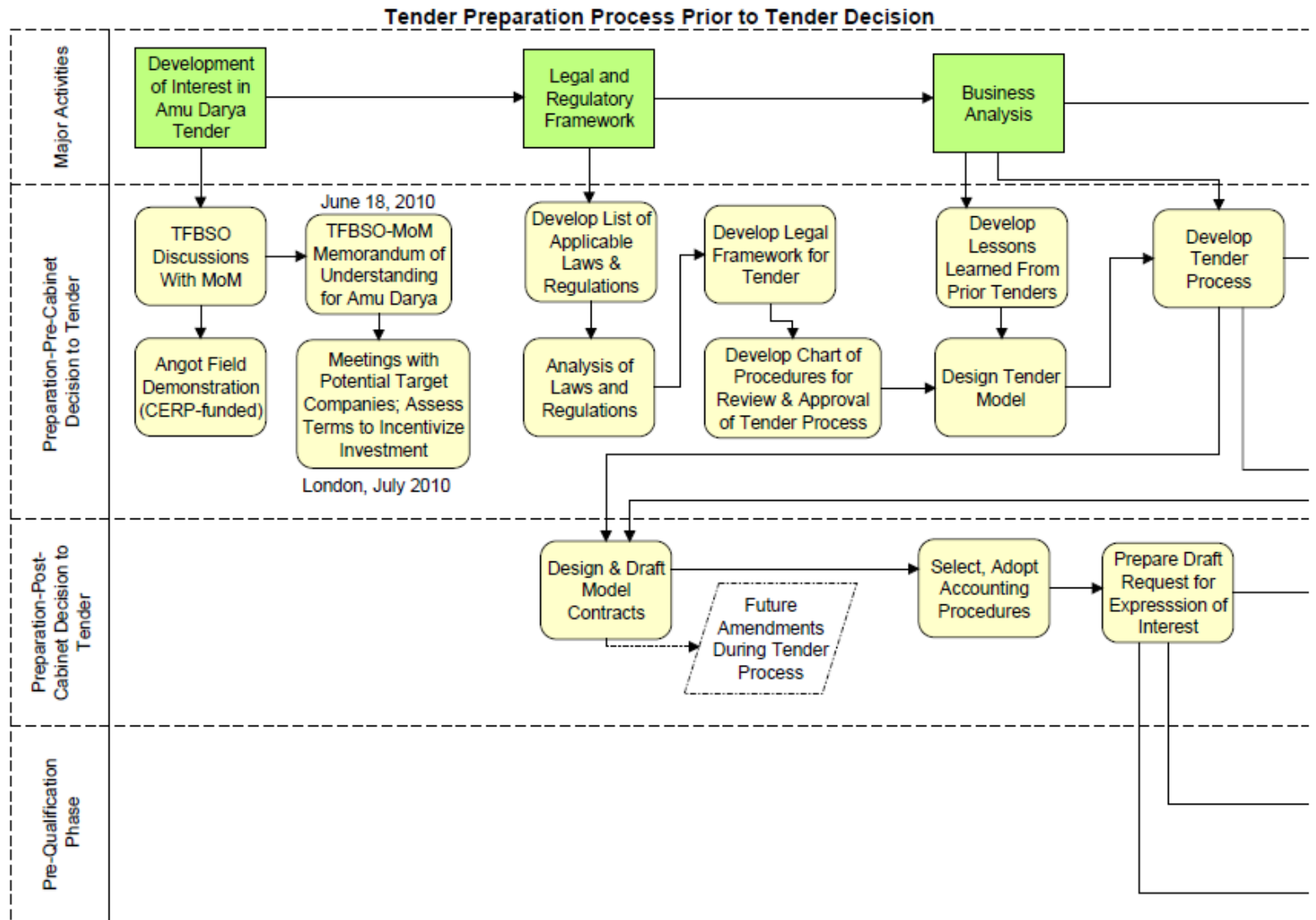
On June 18, 2010 the MoM and the TFBSO signed a memorandum of understanding (MoU) to begin planning for the three-phase approach. In November 2010 the Phase 2 concept had ma-

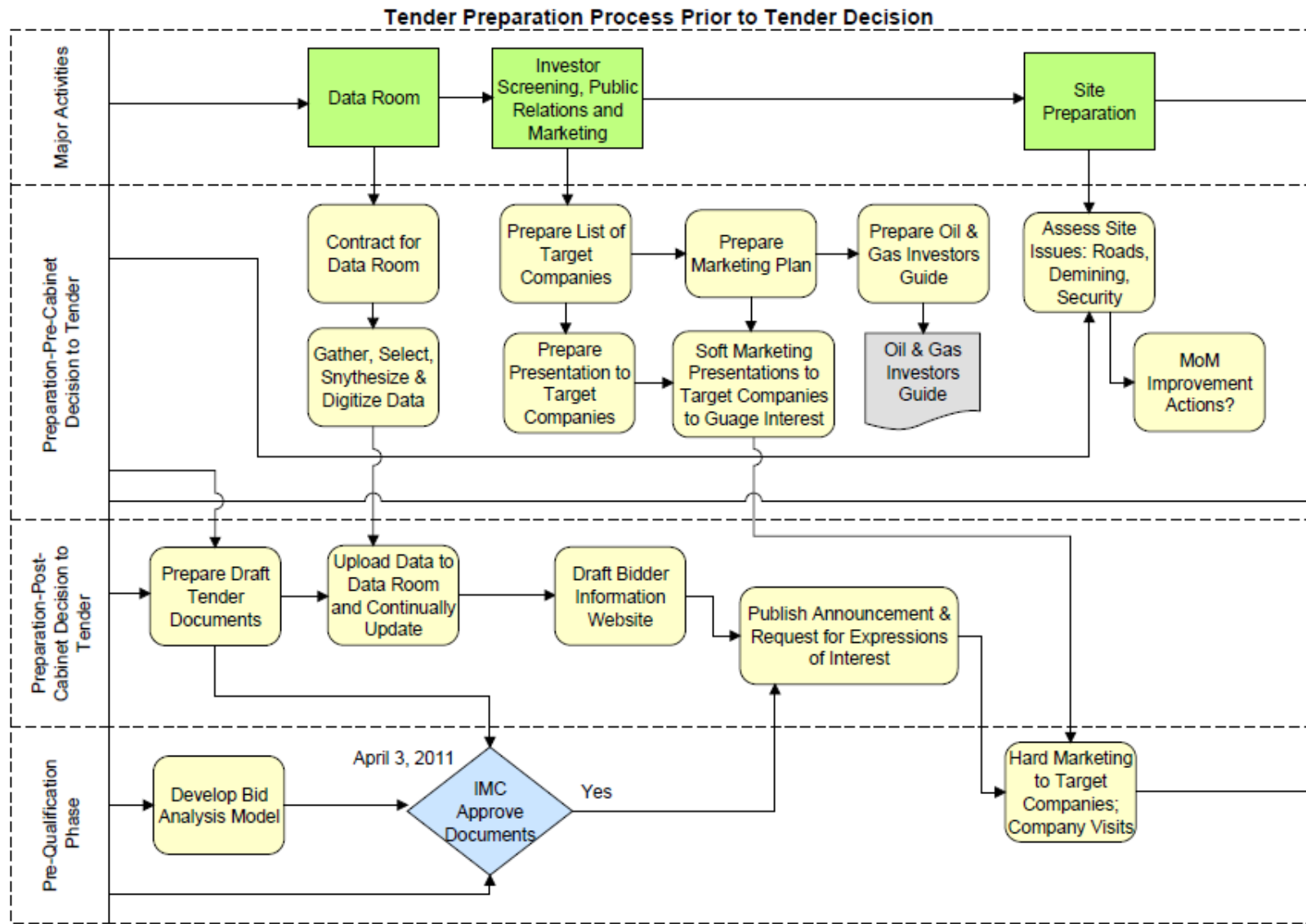


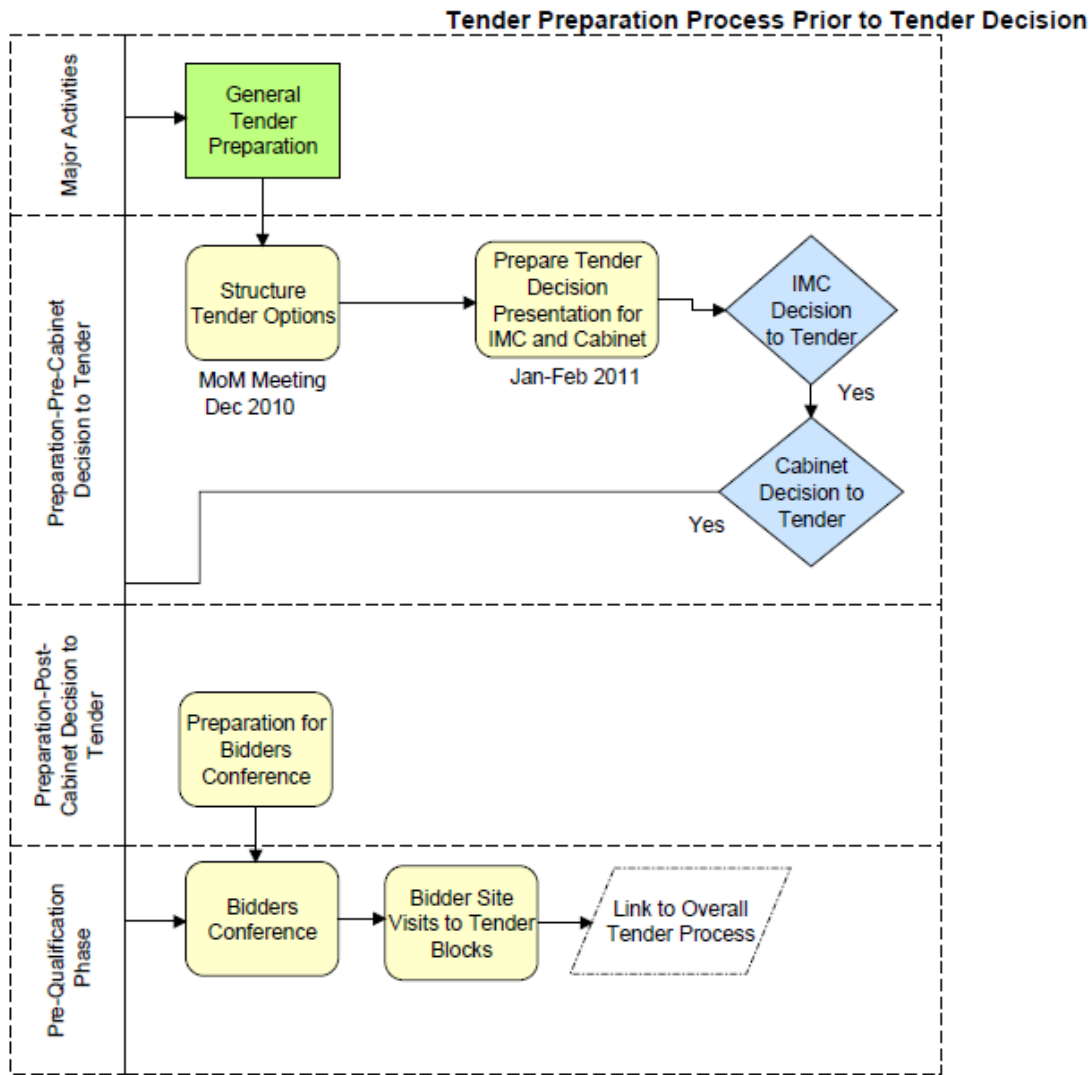
tured into the Amu Darya Oil Tender and the Minister of Mines approved initiation of the ADOT on December 12, 2010.

#### ***4.1. Process Map of Activities Leading Up to the Tender Decision***

The Independent Review Team recognized that key factors leading to the success of ADOT were in motion before the initiation of the formal Tender Process. In Figure 4.1-1 we summarize the key processes leading to the Tender decision.







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Tender Preparation Process-Ver1.igx

Prepared for Government of the Islamic Republic of Afghanistan Ministry of Mines by TMG July 2011

Figure 4.3-1: Tender Preparation Process Prior to Tender Decision



## 5. The Legal Framework: Afghan Law and Regulations

ADOT is governed by the laws of the Islamic Republic of Afghanistan. The Parliament approved the current Hydrocarbons Law in February, 2009 (the Law). The applicable Hydrocarbons Regulations 2009 (the Regulations) were approved by the Council of Ministers (Cabinet) and the Parliament and endorsed by the President and published November 19, 2009. The Hydrocarbons Law and the Hydrocarbon Regulations 2009 prescribe many of the terms of the Tender. Both source documents are prepared in Dari.

The “unofficial English translation” of the Hydrocarbon Law, dated December 16, 2010, is the source document provided by MoM and used by the ADOT Team and the Independent Review Team. The “Unofficial English Translation, Sherahmad Parwiz Noorzad – 4 January 2010” of the Hydrocarbon Regulations 2009 is the source document provided by the MoM and used by the ADOT Team and the Independent Review Team.

MoM, Legal Services, has identified inconsistencies between the Hydrocarbons Law and the Hydrocarbons Regulations 2009 in the Dari versions and in the unofficial English translations. Notably, Article number references in the Regulation are inconsistent with Hydrocarbons Law. Additionally, there are slight differences in the meanings of words between the Dari versions and the unofficial English translations.<sup>5</sup> The MoM Legal Services Director is currently considering revisions to the Law and Regulations for proposal to the Parliament.

This report discusses compliance of the Tender process with the Hydrocarbons Law and the Hydrocarbons Regulations where appropriate.

## 6. Planning and Preparing for the Tender

Planning and preparing for ADOT was a multi-agency effort involving the IMC, MoM, ADOT Team and many of their technical staff and advisors, as well as participation by other Ministries. Planning was initiated following the Minister of Mines and IMC approval to initiate the ADOT in December 2010 and continued throughout the Tender process. This section of the report focuses on the Tender decision and the development of the economic model and model contract. These activities are included in the process map in Section 7.

### ***6.1. MoM Decision to Initiate the Tender***

Subsequent to the Minister of Mines approval of the ADOT in December, 2010, the ADOT Team met with Minister Shahrani and his staff to discuss the Tender strategy and methods for conducting the public Tender process in accordance with Articles 5 and 23 of the Hydrocarbons Regulations. The Minister of Mines obtained approval for the Tender from the Council of Ministers on February 11, 2011 and initiated the ADOT. The approved ADOT included a model EPSC<sup>6</sup> for hydrocarbon operations in the northern part of the country, including the three blocks: Kashkari, Bazarkami and Zamuradsay.

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<sup>5</sup> Sayed Hashemi, Legal Services Director, MoM

<sup>6</sup> Based upon the Norad ESPC



MoM, with the assistance of ADOT Team, worked to create the timeline for the Tender and the drafting of the required Tender Documents for the Minister of Mines and IMC approval. The official announcement for the oil exploration and production in the Amu Darya Basin was at the APPEX Conference in London on March 1, 2011. A public notice and a press release were also issued on March 1, 2011 in accordance with Article 5 of the Regulation. The official announcement of ADOT included expression of interest (EoI) and prequalification requirements as required by Article 5. During March the MoM and the ADOT Team encouraged appropriate international oil companies to consider submitting an expression of interest for ADOT.

## ***6.2. Economic Model Development***

The Minister of Mines determined that an appropriate economic model should be developed to assess the viability and fiscal value of various bids for the Tender. The Economic Model developed for ADOT is based on the economic model developed for the 2009 Tender, although much refined for ADOT. The production analysis incorporated into the Economic Model was developed by the ADOT Team economist based on the technical information contained in the Gustavson Report of 2005.

The ADOT Team continued the Economic Model development based on the original EPSC terms, modeling production, revenue and economics month by month for 25 years. The assumptions on cost estimates and production were provided by the ADOT Team petroleum engineer. The Model was circulated among ADOT Team technical experts for refinement. The model was benchmarked against industry averages and standards. The Economic Model was completed in December, 2010 and forwarded for review on January 12, 2011. The ADOT Team continued refining the model, layering on Balance Sheet and Cash Flow components, completing the model by June 30, 2011. The Minister of Mines approved the Model for use in evaluating the Tender bids prior to Bid Evaluation.

The Economic Model is the evaluation tool used for the production, financial and economic viability of the bids. The Tender Documents required bidders to provide specific financial, economic, technical and program information for inclusion in the Model. Certain production assumptions were normalized across all bidders, such as well flow rates, costs and number of wells drilled. Two methods of comparison are included in the Model; financial and drilling rates. The financial terms include: royalty rate, income tax rate, formula pricing and profit sharing. The Model also assumes minimum work program requirements. Four iterations of the model analysis were calculated: minimum work program requirements, proposed work program requirements, low Brent prices and high Brent prices.

