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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

Contract No. EPP-I-00-03-00004-00, USAID Task Order No. AID-306-TO-12-00002

SGGA Monthly Report

Period: April 1 – April 30, 2014

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Acronyms and Abbreviations

ADB	Asian Development Bank
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
COO	Chief Operating Officer
DABS	Da Afghanistan Breshna Sherkat
DG	Director General
M/F	Male/Female
MEW	Ministry of Energy and Water
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
NEPA	National Environmental Protection Agency
OGS	Oil and Gas Survey
PMP	Performance Monitoring Plan
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TFBSO	Task Force for Business and Stability Operations
TPAO	Türkiye Petrolleri Anonim Ortaklığı (Turkish National Petroleum Corporation)
USAID	United States Agency for International Development

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

- Completed April Monthly Drilling Operations Progress Report.
- Revised the critical items checklist for Zabih Sarwari to guide him on where to focus most of his attention in the coming weeks.
- Reviewed and circulated comments on the Turkish National Petroleum Corporation (TPAO) chairman's response to Director General (DG) Jumriany's letter, which included comments requesting assistance in bringing the schedule into compliance with the signed contract. Prepared and submitted a draft response for DG Jumriany to rebut TPAO's contention that Ministry of Mines and Petroleum (MoMP) agreed upon the revised schedule.
- Circulated a letter to Jules Jordy, John Stich, and DG Jumriany describing background and options for dealing with TPAO delays in carrying out Juma-Bashikurd drilling and re-entry contract.
- Prepared memorandum to John Stich describing the current status of TPAO contract non-performance and reasons therefor to support his preparing a memorandum to the U. S. Embassy preparatory to embassy discussions with Turkish ambassador.
- MoMP completed application processes for importation and use of isotopes for well logging and importation and use of explosives for well perforation.
- Provided comments and recommendations to Zabih Sarwari regarding the poor quality of TPAO's monthly report.
- Prepared historical drilling contract documents for Ministry of Finance (MoF) to support its review of TPAO's tax and customs exemption status.
- Prepared draft letter with supporting documentation to the MoF for DG Jumriany requesting approval of tax and customs exemption requests for TPAO operations, and provided updates to United States Agency for International Development (USAID) regarding MoF staff refusal to process application for exemptions.
- Researched the Bashikurd well #9 data to verify sizing production casing in order to assist Afghanistan Petroleum Authority (APA) respond to a TPAO clarification request.

Environmental

- National Environmental Protection Agency (NEPA) approved MoMP application of certificate of environmental compliance for Juma-Bashikurd drilling and re-entry operations, USAID notified; MoMP advised to notify TPAO of approval and notify that Environmental Management Plan now has the force of law.
- Provided required certification of accuracy of required environmental scoping study to USAID.

1.2 Meetings

- 20 Apr 14, Met with Charles Drilling and John Stich from USAID to discuss response to TPAO contract delays, capacity building progress, cooperation with other USAID and other donor programs.
- 20 Apr 14, Met with Zabih Sarwari to discuss his trip to Sheberghan meetings with TPAO which continue to fail to produce schedule improvements. Discussed the necessity of promptly putting TPAO on formal notice of contract non-compliance issues.
- 21 Apr 14, telephone conference with Charles Drilling, John Stich, Julie Southfield and Wayne Register regarding USAID and APA meeting with MoF tax exemption department to discuss MoF refusal to issue tax and customs exemption letter for TPAO work under MoMP's contract, prepare follow up response to attempt to correct apparent misunderstanding about causes for TPAO's delays in performance.

- 27 Apr 14, Met with APA's Zabih Sarwari with updated critical items checklist and reviewed progress, primarily focused upon TPAO.
- 29 Apr 14, met with Z. Sarwari, Farid Karimi (APA), W. Register to discuss overall project operations with particular attention to TPAO progress under contract, MoMP Legal Department's review of TPAO's request to assign contract to its Afghan-registered subsidiary, status of Totimaidan block tender progress. Sheberghan Gas Generation Activity (SGGA) also explained it is satisfied with the new Juma 2A well placement, NEPA approval, and progress in other areas.