## ***6.3. Model Contract Development and Approval***

The Model Contract for ADOT is based on the contract developed by Norad for the First Afghan Hydrocarbon Bidding Round in 2009 and conforms to Article 23 of the Regulations, incorporating lessons learned from that Tender process. The draft EPSC for ADOT was prepared based upon the Norad-prepared EPSC and recommendations of the ADOT legal advisors (Curtis, Mallet-Provost, Colt & Mosle, LLP, hereafter referred to as Curtis). MoM selected the EPSC format



for ADOT in conformance with the Regulation. The MoM and IMC approved the use of the EPSC format on February 23, 2011.

MoM and the ADOT Team planned to revise the Model Contract, however, due to changes in the Hydrocarbon Regulations and the delay in and reduction of Tender support funding, minimum changes were made to the Norad version and the Model Contract was forwarded to the Minister of Mines and the IMC for review and approval. The Model Contract was approved on April 3, 2011. MoM placed the Model Contract on the Data Room website on April 28, 2011, prior to the Prequalified Bidders' Conference in Dubai on April 30, 2011.

Prequalified Bidders were asked to comment on the Model Contract resulting in two revisions approved by the Minister of Mines and IMC prior to bid submission. The first revision was approved on May 19, 2011 and the final version was approved on June 19. Revisions were posted to the ADOT Data Room.

## **7. Tender Documents Preparation and Approval**

The Afghan Hydrocarbons Law and Hydrocarbons Regulations 2009 (Articles 7, 8, 12, 14, 15, 17 and 18) were the basis for development of the ADOT Tender Documents. The ADOT Team's activities conformed to the MoM and IMC established administrative and management practices where appropriate and were consistent with transparency objectives. International industry best practices were also considered and adopted where appropriate. The ADOT Team developed a Tender planning guide to better ensure conformance with the Law and Regulations as Tender planning proceeded.

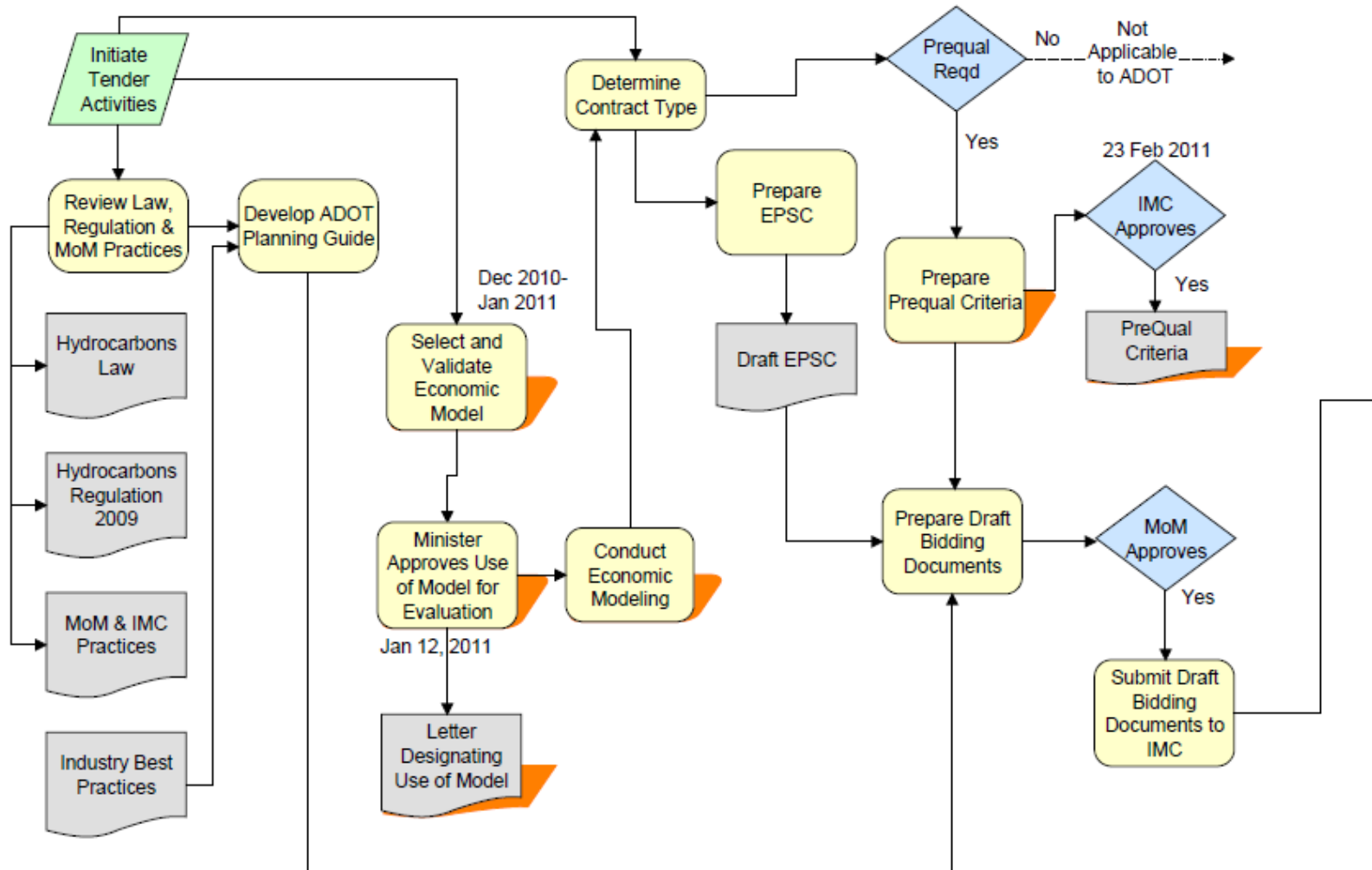
The ADOT Team recommended the EPSC model in conformance with Article 23 of the Law, and the use of a prequalified bidder format. The Minister of Mines and the IMC approved this approach. The ADOT Team prepared prequalification criteria in accordance with Article 30 of the Law and Article 4 of the Regulations which were approved by the IMC on February 23, 2011.

The draft Tender Documents were prepared in conformance with the Law and Regulations Articles 7 and 8 and were approved by the IMC on April 3, 2011. The draft Tender Documents were provided to qualified bidders for comment using the Data Room. Prequalified bidders had seven days to request clarifications or suggest changes. The MoM responded to bidder inputs and made changes to the EPSC and the Tender Documents. Two revisions to the EPSC were approved by the IMC on May 19, 2011 and Jun 18, 2011.

The Tender Document Preparation and Approval process is presented in Figure 7-1.



### Tender Document Preparation & Approval





### Tender Document Preparation & Approval

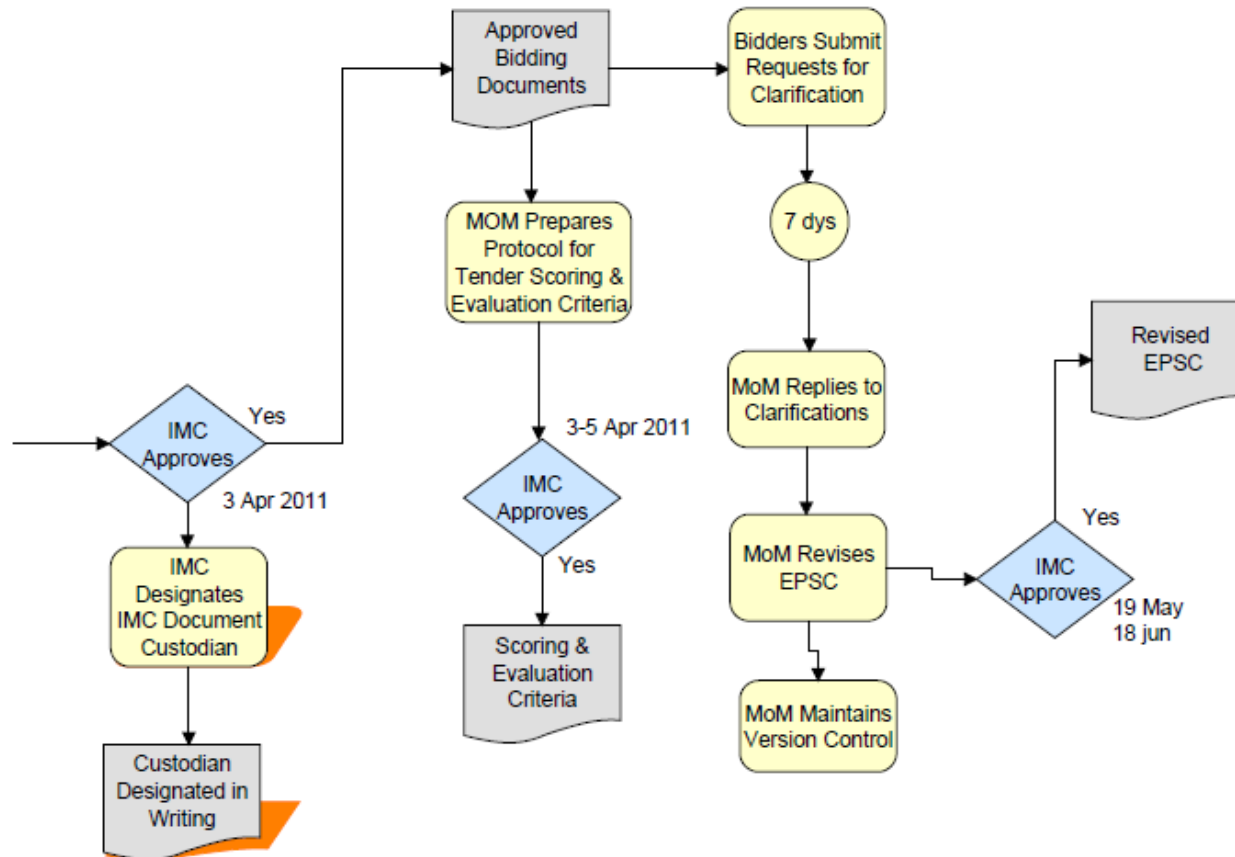


Figure 7-1: Tender Document Preparation and Approval



## **8. Tender Announcement, Request for Expressions of Interest and Prequalification of Bidders**

The approach for ADOT was to prequalify bidders and offer bid opportunities only to firms pre-qualified in accordance with the Tender Documents and the Law, Article 3 and Regulations, Article 4.

A detailed process map of the prequalification activities is provided in Section 8.10. In the following sections key elements of the process are described.

### **8.1. Public Notice and Announcements**

The ADOT opportunity was announced by Minister Shahrani at the American Association of Petroleum Geologists (AAPG) Prospect and Property Expo (APPEX) 2011 Conference on March 1, 2011 in London. A public notice was published in the Financial Times and the Afghan governmental publication, Afghanelant on March 1, 2011 in accordance with Article 5 of the Regulation. Additionally, MoM issued a press release to the following local Afghan newspapers on March 1, 2011: Anis Daily Newspaper (in Dari), Hewad Newspaper (Pashtu), Kabul Times (English) and Afghanistan Times (English).

### **8.2. ADOT Websites**

The MoM employed three websites in conjunction with the ADOT. The MoM website ([www.mom.gov.af](http://www.mom.gov.af)) announced the Amu Darya (Kashkari Plus) Oil Tender and published a link to the ADOT website on March 5, 2011. The ADOT website ([www.amudaryaoiltender.com](http://www.amudaryaoiltender.com)) was launched on March 1, 2011 with the following documents available (with posting date):

- Hydrocarbons Law, the Hydrocarbons Regulations 2009, the Income Tax Law and the Environmental Protection Law (March 1, 2011)
- Public notice and press releases for the Tender announcement (March 1, 2011)
- The Minister's presentation at the APPEX Conference (March 1, 2011)
- The requirements for submitting an Expression of Interest (March 1, 2011)
- The Afghan Company workshop on March 7, 2011 and the required form for bidding due March 20, 2011 (March 1, 2011)

Subsequently MoM posted the following documents (with posting date):

- List of Pre-Qualified Bidders (April 13, 2011)
- Tender Documents (April 25, 2011)
- Tender Document Supplement 1 (May 11, 2011)
- Tender Document Supplement 2 (May 31, 2011)
- Tender Document Supplement 3 (June 21, 2011)

The ADOT Data Room ([amudaryaoiltender.com/bidders.php](http://amudaryaoiltender.com/bidders.php)) was hosted by Merrill DataSite™. The Data Room was available only to prequalified bidders. The Merrill DataSite is a completely secure online Virtual Data Room (VDR) that houses critical business information for electronic



due diligence, effectively securing and providing restricted access to the Tender and bidder information.

### **8.3. Bidders' Workshop**

Minister Shahrani is publicly committed to encouraging Afghan companies to contribute to and play a major role in the mining sector. In support of this policy, MoM held a workshop at the Afghan Geological Survey (AGS) on March 7, 2011 to inform Afghan businesses and investors about opportunities in the oil and gas sector. The MoM developed a list of 38 Afghan firms invited to attend the Workshop. The international oil and gas companies who are interested in bidding on this project require Afghan partners in various areas. This workshop brought together major Afghan investors and companies, informed them about their possible role in the oil sector, and captured their industry and business interest through survey forms.

### **8.4. Criteria for Selection of Prequalified Bidders**

The invitation to submit an Expression of Interest (EoI) was contained in the Public Notice and press release (see Section 8.1) in accordance with Article 5 of the Regulations. The specific information to be included in the bidder's EoI was posted to the ADOT website on March 1, 2011. The Tender process incorporated prequalification requirements for potential bidders specified in Article 4 of the Hydrocarbons Law. The Law states, "The Inter-Ministerial Commission may require any papers or documents, through the Ministry of Mines and Industries, which establish the expertise and technical and economic capability of the contractor." The document titled *Information Required to Submit Expression of Interest* included specific additional required information, the required bidding fee and the Tender process timeline in accordance with Article 8 of the Regulation. The IMC approved the EoI and prequalification requirements on February 23, 2011.

### **8.5. Bidder's Submission of Expressions of Interest (Eols)**

Potential bidders received the *Request for Expression of Interest* which prescribed the requirements for submission of the EoI. The *Request for Expression of Interest* required broad technical, financial and corporate information. In practice, the requirements for EoI content did not produce consistent information from potential bidders and did not support self-screening by potential bidders resulting in EoI's being submitted by unqualified firms.

Potential bidders were invited to submit questions to the MoM prior to submitting their EoI. MoM received questions by email, mail and telephone, and provided the responses to all bidders in electronic form on the ADOT website.

Twelve EoI's were received by MoM either electronically or in hard copy by the submittal date of March 29, 2011 including:

- Afghan Azeri Energy & Construction Group
- Afghan Petrol Group Ltd.
- ARCO Group
- Arya Oil and Gas



- Buccaneer Energy Ltd
- CNPC International Ltd
- Global Edison
- International Oil Company
- PEL – Pakistan
- Schlumberger Ltd
- Tethys Petroleum Ltd
- Uni Energy

One EoI, China National Oil and Gas Exploration and Development Corporation (CNODC), the subsidiary of China National Petroleum Corporation (CNPC) responsible for managing and operating CNPC's overseas investments, was received in hard copy on April 14, 2011 after the submittal date and was not accepted. CNODC is the corporate parent within the CNPC structure of CNPCI. This submission was a hard copy duplicate of the CNPCI submission that was made electronically.

### **8.6. Evaluation of EoIs and Selection of Prequalified Bidders**

The Minister of Mines designated in writing a Prequalification Review Committee consisting of:

- Abdul Jalil A. Jumriany, Presiding Official
- Mirahmad Qesemi, Head of Cadastre
- Amirzada Khosti, AGS/MOM
- Hafizullah Afzaly, IMC Secretariat
- Specific ADOT Team advisors

On March 30, 2011 the designated Prequalification Review Committee screened the 12 submissions in accordance with Article 8 of the Regulations and rejected the EoIs of the following potential bidders due to absence of required information or lack of adequate credentials:

- Afghan Azeri Energy & Construction Group
- Afghan Petrol Group Ltd.
- Uni Energy

The remaining nine potential bidders' EoIs were evaluated in detail by the Committee with technical assistance of the ADOT Team using the criteria specified in Article 5 of the Regulations. The Prequalification Review Committee determined five of the potential bidders as prequalified bidders on April 7, 2011 and recommended the five prequalified bidders to the IMC. The prequalified bidders were:

- Buccaneer Energy Ltd
- CNPC International Ltd
- PEL – Pakistan
- Schlumberger Ltd
- Tethys Petroleum Ltd



The IMC approved the Prequalification Review Committee's recommendations on April 11, 2011. The MoM published the list of pre-qualified bidders in a public notice on April 13, 2011 and emailed a notice to the prequalified bidders along with additional Tender documents including a confidentiality agreement, requirement for the bid fee of \$25,000, and information required by Article 5 of the Regulations. A notice to the non-qualified firms was published on April 17, 2011.