1.3 Challenges

- APA's Technical Director, Amirzada Khosti, revealed historical information that possibly indicates that twinning Juma well #2 does not provide the optimum well choice due to the water tables. SGGA does not have knowledge as to why Mr. Khosti withheld this historical information for the three years that the contract specifications have in existed.
- MoF continued to refuse to recognize tax and customs exemptions for TPAO for USAID funded work for MoMP despite ongoing efforts by MoMP, now joined by USAID.
- TPAO continued to be slow to perform in compliance with requirements of its contract with MoMP.
- MoMP continues to have difficulty in persuading the MoF's Tax Department of the tax and customs exempt status of TPAO despite presenting full documentation for the on budget program, including Implementation Letter No. 45-01 signed by the MoF. It is difficult to tell whether the refusal is out of ignorance of the on budget programs or for other motives. MoMP is elevating the issue to the MoF.

1.4 Plans for Next Month

- Follow-up with APA to determine status of sending out letters to TPAO requiring corrective action and required contract submissions.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Prepared draft announcement requested by USAID for conference to determine investor interest in gas processing and gas gathering operations in Sheberghan area.
- Prepared summary memorandum for DG Jumriany describing components of and funding for Sheberghan Gas Development Project (SGDP).
- Prepared and distributed a market research letter to international petroleum engineering firms to determine interest in conducting reserve studies for Sheberghan area gas fields. At the end of the reporting period, responses expressing interest had been received from four firms.
- Provided discussion paper on options for organization of APA to Z. Sarwari.
- Prepared a package of materials for returning Contracting Officer's Representative to review, focused upon the major correspondence and issues that transpired in April.
- Provided input to USAID's April SGDP Power Point update.
- Prepared a matrix for USAID to illustrate the current status of Implementation Letter 45-01's conditions precedent, as a review of their success since completion in the summer of 2012.
- Prepared and distributed twelve market research letters to the private sector as expressions of interest in preparation of a source list for an SGGA reservoir study of the Yatimtaq and Gerquduq gas fields.

2.2 Meetings

- 22 Apr 14, Conference call with USAID, including J. Stich and members of USAID's Office of Financial Management, as well as Mining Investment and Development for Afghanistan

Sustainability's senior management. Discussed their review of the conditions precedent and scopes of work of USAID contractors in light of the 2011 Ernst & Young MoMP Assessment; conversation ended up being more about Deputy Minister Hares' capacity development desires.

- 26 Apr 14, Teleconference with P. Stuart-Thompson regarding hiring audit of available field data preparatory to reserve studies.
- 30 Apr 14, Video Teleconference with USAID, Asian Development Bank (ADB) (including Manila staff), and US State Dept. regarding possible ADB support for power generation in Sheberghan.

2.3 Challenges

- It's proving difficult to accumulate quality well data to provide sufficient information to industry for companies to propose on a reservoir study; available data is old and missing information appears to be hoarded by some former engineers
- Locating Bashikurd Well #14 in order to site Juma 2A (between Juma 2 and Bashikurd 14) has proven difficult as it doesn't appear of maps and reports available to SGGA; on 23 Apr 14, an SGGA team sent from the Sheberghan office to explore for Bashikurd Well # 14 was turned back by TPAO security due to numerous insurgents supposedly occupying the Bashikurd gas field.

2.4 Plans for Next Month

- Complete draft request for proposals for gas reserve studies
- Organize efforts to collect data to support reserve studies

3 POWER SECTOR DEVELOPMENT SUPPORT

3.1 Achievements / Activities

- Completed the investigation of the excitation system and the governor specifications of the two AEG MS5001 gas turbines.
- Captured 100% of the historical data of two gas turbines into a database and performed calculations and analysis of the data.
- Reproduced the switching configuration layouts of the two gas turbines.
- Translated Da Afghanistan Breshna Sherkat's (DABS) "Four Year Operations Report" on the two gas turbines.
- Reproduced and published technical drawings, including a detailed structure map of Juma and Bashikurd, well-logging schematics, and intersection routes of Juma & Bashikurd wells using the northeast coordinates for the APA office.
- Provided electricity import pricing information to APA.

3.2 Meetings

- 5 Apr 14, met with Eng. Khalid, the DABS's generation units head, to get DABS's "Four Year Operation Report" on the two AEG MS5001 gas turbines.
- 15 Apr 14, met with the head of the DABS Northwest Substation to get the switching configuration layouts of the two AEG MS5001 gas turbines.
- 30 Apr 14, Met with the head of Kabul's Northwest Substation and the operational team of the two AEG MS5001 gas turbines; inspected the gas turbines, and discussed the feasibility of their transfer to Sheberghan.
- 30 Apr 14, Met with the deputy Chief Operating Officer (COO) of DABS to learn about North East Power System maintenance and the operation of the Tarakhail thermal power plant during winter.

3.3 Challenges

- No significant challenges reported during this period.

3.4 Plans for Next Month

- Prepare a Power Point presentation for DABS to explain the challenges of relocating the two AEG MS5001 gas turbines from Kabul to Sheberghan
- Meet with DABS COO, Eng. Shekeeb Nisar, to discuss the challenges of relocating the gas turbines and trainings for the National Load Control Center personnel
- Meet with DABS Corporate Manager, Mr. Khwaja Masood, to evaluate the approach for delivering the Power Point presentation on gas turbine relocation to other senior DABS personnel.

4 SHEBERGHAN OPERATIONS

4.1 Security Overview

- The security situation in Sheberghan has been quiet during the past week. No significant threats have been found directly to SGGA personnel or compound. Static and Personnel Support Detachment guards remain on high alert.
- During the past week, two incidents occurred between insurgents and Afghan National Police in Bashi Kot Village which is not in close proximity to project activities or workplaces and have no impact on project implementation

4.2 Activities

- On 24 April, Sheberghan experienced severe flooding leaving hundreds of people homeless, several people and numerous livestock died. SGGA has joined community groups and non-governmental organizations to offer help and via food, water and clothing aid for the victims.
- Collected photos and provided a site report on TPAO's road construction progress.
- Attempted to send Sheberghan-based staff engineers to field to obtain by Global Positioning System coordinates for Bashikurd well #14 at request of APA for purpose of establishing drilling location for Juma #2A, but were unable to complete work due to observed presence in the gas fields of groups reported to be insurgents.

4.3 Meetings

- None.

4.4 Challenges

- Reported presence of insurgent groups operating in the gas fields prevented SGGA's Sheberghan-based engineers were prevented from obtaining well coordinates needed for reference location for siting Juma #2A drilling. There is reason to believe that the supposed threat was a sham created by TPAO's security providers to convince of the need to hire additional security.

4.5 Plans for Next Month

- Continue to provide on-site support to MoMP as requested.

5 CAPACITY DEVELOPMENT

5.1 Achievements / Activities

- Provided make-up assessment exams for 58 Afghanistan Geological Survey (AGS) students that sought enrollment in SGGA's English language program, bringing AGS's total enrollment up to 200 students.
- Continued English education for APA, Afghan Gas Enterprise (AGE), and Oil and Gas Survey (OGS) and commenced five new English language courses to AGS.
- Continued petroleum engineering courses to OGS and AGE employees. The petroleum engineering courses focused on rotational well drilling, using swivels and Kelly hoses, handling high pressure gas, well testing, and cement plugging.
- Interviewed a candidate for gas processing instructor to assist in training Sheberghan-based operational staff in how to run the gas processing facilities constructed by Task Force for Business and Stability Operations (TFBSO).
- Held fruitful capacity development coordination meetings with Adam Smith International and TFBSO. Discovered that each organization plans to implement several contract finance and legal trainings for APA, which appears to eliminate the need for SGGA to implement trainings in those areas. In light of various trainings under implementation from the collective organizations, SGGA identified a clear area for collaboration in putting together practical simulations in which the international donors could role play with APA staff.
- Recruited a native English speaking instructor, H. Shokoor to instruct the advanced English courses for APA and AGS. Ms. Shokoor should begin teaching in early May 2014 among performing other duties for SGGA.
- Recruited A. Yazdani to instruct petroleum engineering and drilling oversight management in Sheberghan. Mr. Yazdani should begin teaching in early June 2014 once SGGA receives a work permit from the Ministry of Foreign Affairs.

5.2 Meetings

- 1 Apr 14, Met with B. Mercer to tour the Texas A&M campus to review facilities and discuss logistical options.
- 14 Apr 14, Met with Z. Sarwari and Z. Jaihoon to discuss capacity development progress, and the potential to promote master's degree program study.
- 14 Apr 14, Met with E. Dahlbom of TFBSO to discuss inter-organizational capacity development coordination.
- 15 Apr 14, Interviewed A. Yazdani as a potential petroleum engineering instructor for Sheberghan.
- 16 Apr 14, Met with Z. Jaihoon to update him on the progress of the petroleum economics, finance and accounting training.
- 20 Apr 14 Met with C. Drilling and J. Stich as part of SGGA's weekly meeting with USAID.
- 21 Apr 14, Met with P. Morgan from Adam Smith International to discuss capacity development coordination and scheduling. Discovered that Adam Smith plans to deliver several general contract finance and financial management components in its training program, which would eliminate the need for SGGA to implement those components.
- 22 Apr 14, Met with E. Dahlbom from TFBSO to follow-up on the meeting with Peter Morgan. Ascertained that TFBSO also plans several financial components as well as legal components over the next 6 months, which may eliminate the need for SGGA to implement the legal components of its training schedule.
- 23 Apr 14, Met with E. Dahlbom from TFBSO to gather insight and best practices for putting together an infrastructure development conference.