## **8.7. Requirements for Prequalified Bidders and Access to Data Room**

### **8.7.1. Prequalification Bidding Fee Requirements**

The EoI instructions included the requirement to submit within 10 days of the date of the Notice Letter (dated April 17, 2011) the bid fee to the Single Treasury Account for credit to the Ministry of Mines. The Ministry of Mines received and documented the confirmations from the Da Afghanistan Bank of the receipt of the bid fee from the five prequalified bidders by the required date.

### **8.7.2. Confidentiality Agreement Submittal and Confirmation**

The EoI instructions included the requirement to submit within 10 days of the date of the Notice Letter (dated April 17, 2011) the prescribed confidentiality agreement. By April 28, 2011 MoM received and documented the required confidentiality agreements from the five prequalified bidders.

### **8.7.3. Prequalified Bidder Access to Bidding Information**

MoM made the online Data Room available to all prequalified bidders on April 26, 2011. The Bidding Information, including the Model Contract, and Tender Documents were posted to the Data Room on April 28, 2011 – prior to the bidders conference in Dubai on April 30, 2011. MoM posted Tender Documents Supplement 1 on May 11, 2011, Tender Documents Supplement 2 on May 31, 2011 and Tender Documents Supplement 3 on June 20, 2011.

## **8.8. Bidder's Conference**

On April 19, 2011 the prequalified bidders who had paid their required bid fee were invited to participate in a Bidders Conference on April 30, 2011 in Dubai. The MoM technical staff presented overviews of prior and current activities in the Amu Darya Basin, and answered bidder's questions. The ADOT Team assisted in preparing for the meeting and in responding to bidder's questions. The prequalified bidders were provided copies of the Bid Documents and the first draft of the EPSC Model Contract.

## **8.9. Potential Bidder's Informational Visits**

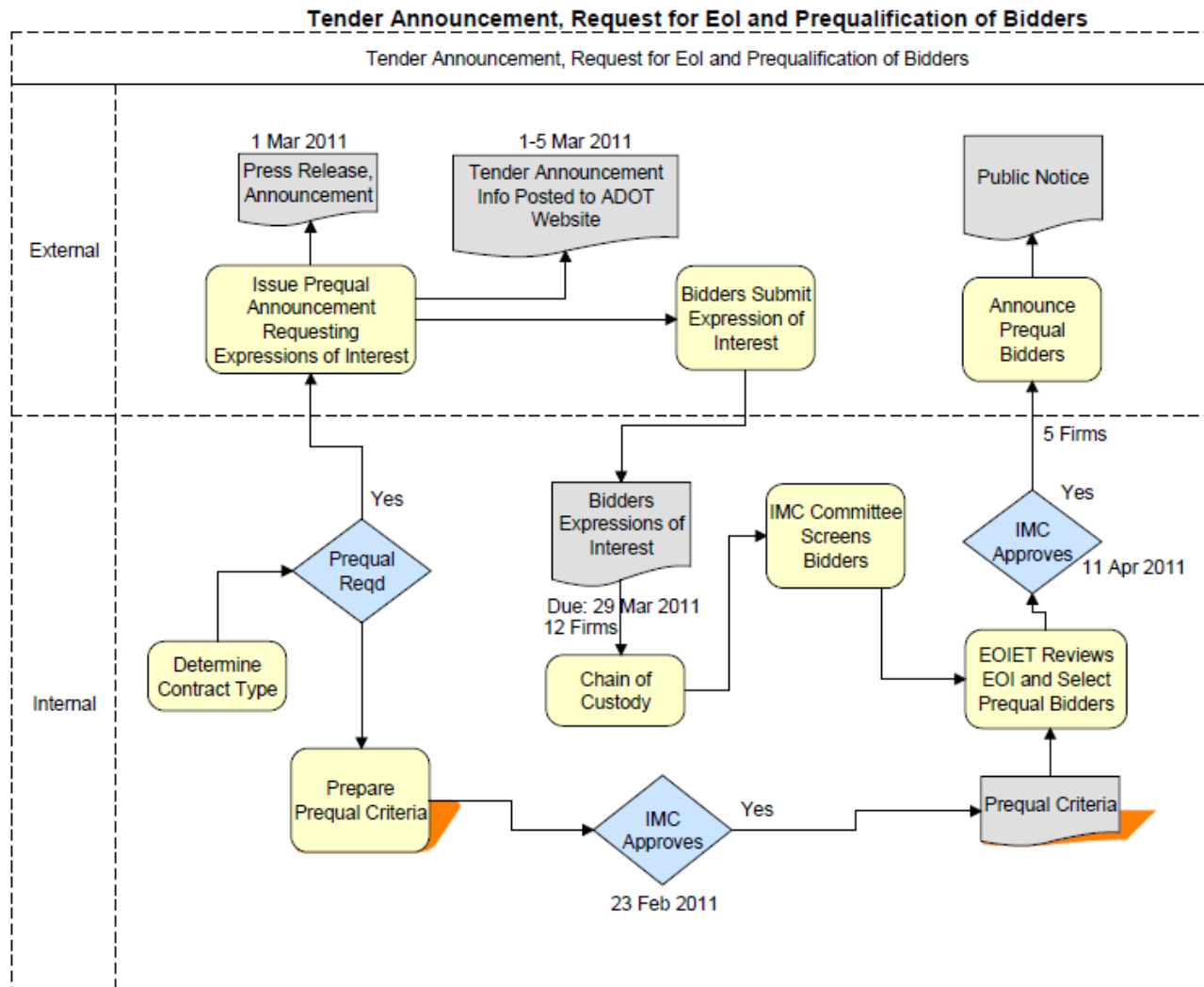
After the discussions with the international oil companies in June 2010, and the public announcement on March 1, 2011, interested firms were invited to visit MoM and areas of the Amu Darya blocks. Visits by several international oil companies took place beginning in March, 2011. The informational visits were open to all interested firms. Companies accepting the invitation were: Schlumberger, Tethys and Chevron. Some firms were hosted by MoM and others vi-



sited on their own. Some of the firms met with the Minister of Mines and Ministry representatives in London at the APPEX Conference and in Dubai at the Bidders' Conference.

**8.10. Process Map for Tender Announcement, Request for EoI and Prequalification of Bidders**

The process map is provided in Figure 8.10-1. Dates of actual activities for ADOT are included.



Page 1 8/28/2011

Tender Announcement, Request for EoI and Prequalification of Bidders Ver1.igx

Prepared for the Government of the Islamic Republic of Afghanistan Ministry of Mines by TMG 2011

Figure 8.10-1 Tender Announcement, Request for EoI and Prequalification of Bidders



## **9. Bid Receipt, Opening and Evaluation**

The ADOT bid receipt, bid opening and bid evaluation conformed with the Regulations Articles 12 and 14. The MoM implemented the Law and Regulations through specific Tender Documents prepared in accordance with Article 7 of the Regulation, and with the advice of the ADOT Team (described in Section 7), and supplemented by MoM and IMC operational procedures (both written and informal accepted practices). The Independent Review Team documented the bid receipt, bid opening and bid evaluation implementing processes through review of published documents, interviews with MoM staff and the ADOT Team, and direct observation. The Independent Review Team created process maps that reflect each step in the many implementing processes, and accompanied the process maps with appropriate narrative and additional information where necessary to clarify activities. The process maps and narrative were validated by MoM and ADOT Team members during the mapping process and further validated during the quality review of this report. The overall process for bid receipt, opening and evaluation is depicted in Figure 9.2.1-1. The Independent Review Team observed the bid receipt, opening and evaluation to conform with the Law and Regulations.

### **9.1. Bid Receipt**

The Tender Documents instructed the bidders to submit bids in sealed envelopes to the IMC Secretariat on July 3, 2011 between the hours of 9am and 12pm. One bid was received on July 2 and three bids were received on July 3. The IMC Secretariat established a process for receiving the bid packages, recording their receipt on a log and securing the bid packages in a double-lock safe in the office of the Minister of Mines. The IMC Secretariat received each bid package, recorded it on the log and secured it in the safe. The Secretariat reported that he possessed the only key to the safe. The Independent Review Team directly observed the receipt, logging and securing of three of the bidders packages on July 3, and the presence of four bid packages in the safe at 1pm on July 3 after receipt of all bids. On the day of bid opening, the Independent Review Team observed the IMC Secretariat obtain the bid packages from the safe, transport them from the MoM office to the bid opening session in the Independent Review Team official vehicle to the Afghan Geological Survey (AGS) conference room, and transfer them to the Presiding Official in the presence of the attending bidders. The process observed by the Independent Review Team maintained clear custody of the bid packages by the IMC Secretariat from receipt of bids to bid opening.

### **9.2. Bid Opening**

#### **9.2.1. Bid Opening Activities**

Bid Opening was conducted on July 4, 2011 in accordance with Article 14 of the Regulation at the AGS conference room beginning at 10:00am with representatives from the four bidders in attendance, along with MoM and IMC staff members and ADOT Team. The Bid Opening was open to the public and at least one journalist attended. A MoM staffer video recorded the Bid Opening. Mr. Abdul Jalil Jumriany, Director General, Policy and Promotion, MoM was designated in writing as the Presiding Official of the Bid Opening and officiated. H.E. M. T. Durrani,



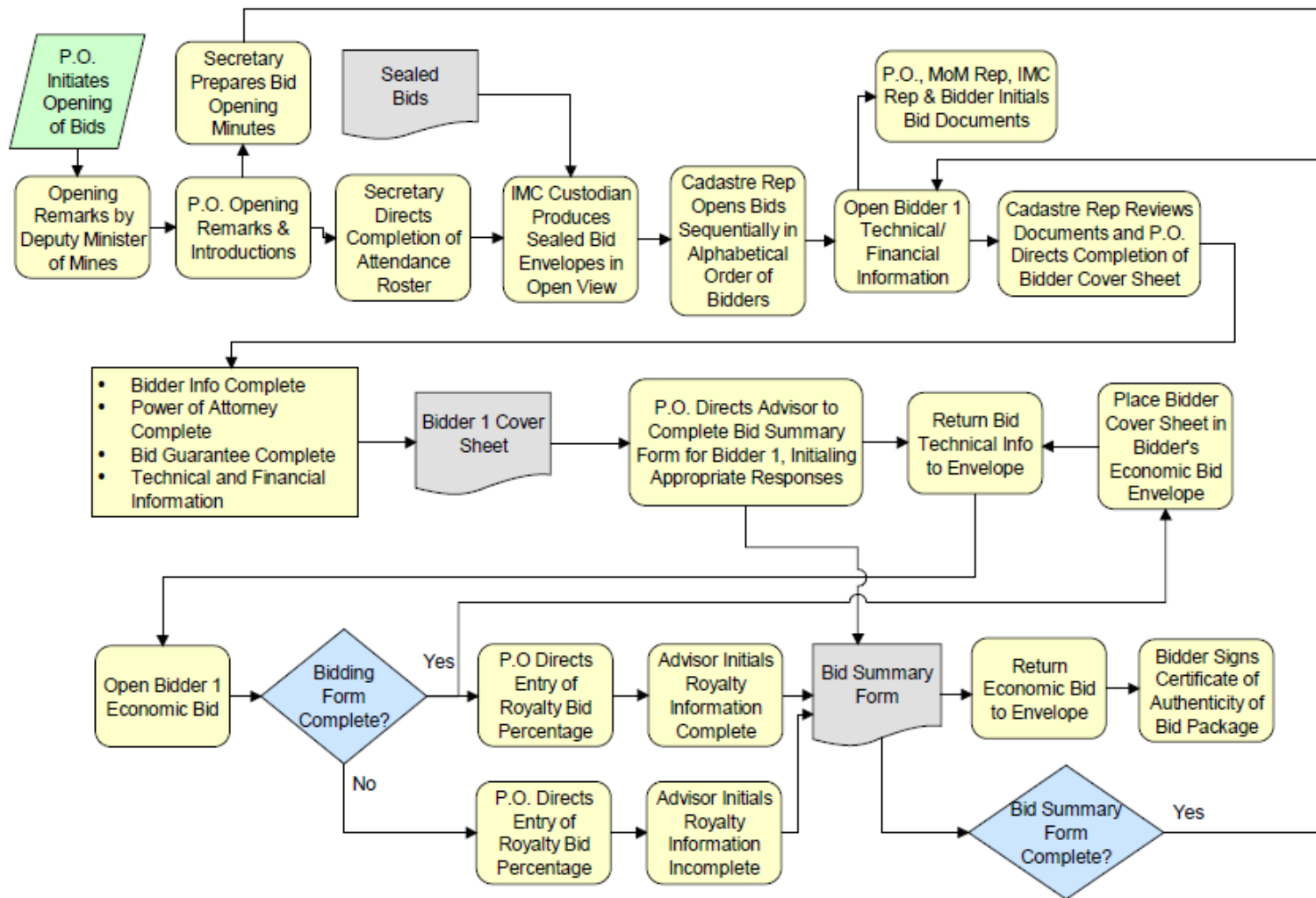
Deputy Minister of Mines, provided opening remarks and observed the opening of the first bid. The Independent Review Team observed the entire Bid Opening activity and recorded the processes. These processes are detailed in Figure 9.2.2-1.

*9.2.2. Bid Opening Process as Observed by the Independent Review Team*

Figure 9.2.2-1 presents the detailed processes used in Bid Opening for ADOT on July 4, 2011.



**Bid Opening Process As Observed Jul 4, 2011**



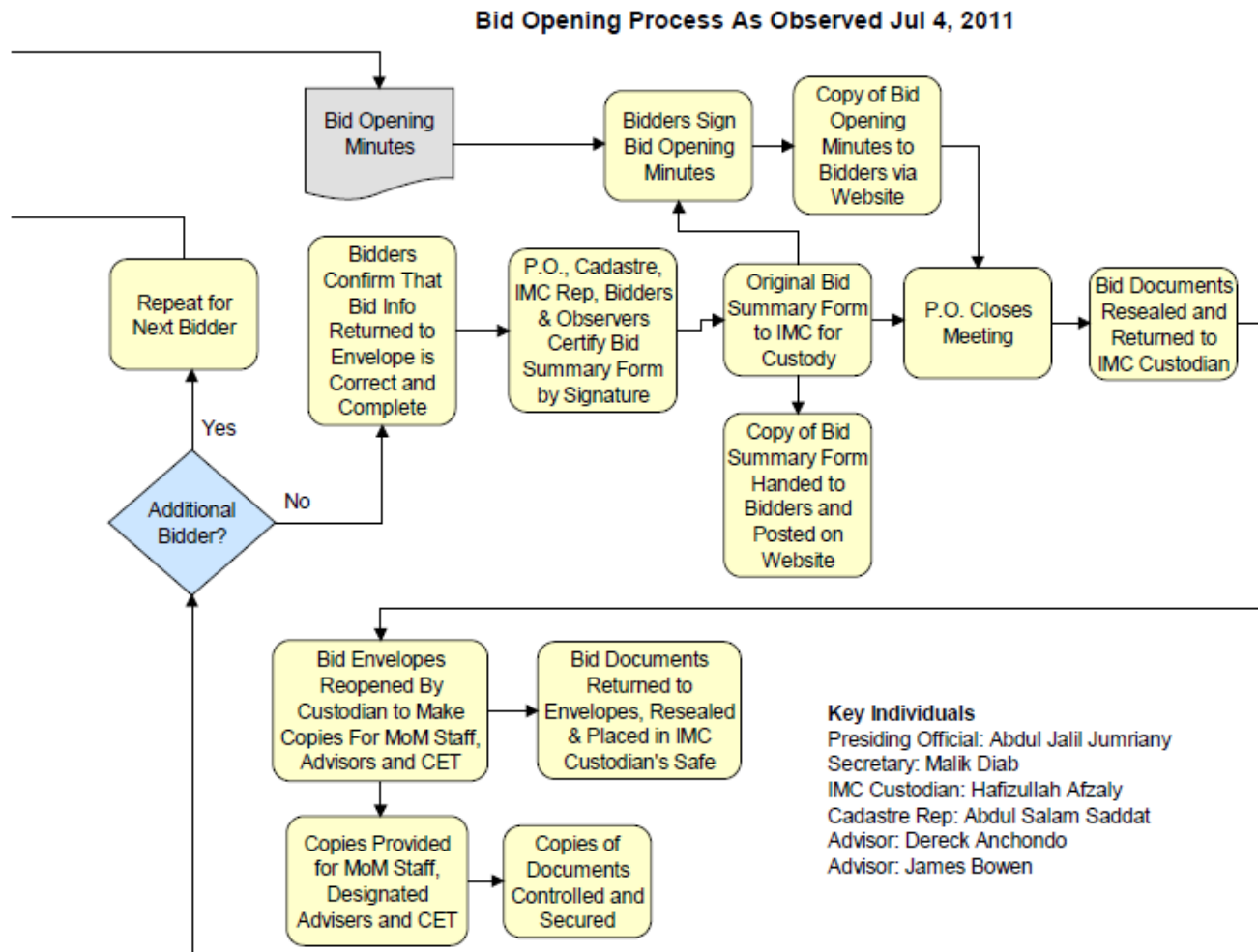


Figure 9.2.2-1: Bid Opening Process as Observed by the Independent Review Team



Important processes observed by the Independent Review Team with respect to transparency include:

- The IMC Custodian documented receipt of the bid packages
- Bid packages remained sealed and in the custody of the IMC custodian until officially opened in the presence of bidder representatives and the public
- The Bid Opening Secretary directed the completion of an attendance roster of all attending the Bid Opening
- The Cadastre Representative opened each bid package in public in alphabetical order of bidders as prescribed in the Tender Documents
- The Cadastre Representative reviewed the contents of each bid package and the Presiding Official directed the completion of the Bidder Cover Sheet indicating the presence of 1) bidder information, 2) power of attorney, 3) bid guarantee, and 4) technical and financial information as prescribed in the bid submission instructions in the Tender Documents. Bids that were incomplete were marked “incomplete.” Bids that did not meet all of the requirements of the bid instructions were accepted and declared non-conforming
- The Presiding Official, a MoM representative, an IMC representative, and a representative of the bidder initialed every page of the contents of the bid package
- Each bid was returned to the bidder’s original package and the Bidder Cover Sheet was inserted into the bid package
- After review of the bid technical/financial information and return to the bidder’s original package, the bidder’s economic bid (royalty) was opened and publicly announced and the royalty bid percentage inserted on the Bid Summary Form
- Each bidder was required to sign a Certificate of Authenticity of their bid package at the completion of the opening process prior to their bid being resealed
- A copy of the Bid Summary Form was provided to each bidder at the completion of the Bid Opening
- Bid Opening minutes were created and the bidders were required to sign the Bid Opening Minutes. A copy was provide to each bidder after the meeting via the ADOT Data Room
- Bid documents were resealed by the IMC Secretariat and returned to the safe in the MoM, maintaining chain of custody.

The Tender Documents did not require bidders to include technical and financial information previously provided in their EoI submission in their bid submission package. However, during the Bid Opening process there was not a clear method for the Cadastre Representative to know what EoI information had been previously submitted. The Cadastre Representative’s determination of completeness of bids (and subsequent evaluation of bid information by the CET) would have been aided by a Table of Contents and page numbering of the bid information, including the EoI information.

The Law, Regulations and the Tender Documents are silent on the subject of conforming and non-conforming bids. The concept of conforming and non-conforming bids as introduced in the Bid Opening resulted in confusion among several bidders as these terms were not contained in



the Tender Documents or instructions to bidders. See Section 9.3.3 for a discussion of this subject.

### **9.3. Bid Evaluation**

The Bid Evaluation process conformed to Article 21 of the Law and Article 8 of the Regulations.

#### **9.3.1. Key Features of the Bid Evaluation Process**

The Bid Evaluation process prescribed in the Tender Documents was in accordance with Article 15 of the Regulations and was supplemented by MoM written and informal accepted procedures and practices. Key features of the Bid Evaluation processes include:

- Evaluation of the bidder's technical and financial information by a Contract Evaluation Team (CET) specifically designated for the ADOT by the Minister of Mines in accordance with Article 21 of the Law
- The CET membership was designated in writing by the participating Ministries of the IMC
- CET members signed a Conflict of Interest Disclosure prior to participation in the evaluation. The statement was a recommendation by the Independent Review Team that was accepted and implemented prior to the first CET meeting
- MoM designated in writing a Bid Analysis Team (BAT) to provide technical advice to the CET. BAT members signed a Conflict of Interest Disclosure Statement prior to participation in the evaluation. Written designation of the BAT and implementation of the Conflict of Interest Disclosure Statement was a recommendation by the Independent Review Team that was accepted and implemented prior to the first CET meeting.
- The protocol for Tender scoring was prepared by the MoM with advice from the ADOT Team and approved by the IMC for use by the CET (described in Section 9.3.4.1)
- The financial implications of each bid was evaluated using the Economic Model designated by the Minister of Mines (described in Section 6.2) to ensure a consistent comparison and better understand the implications of the bidder's work plan on revenues to GI-RoA. The revenue analysis for each bidder was prepared by the BAT and included in the bidder's package
- The CET evaluated the bidder's information as submitted as well as information in the public domain relative to the bidder's public record
- Bidders were asked by the CET to clarify their bids through specific questions and responses by bidders. Bidders were allowed 7 days for responding. Individual bidder's information was protected during the question and response process
- The CET met regularly during the period July 6-9 and July 18-24 (the pause July 10-17 was for bidder response to questions). The Independent Review Team observed a sampling of the CET meetings including the final preparation of the recommendations for the IMC. The CET appeared diligent in their efforts to understand the strengths and weaknesses of each bid, asking pertinent questions and requesting additional information
- The CET was regularly informed of the requirement to maintain confidentiality of the discussions, and to not discuss the proceedings outside of the CET meeting room



- The IMC Secretariat was required to secure the bid documents at the end of each CET meeting and this was observed by the Independent Review Team at sampled meetings
- The CET Formal Review began with *conforming bids*<sup>7</sup> (one) designating the one conforming bid the best conforming bid; and then *non-conforming bids* (three) and selecting the best non-conforming bid with a ranking of the non-conforming bids. Scoring was consistent with the Tender Scoring Protocol, and the final score for each bidder determined by consensus of the CET members
- Bidder evaluation scores were recorded on the CET Summary Form
- The CET prepared a Final Report and Summary with recommendations for the IMC on July 29, 2011
- A written protest was received by the Minister of Mines on August 2, 2011 (see Section 9.3.2 for a detailed discussion)
- The CET made presentations to the IMC on August 5 and August 16; and the IMC approved the CET recommendations on August 16
- The IMC presented the recommendations to the Council of Ministers (Cabinet) on August 22 and the Cabinet approved the recommendations and authorized the MoM to begin negotiations with the selected winner.

Article 21 of the Hydrocarbons Law specifies the CET announce the preferred bidder<sup>8</sup>. In MoM practice as directed by the Minister, the CET made recommendations to the IMC who in-turn made recommendations for approval by the Council of Ministers. The Council of Ministers approved initiation of contract negotiations by MoM. The preferred bidder is not declared the “winner” until approval of a signed contract by the Council of Ministers.

### 9.3.2. Formal Protest of CET Recommendations

The Minister of Mines received a formal letter of protest on August 2 from a former U.S. government official (similar letters were reported to be received by two other GIROA officials). The letter cited the specific recommendations of the CET which were not yet presented to the IMC. The letter questioned the evaluation process and results and urged higher scoring for one bidder. The Minister of Mines responded to the letter of protest on August 3, and received a response from the protestor the same day. On August 5, the Minister of Mines provided a final detailed response to the protest letter. The Minister determined that the protest was without merit. The protest letter and response were handled in a transparent manner and IMC members were apprised of all aspects of the protest.

The existence of the protest letter containing information confidential to the CET was evidence that information was obtained by the protestor from an individual who had access to the CET proceedings, scoring and presentation of recommendations.

While the breach of confidentiality was regrettable, the Minister of Mines and the IMC handled the protest in a transparent manner and the protest had no apparent impact on the decisions of the

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<sup>7</sup> See Section 9.3.3 for a discussion of conforming and non-conforming bids

<sup>8</sup> The Law written in Dari refers to “winner” while the unofficial English translation refers to “preferred bidder.” This inconsistency is accepted by the MoM and the IMC and preferred bidder is used.



IMC. The Independent Review Team was present for the discussions of the IMC on August 16 where the Minister of Mines and the Minister of Finance emphasized that the IMC not be influenced by political factors or information other than direct bid information and recommendations of the CET. While they acknowledged that political and strategic factors might be considered in selecting a winner these factors were the sole purview of the Council of Ministers (Cabinet) and not the CET and IMC.

While not directly observed, it was reported to the Independent Review Team that the protestor attempted to influence members of the Cabinet with no apparent success as the Cabinet approved the recommendations of the IMC without change on August 22, 2011.

### 9.3.3. *Conforming vs Non-Conforming Bids*

It is commonplace in large, complex mineral resource tenders for bidders to submit bids that do not strictly conform to the applicable tender documents, at the risk of rejection, but as a basis for further substantive negotiations. The Law, Regulations and Tender Documents<sup>9</sup> are silent on the subject and terms conforming and non-conforming bids. Article 16 of the Regulations provides that “Bids that are not responsive (contradicted) to the requirements set forth in the Hydrocarbons Law and the Regulations *may* be rejected ,” but does not require that such bids *must* be rejected. There appears to be no legal prohibition to the distinction of conforming vs non-conforming as an accommodation to allow bids to be considered, notwithstanding that they do not in all respects meet the requirements of the Law, Regulations, or Tender Documents. It appears that consideration of such bids is discretionary on the part of the CET as established by common practice.<sup>10</sup>

The conforming vs. non-conforming concept was formally introduced in the Tender Scoring Protocol and used by the CET in the Bid Evaluation process described in Section 9.3.4. The terms conforming and non-conforming are not defined in the Tender documents, and there is no description of what makes a bid non-conforming. The consequences of a non-conforming bid are not prescribed in the Tender Documents. For example a bid without a bid guarantee, a bid proposing different contract terms, and a bid with incomplete information were declared non-conforming bids. The CET had no specific standards or procedures for evaluating or scoring non-conforming bids, except as provided in Article 16 of the Regulations cited above. The Tender Scoring Protocol, which provided a scoring format and provided that consideration of non-conforming bids was discretionary, was approved by the Minister of Mines and the IMC.

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<sup>9</sup> In discussion with advisors to the MoM, the Tender Documents were intentionally silent with respect to bids that did not conform in every respect to the Tender Documents, so as not to encourage nonconforming bids. In practice, this omission did not deter the bidders from submitting nonconforming bids, as three of the four bids received did not conform in every respect to the Tender Documents. In discussion with advisors, this is not unexpected in international natural resource tenders, particularly in frontier regions.

<sup>10</sup> This appears to be a material difference between bid evaluation under the Hydrocarbons Law and bid evaluation under the Procurement Law (which does *not* govern hydrocarbons tenders). Under the Procurement Law, it does not appear that the CET would have had the discretion to adopt a procedure to consider bids that did not conform in every material respect with the Tender Documents.



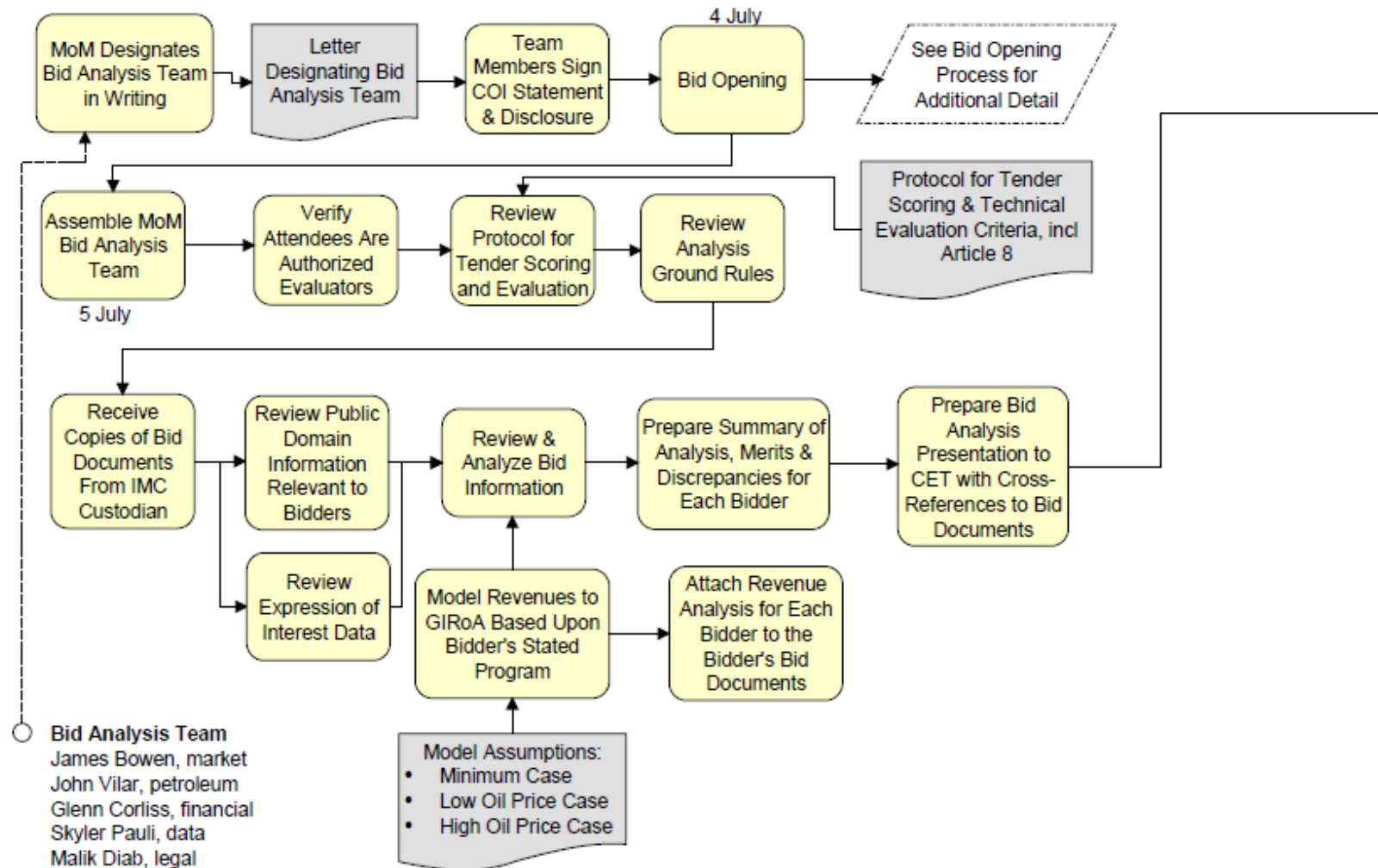
In this tender, the CET's consideration of nonconforming bids did not change the ultimate outcome, as the high bidder, CNPCI, was also the sole conforming bidder. However, if the nonconforming bids had all been rejected, there would have been no alternative bidder, which could have harmed the MoM's negotiating position in completion of the final agreement with CNPCI.

#### *9.3.4. Detailed Bid Evaluation Process Map*

The Bid Evaluation Process employed by the CET, MoM and IMC conformed to Article 15 of the Regulations and was thorough and contained specific transparency processes and controls as indicated in detailed process map in Figure 9.3.4-1. The process map records actual dates of activities where appropriate.

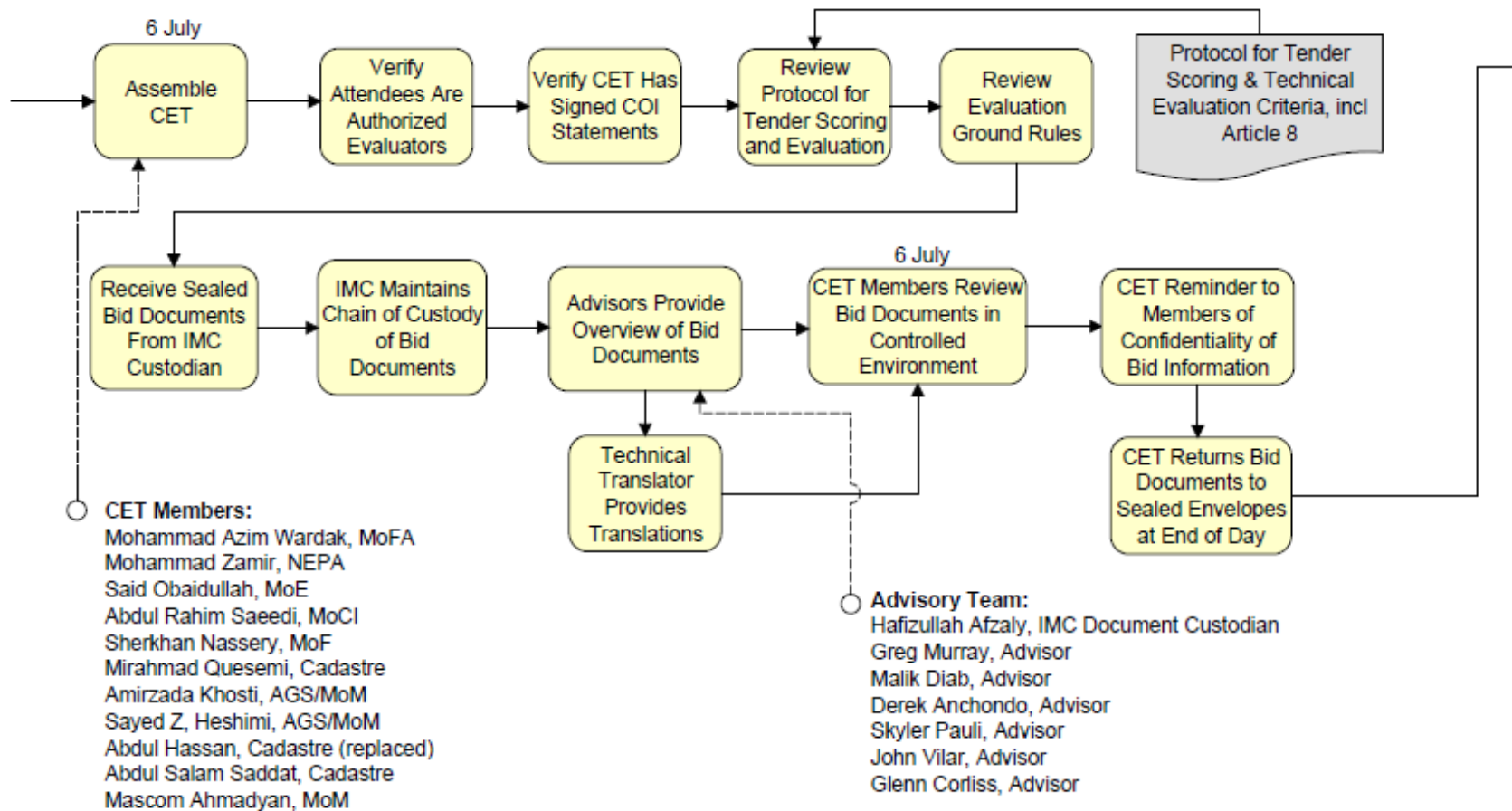


### Amu Darya Oil Tender Bid Evaluation Process



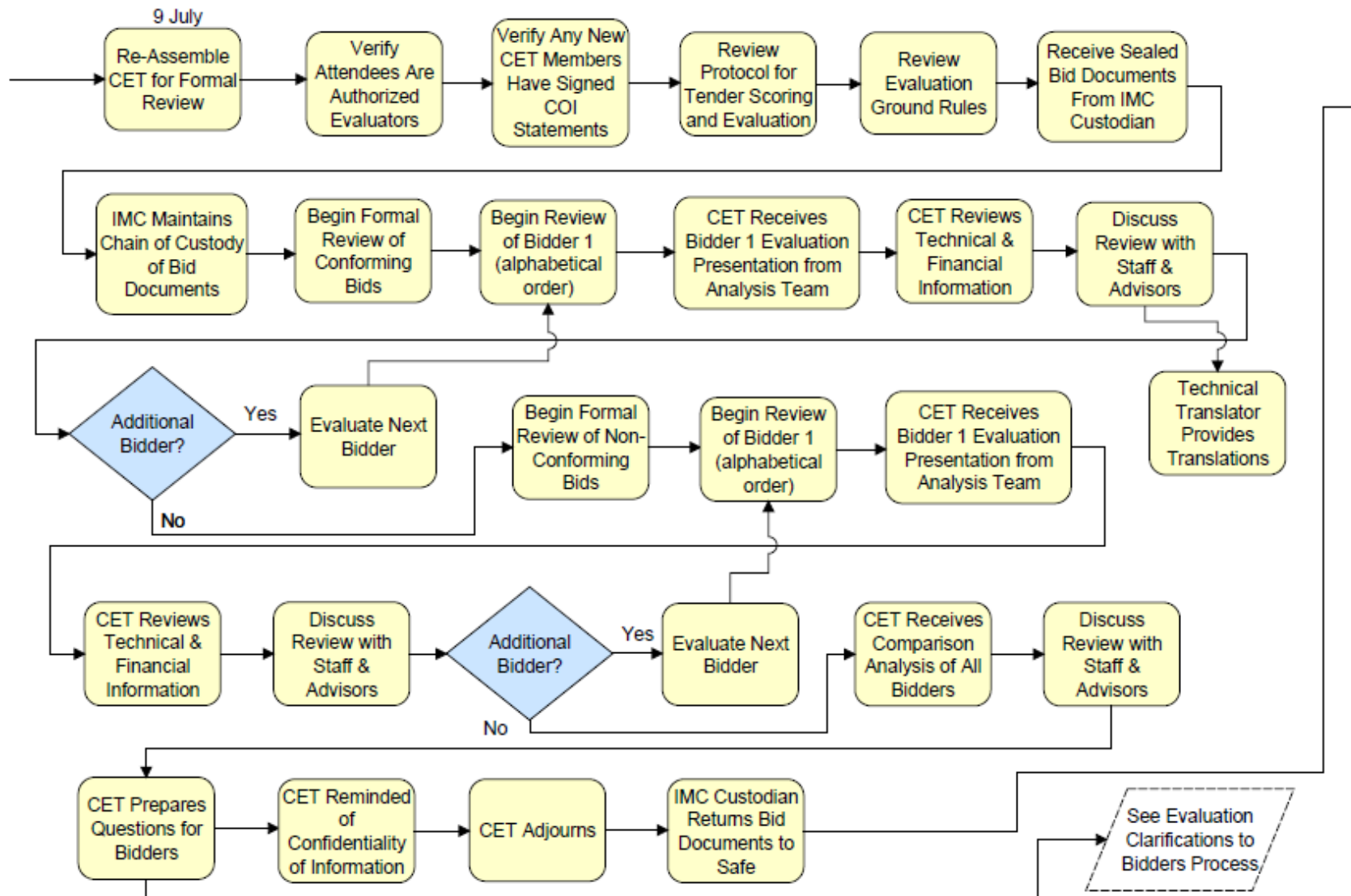


### Amu Darya Oil Tender Bid Evaluation Process



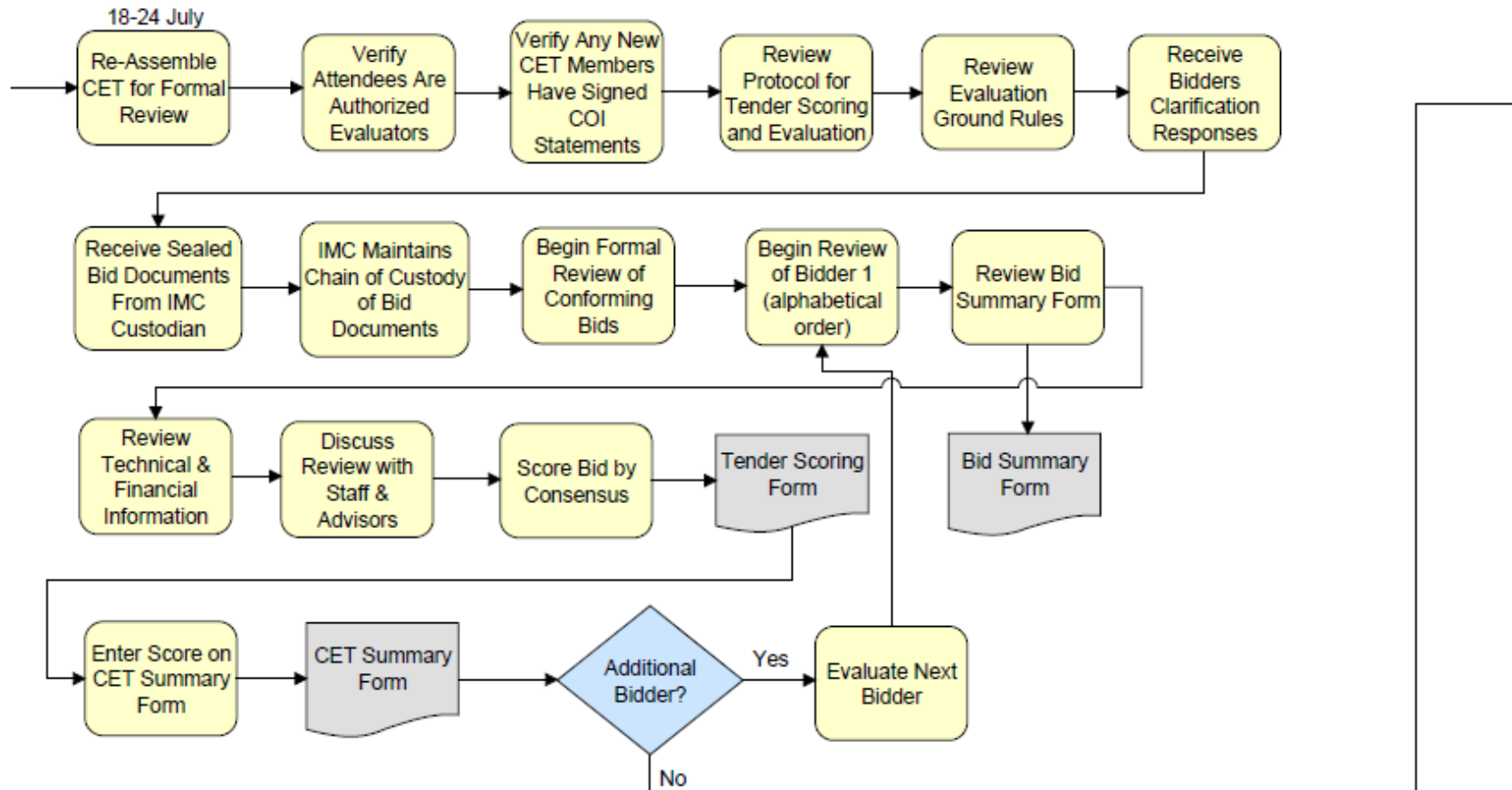


### Amu Darya Oil Tender Bid Evaluation Process



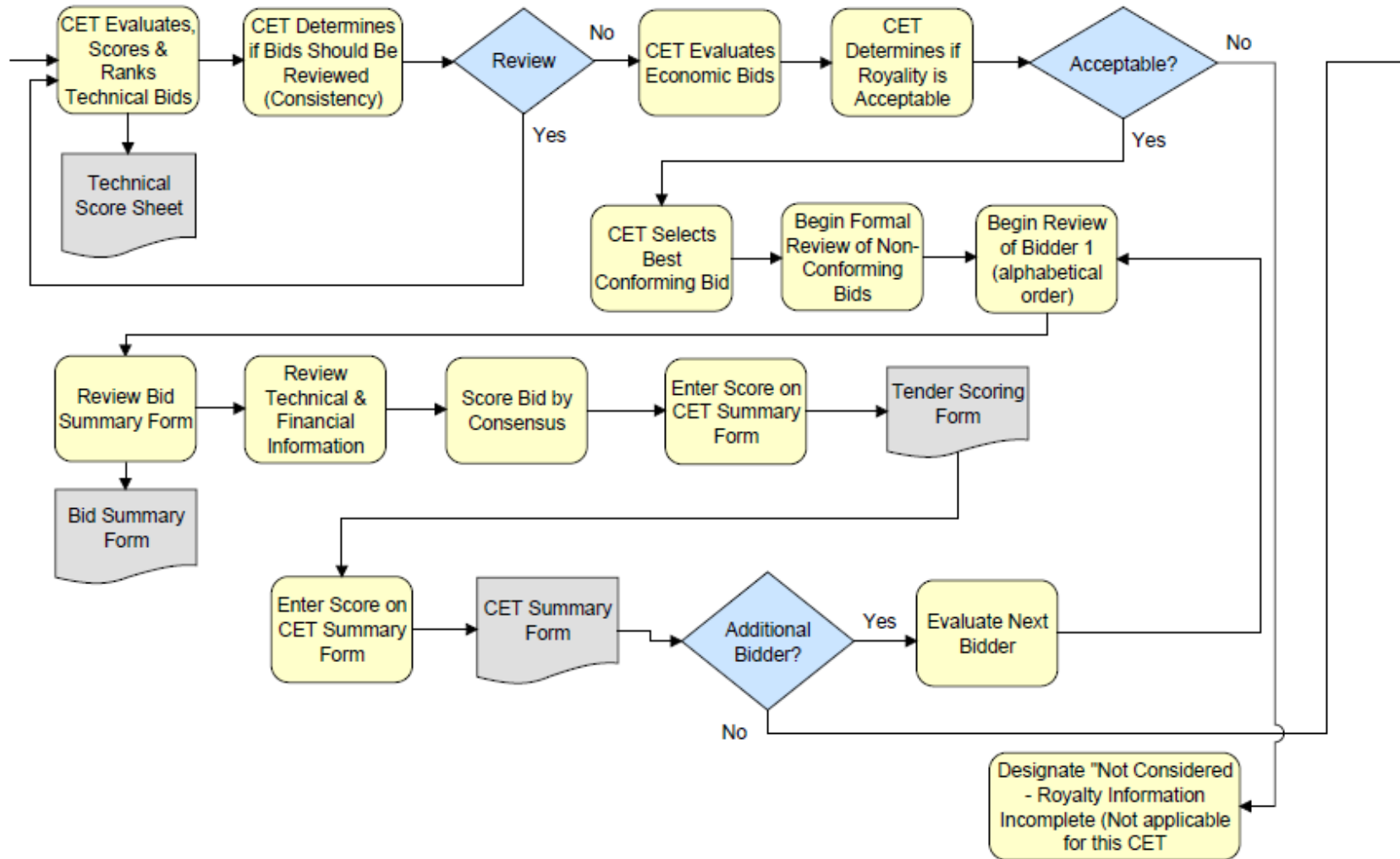


### Amu Darya Oil Tender Bid Evaluation Process



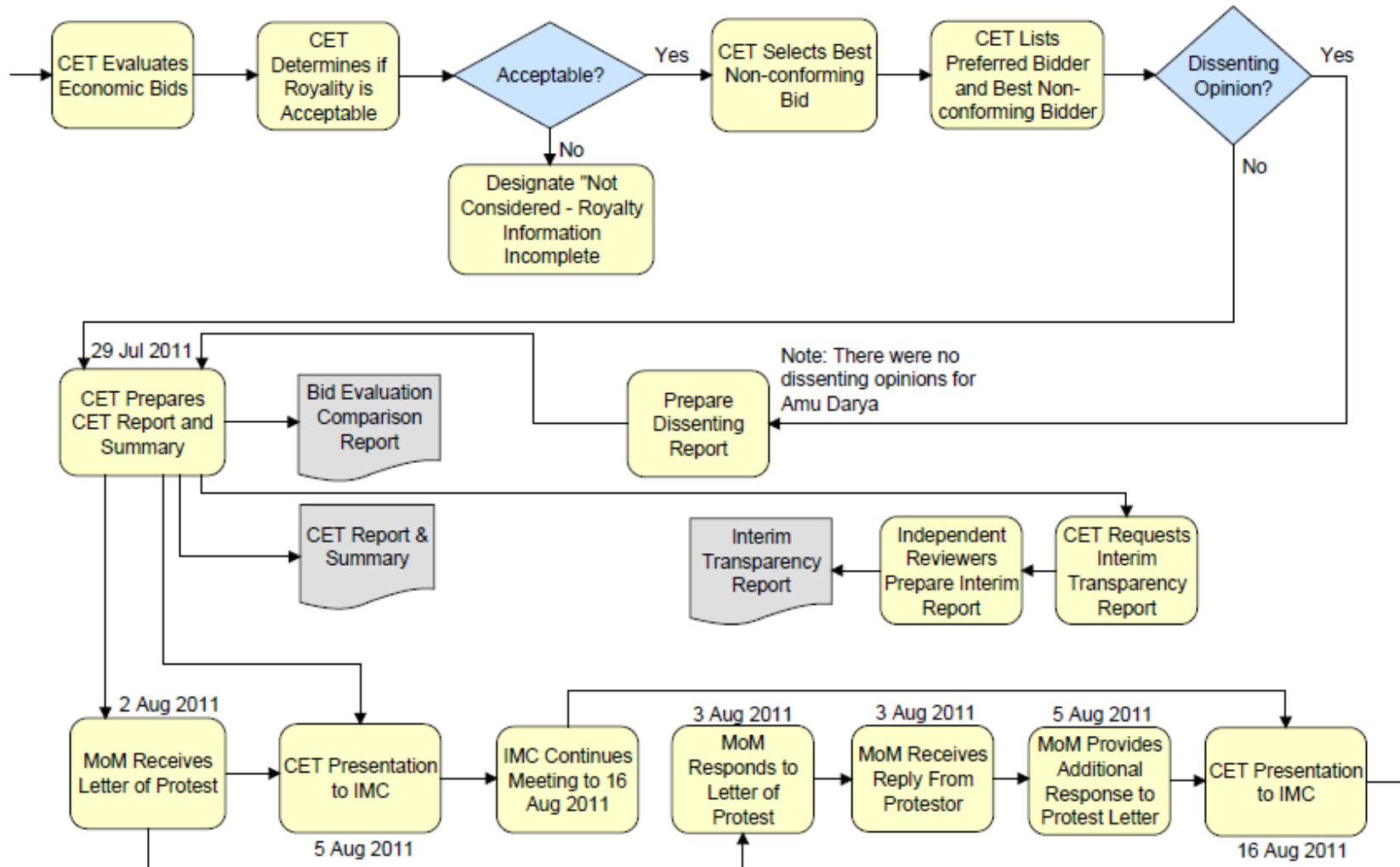


### Amu Darya Oil Tender Bid Evaluation Process



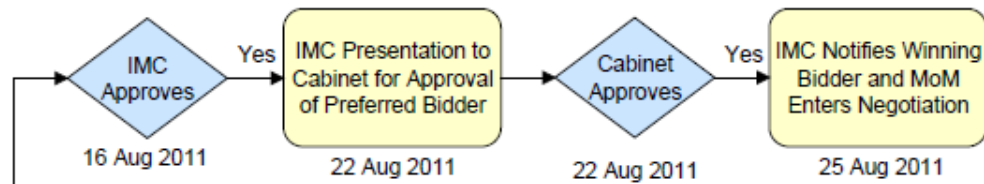


### Amu Darya Oil Tender Bid Evaluation Process





### Amu Darya Oil Tender Bid Evaluation Process



See Overall Tender Process for Additional Details

Figure 9.3.4-1: Bid Evaluation Process



## **10. Preferred Bidder Selection, Negotiation of Contract, Award and Announcement of Winner**

The MoM and IMC implemented the requirements of Article 15, 17 and 18 of the Regulations in their prescribed process for selecting the preferred bidder and negotiating the contract for Amu Darya. The Minister of Mines directed additional collective decision making and approval steps to encourage broader GIRoA participation in the Tender process and improve transparency. The Independent Review Team findings are based upon the prescribed and observed processes contained in the Hydrocarbon Law and Regulations, in the Tender Documents and in the Minister of Mines directives.

### **10.1. Selection of Preferred Bidder**

- Subsequent to the Bid Evaluation process, the CET presented their recommendations to the IMC for endorsement on August 16. The Independent Review Team observed the presentation and discussions. IMC members were observed to be deliberative and thoughtful
- The IMC approved the CET recommendations at the meeting on August 16. The Independent Review Team observed the decision process among IMC members to be open and transparent
- The IMC endorsed the CET recommendations and presented the recommendations to the Cabinet (Council of Ministers) on August 22 and the Cabinet approved MoM entering negotiations with the preferred bidder, CNPC International, Ltd (CNPCI)
- A notice from the MoM was sent to the preferred bidder on August 25th which invited the bidder to attend discussions on September 14-16, 2011 in Kabul
- MoM issued a letter to CNPCI formally announcing their selection as the preferred bidder on September 14. This began the official 30-day period for contract negotiation and signing.

The Tender Documents prescribe 30 days for the preferred bidder to complete negotiations and sign a contract. Should the preferred bidder not sign a contract within 30 days, MoM *may* draw on the preferred bidder's bid guarantee and begin negotiations with the second highest scored bidder

### **10.2. Negotiation of Contract**

The initial negotiation meetings between MoM and CNPC International Ltd were held in the MoM conference room, 14-16 September. Negotiations were led by the Chairman of the CET, Director General Jalil Jumriany (MoM) and were attended by members of the CET, MoM personnel and selected members of the ADOT Team, CNPCI representatives, and local partner Watan Group representatives. Topics included:

- CNPC Ltd's proposed development program



- Review of Bid Documents
- Discussion of employee training plans
- Discussion of contractor qualification and training of Afghan subcontractors
- Community relations plans
- Discussion of refinery plans and GIROA cooperation
- Contract data and evidentiary requirements
- Review of first-year plans

Based upon discussions, the parties agreed that MoM would submit a draft EPSC to CNPCI by 22 September and CNPCI would respond with a marked-up draft by 4 October. The next meeting was set for 10-11 October.

At the 10-11 October meeting, the parties discussed remaining issues. Based upon legal concerns by both parties, CNPC International Ltd and Watan Group agreed to form an Afghan corporation (China National Petroleum Company International Watan) as the party to the EPSC with 75% ownership by CNPC International Ltd and 25% ownership by Watan Group.

On 12 October, MoM and CNPC International Watan (CNPCIW) agreed upon the EPSC and it was initialed by both parties. The EPSC provides for CNPCIW's commitment to:

- Minimum production requirements
- Royalty of 15%
- Formula pricing
- Minimum exploration program

Additionally, CNPCIW agreed to:

- Engage an international recognized, unaffiliated third party to provide selected services for oil well testing and drilling
- Develop a Procurement Manual that emphasizes use of local contractors, services and products
- Develop a long-range training plan for Afghan Nationals that encourages training and hiring of a local workforce
- Mobilize at least four drilling rigs or three drilling rigs and one set of 2D seismic equipment during the first contract year
- Begin work immediately on the third-party security assessment, competitive bid process for an international well servicing company, baseline environmental assessments and initial infrastructure development (logistics, facilities)

Also, each party agreed to sign letters of cooperation prior to formal EPSC approval for a refinery and for selected remediation activities.

CNPCIW officially requested the MoM assist start-up activities including third-party security assessment, access to land, assistance in facilitating visas, information related to historical and



archeological artifacts, customs assistance for equipment and meetings with the Northern Hydrocarbons Department.

### **10.3. Contract Approval**

Based upon the EPSC initialed by the parties, MoM submitted the contract to the IMC for approval on 16 October and it was approved on that date. The Independent Review Team witnessed the discussions and approval at this meeting. The IMC concluded that the EPSC provides the best potential for maximizing the oil revenues over the 25-year term of the contract.

The Government of the People's Republic of China requires its approval of the contract. The MoM initially agreed to extend the approval date by the PRC government to not later than 1 December. The MoM agreed in good faith to extend the bid guarantee date to 31 December to accommodate the PRC requirement.

*Note: This report is published in advance of the final approval by the Council of Ministers of the contract approved by the PRC, in order to be ready for dissemination concurrent with the public award of the contract anticipated for 27 December 2011. The report will be amended to include actual dates listed hereafter.*

Upon approval by the Government of the People's Republic of China on <date> the IMC submitted the EPSC and contract endorsement letter to the Council of Ministers for final approval on <date>. Upon approval of the EPSC by the Council of Ministers on <date)> the Council sent a contract approval letter to the IMC authorizing the Minister of Mines to sign the contract on behalf of the GIRoA. The Minister of Mines signed the EPSC on <date>. Documentation reviewed by the Independent Review Team indicates that the Contract approval process for ADOT conformed to the Law and Regulations.

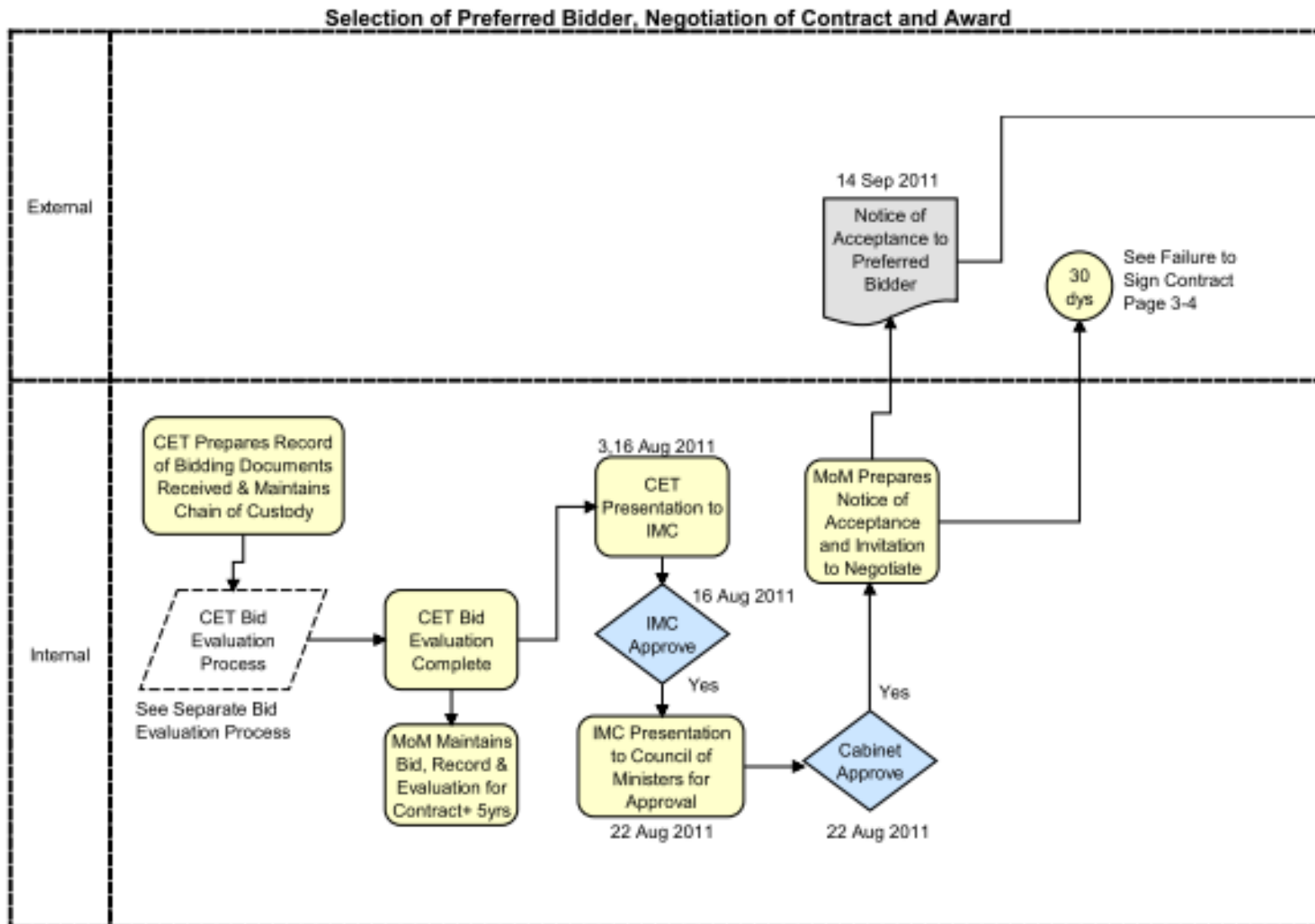
### **10.4. Notice of Award**

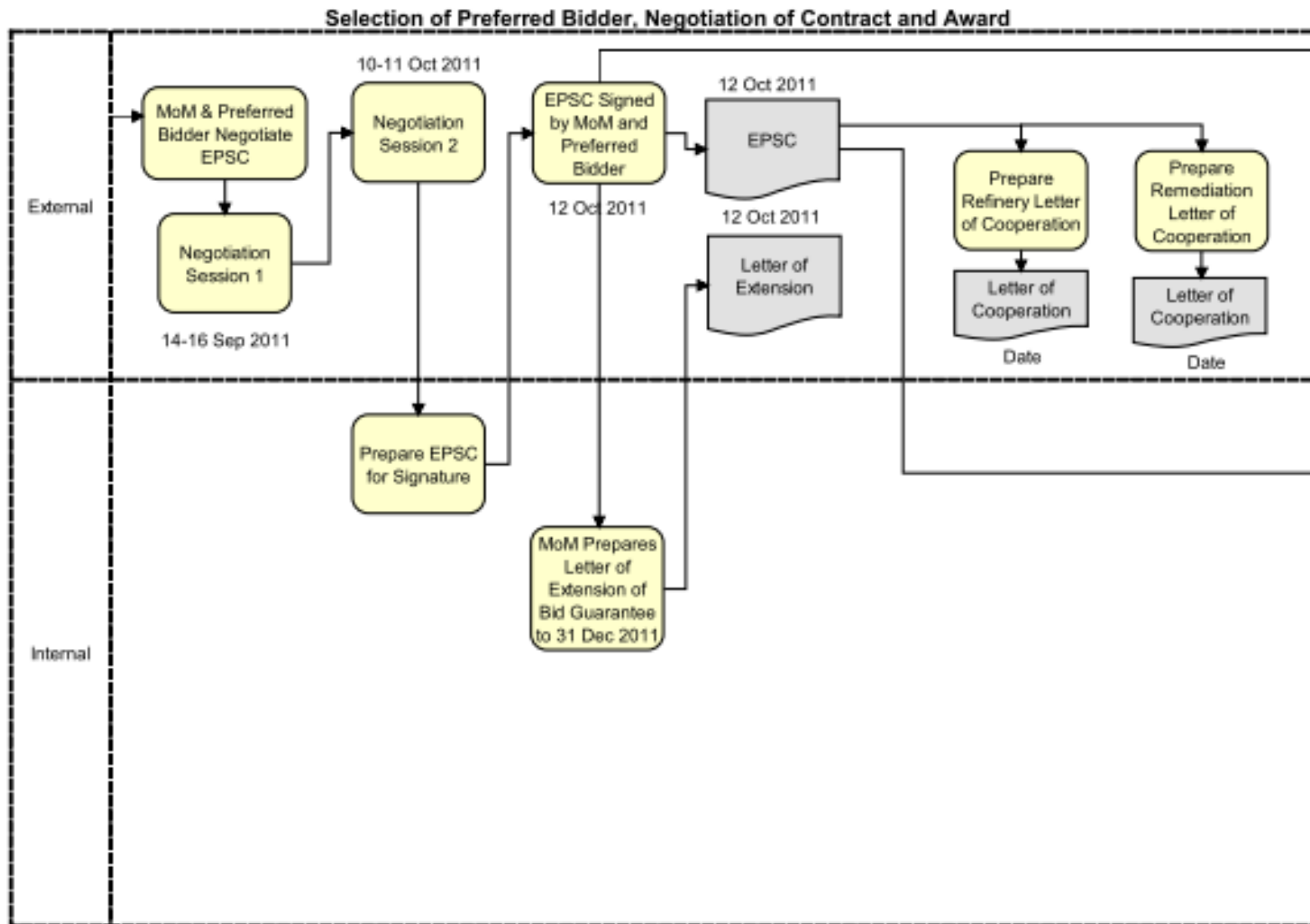
MoM prepared a Notice of Contract Award and published a public contract announcement through <list newspapers> on <date>. Simultaneous with the public announcement the MoM published the Independent Process and Transparency Review Public Disclosure document.

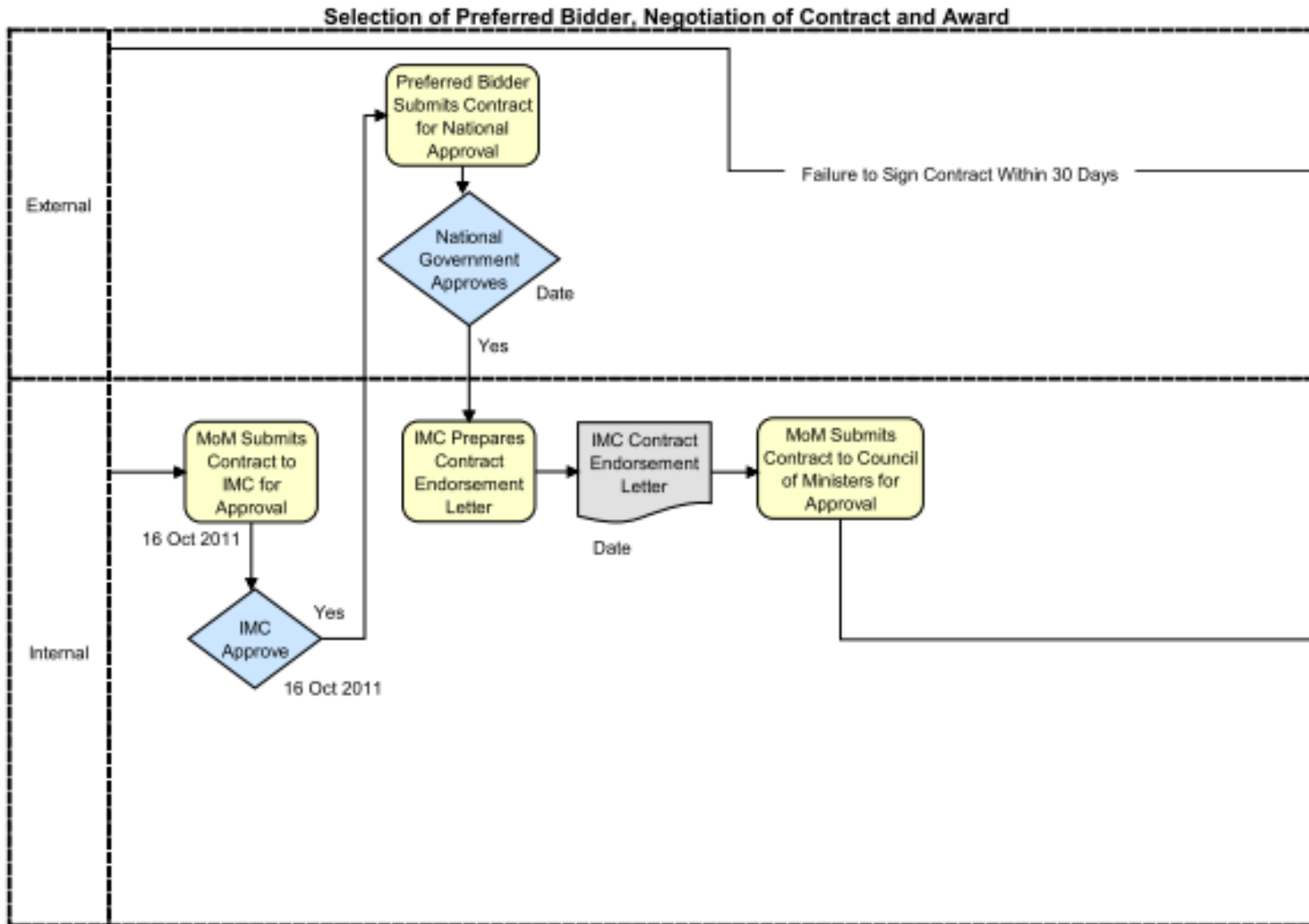
MoM is required to return the bid guarantee to losing bidders (for ADOT no other bid guarantees were actually submitted) and offer losing bidders an opportunity to request a written analysis of their bid evaluation subject to signing a confidentiality agreement.

The Cadastre is required to register the documents in the Hydrocarbon Register.

The Selection of Preferred Bidder, Negotiation of Contract and Award processes are summarized in Figure 10-1.

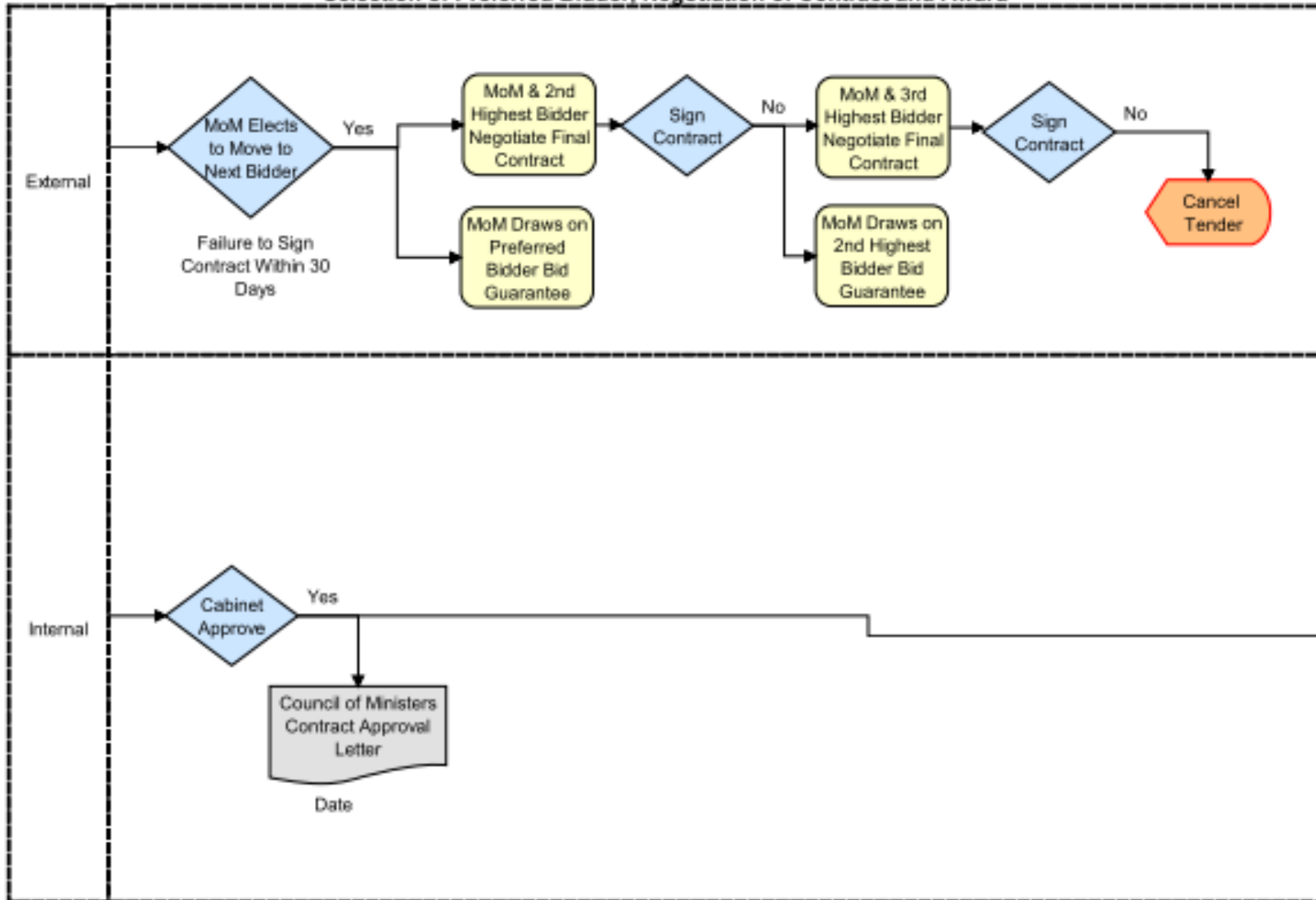








**Selection of Preferred Bidder, Negotiation of Contract and Award**



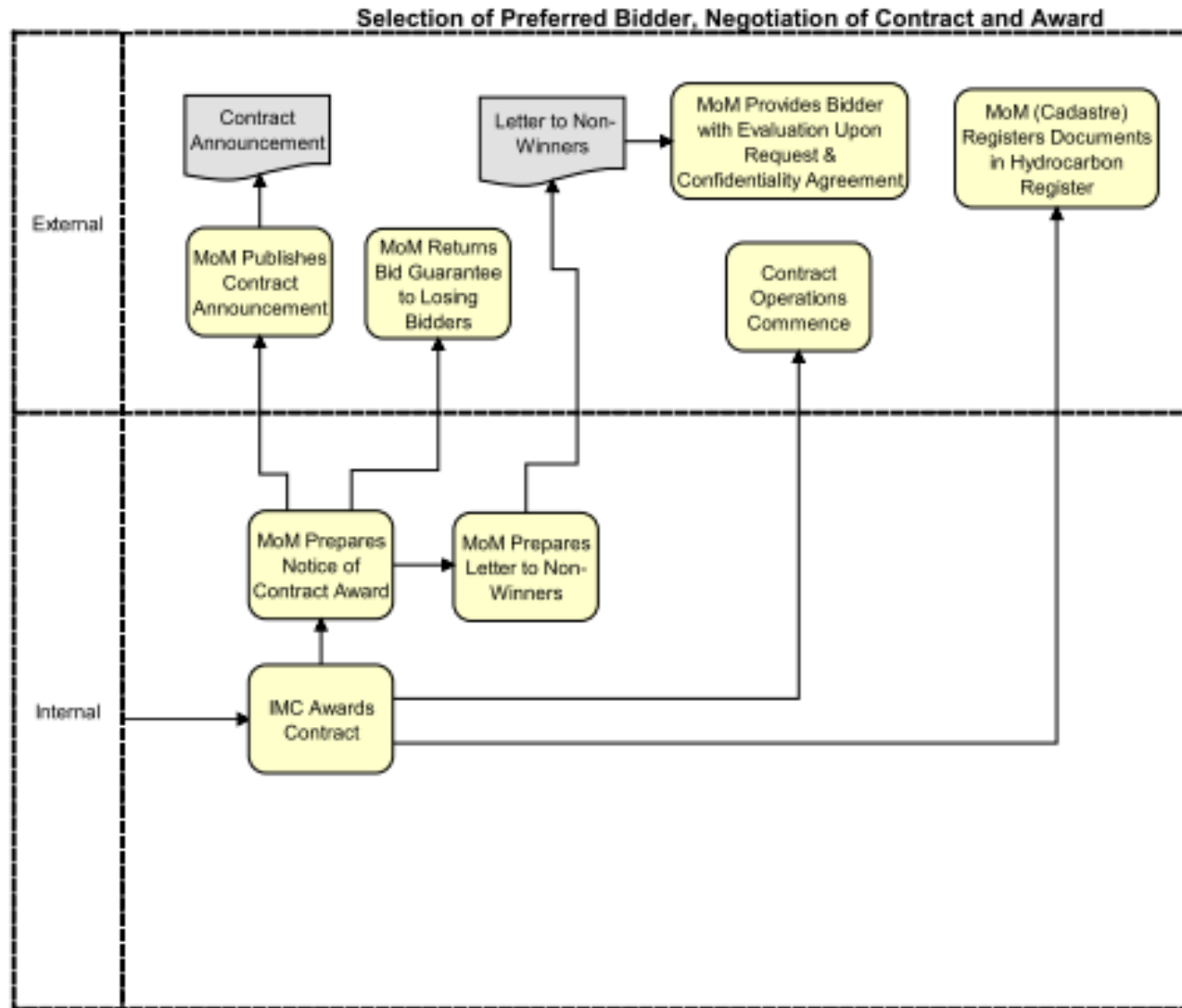


Figure 10-1: Selection of Winner and Negotiation of Contract Process Map

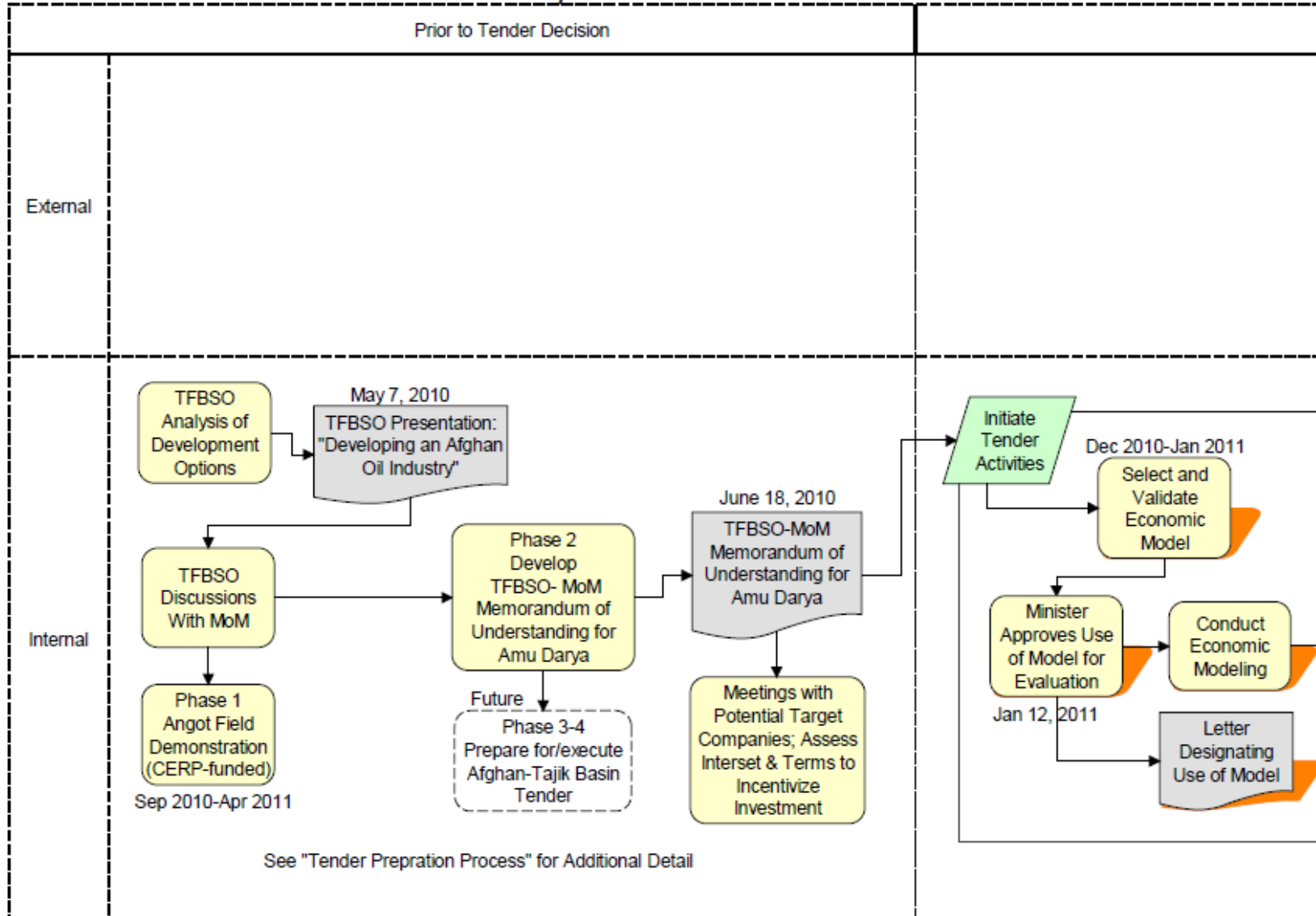


## **11. Summary of Process Review**

The Independent Review Team documented the ADOT processes contained in the Law, Regulation, Tender Documents and MoM and IMC practices. The creation of process maps with appropriate controls, decision points and execution dates provide a “picture” of the ADOT as it was planned and executed. Detailed process maps of selected process areas were presented earlier. The following process map provides a broad picture of the overall ADOT. Not all processes are represented in the overall process chart due to the volume of processes.

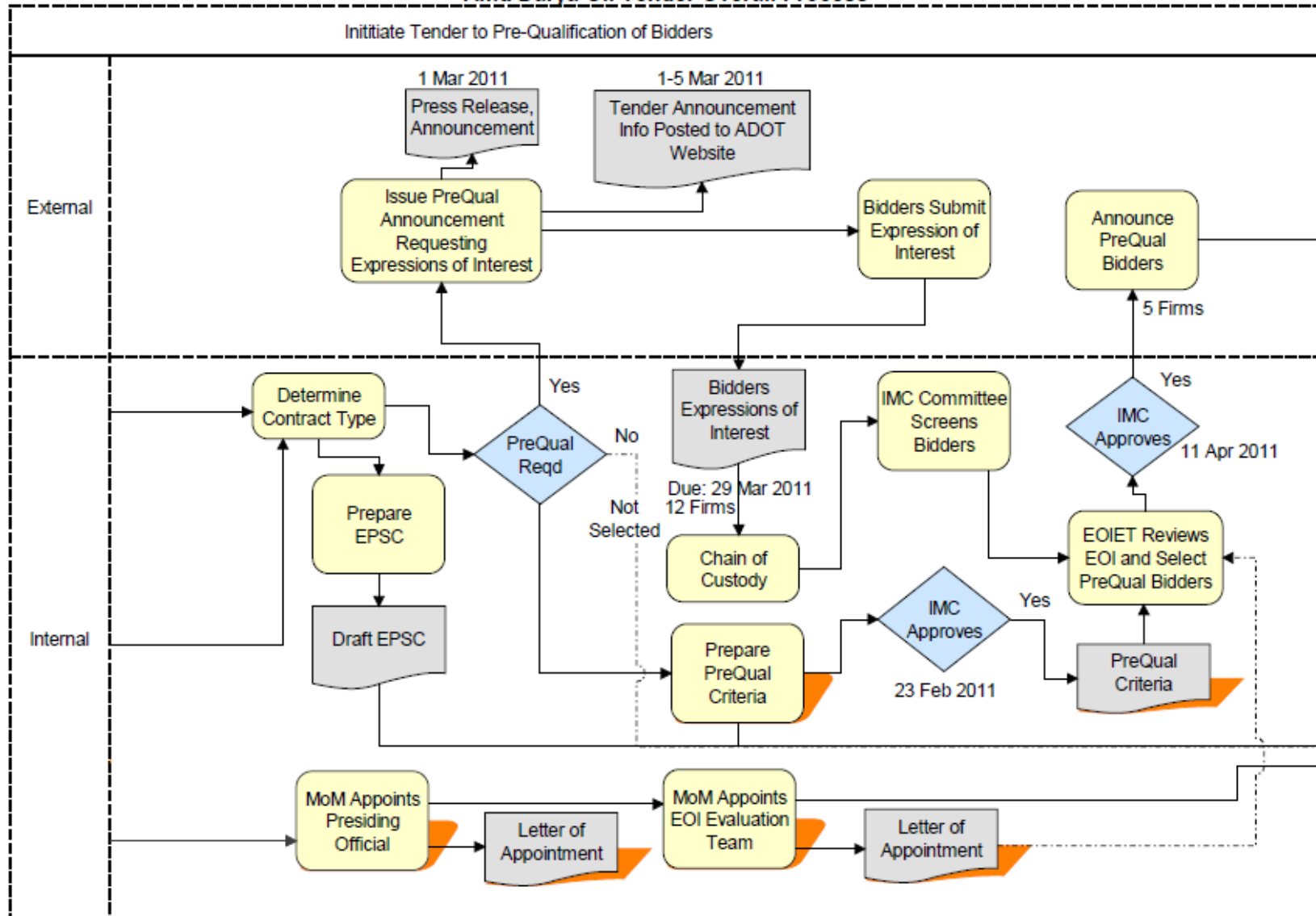


### Amu Darya Oil Tender Overall Process

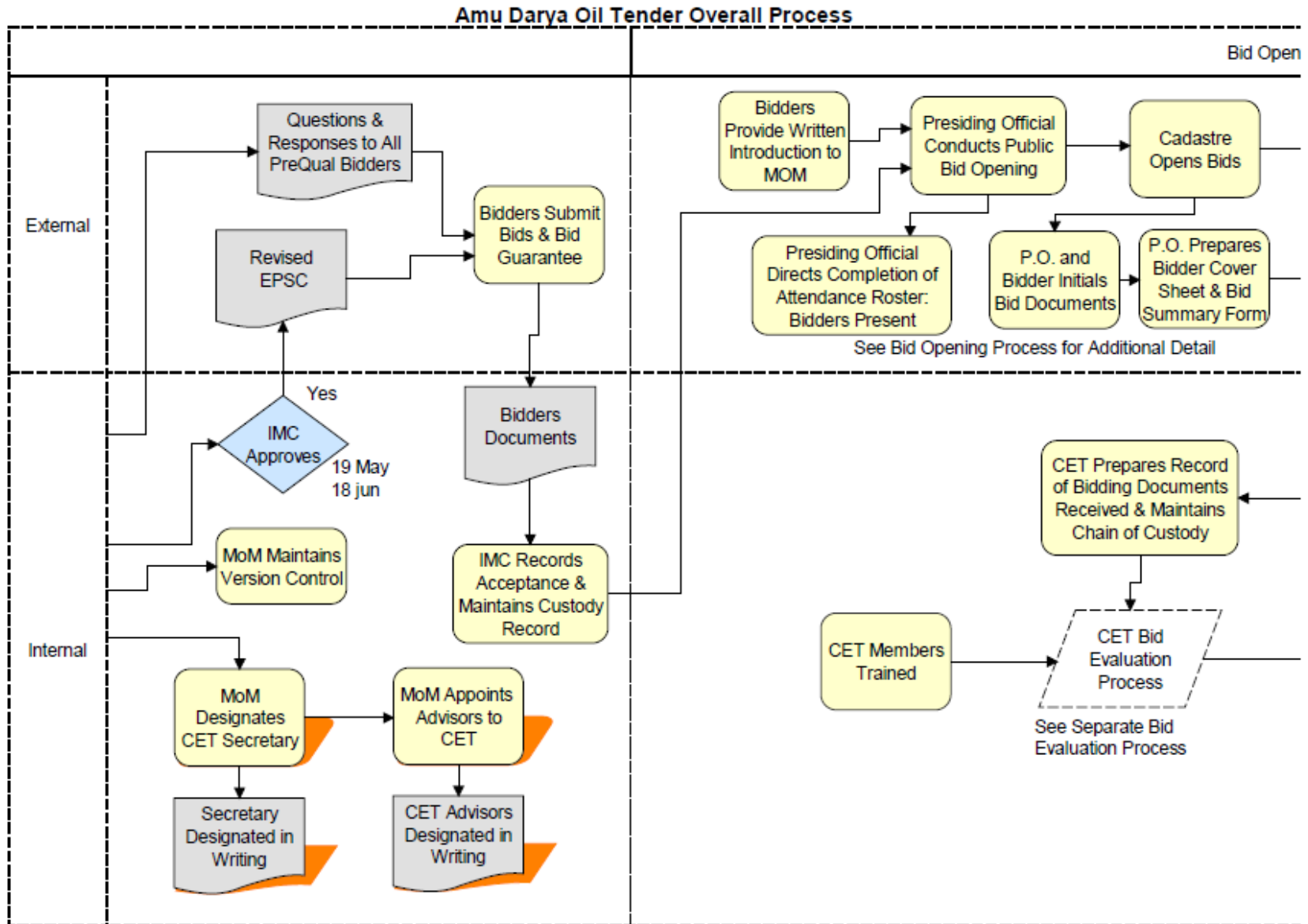




### Amu Darya Oil Tender Overall Process

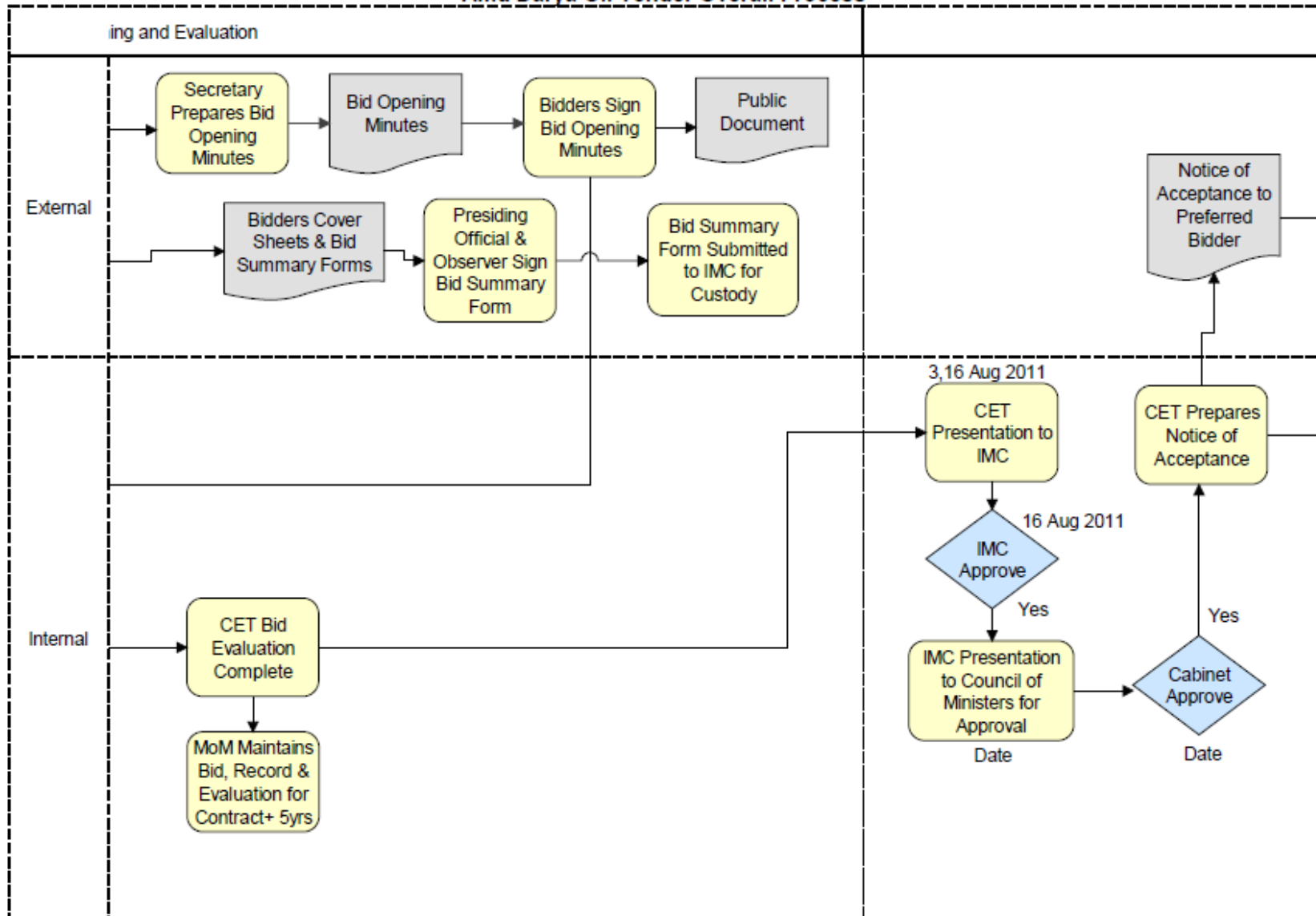






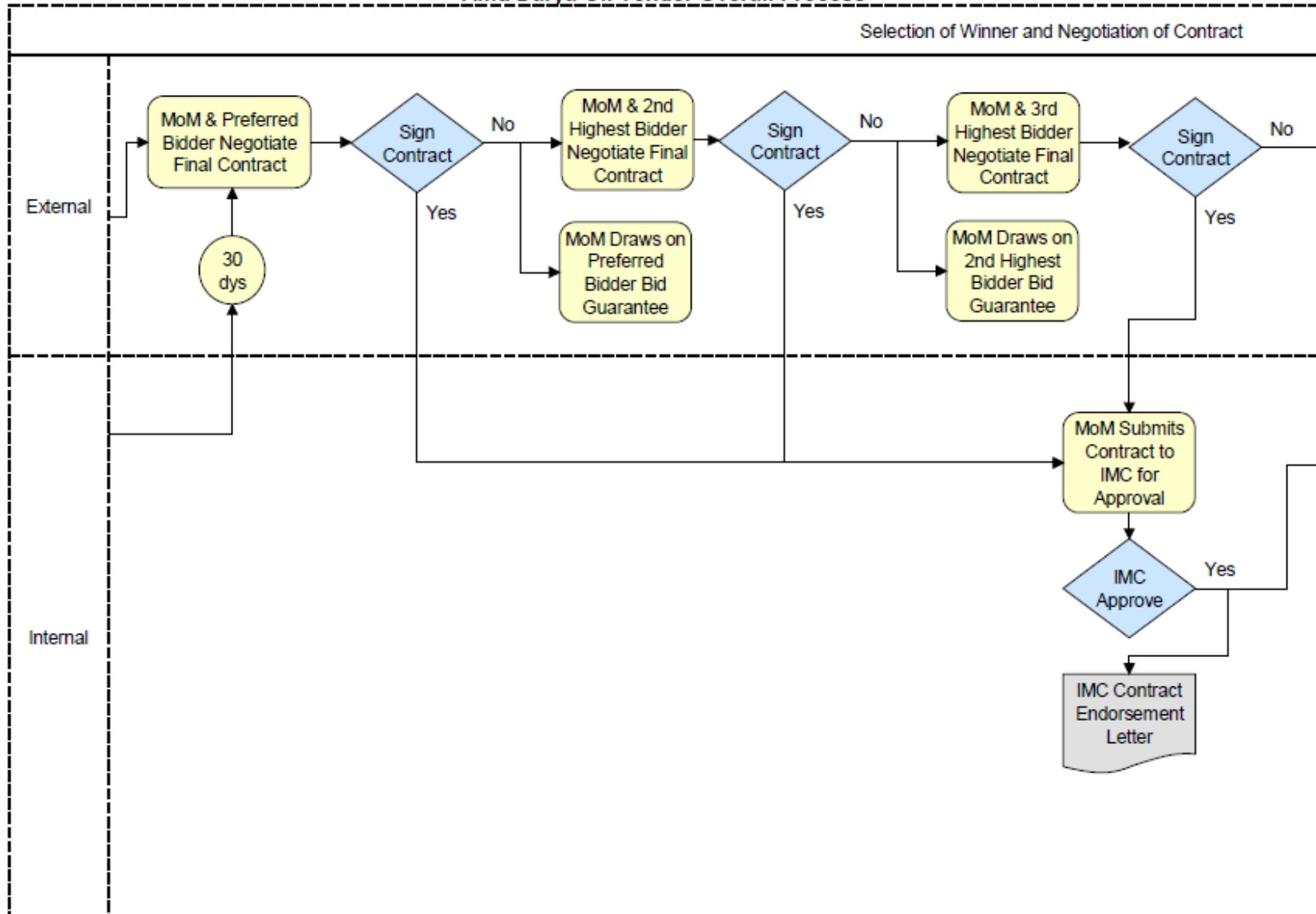


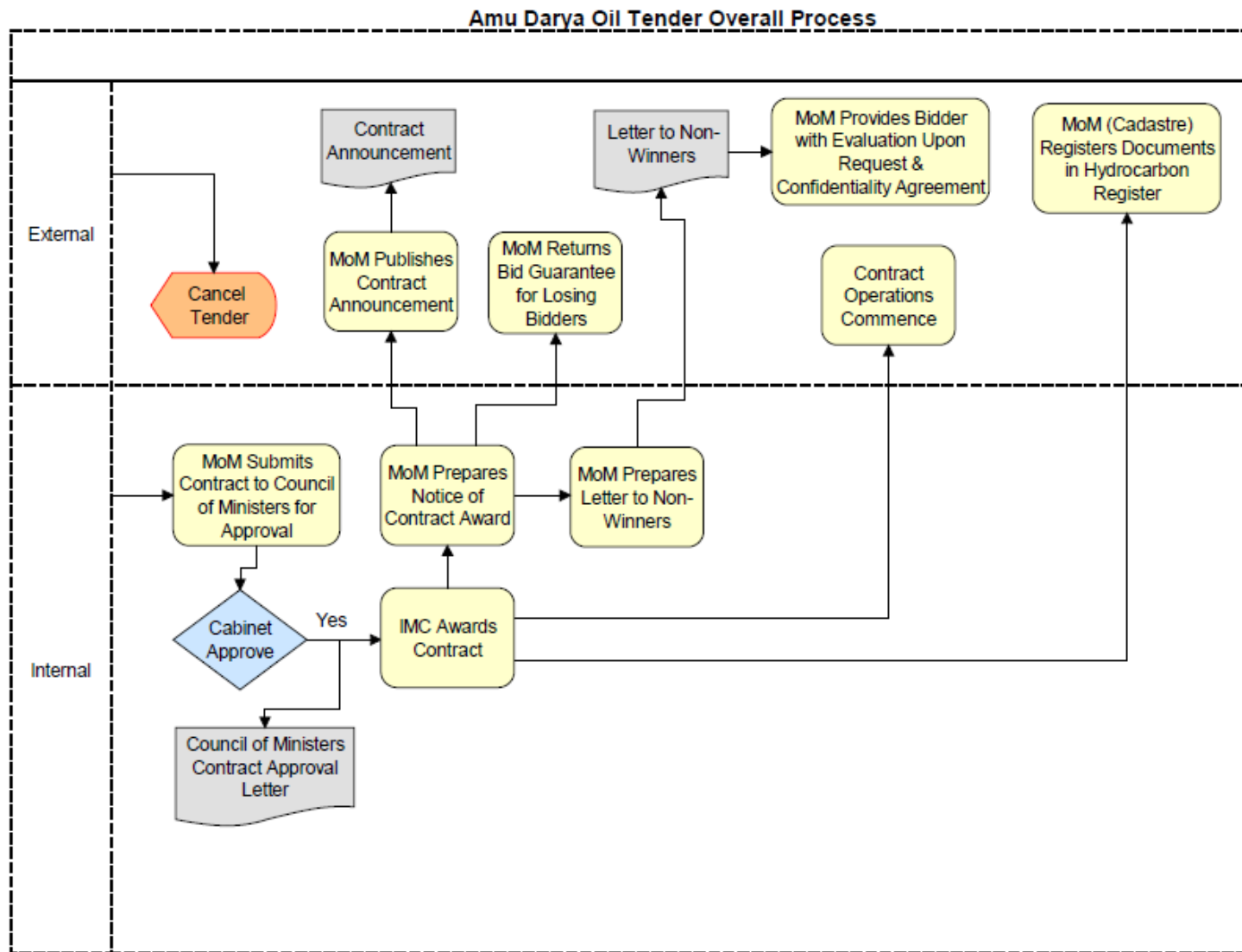
**Amu Darya Oil Tender Overall Process**





### Amu Darya Oil Tender Overall Process





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Prepared for the Government of the Islamic Republic of Afghanistan Ministry of Mines by TMG 2011

Overall Tender Process Ver1.igx

Figure 11-1: Overall Process