- 23 Apr 14, Teleconference with S. Halpern to discuss gas processing engineering candidates and also discuss how to organize the infrastructure development conference.
- 24 Apr 14, Conducted an interview of six candidates to serve the role of advanced English instructor for APA and AGS.
- 27 Apr 14, Met with E. Dahlbom, from TFBSO to discuss his views on which MoMP staff comprise the most qualified and appropriate candidates to attend the petroleum economics, finance and accounting trainings that SGGA plans to implement in Doha.
- 27 Apr 14, Met with Z. Sarwari and Z. Jaihoon to discuss SGGA's capacity development programming. Provided details about how some classes on finance and law would be dropped due to a duplication of effort that would occur from Adam Smith International and TFBSO undertaking instruction in the same disciplines.
- 30 Apr 14, Teleconference with Khader Aldakhil to interview him as a gas processing instructor candidate.

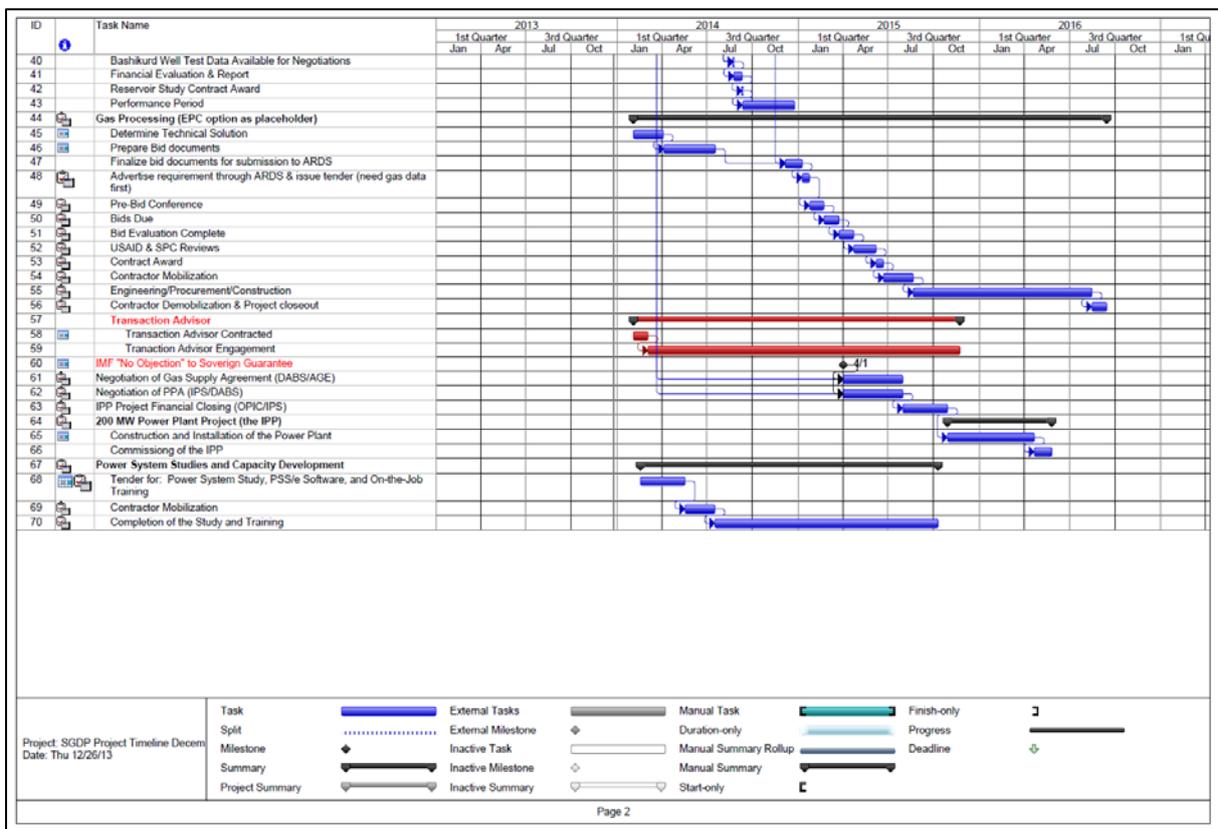
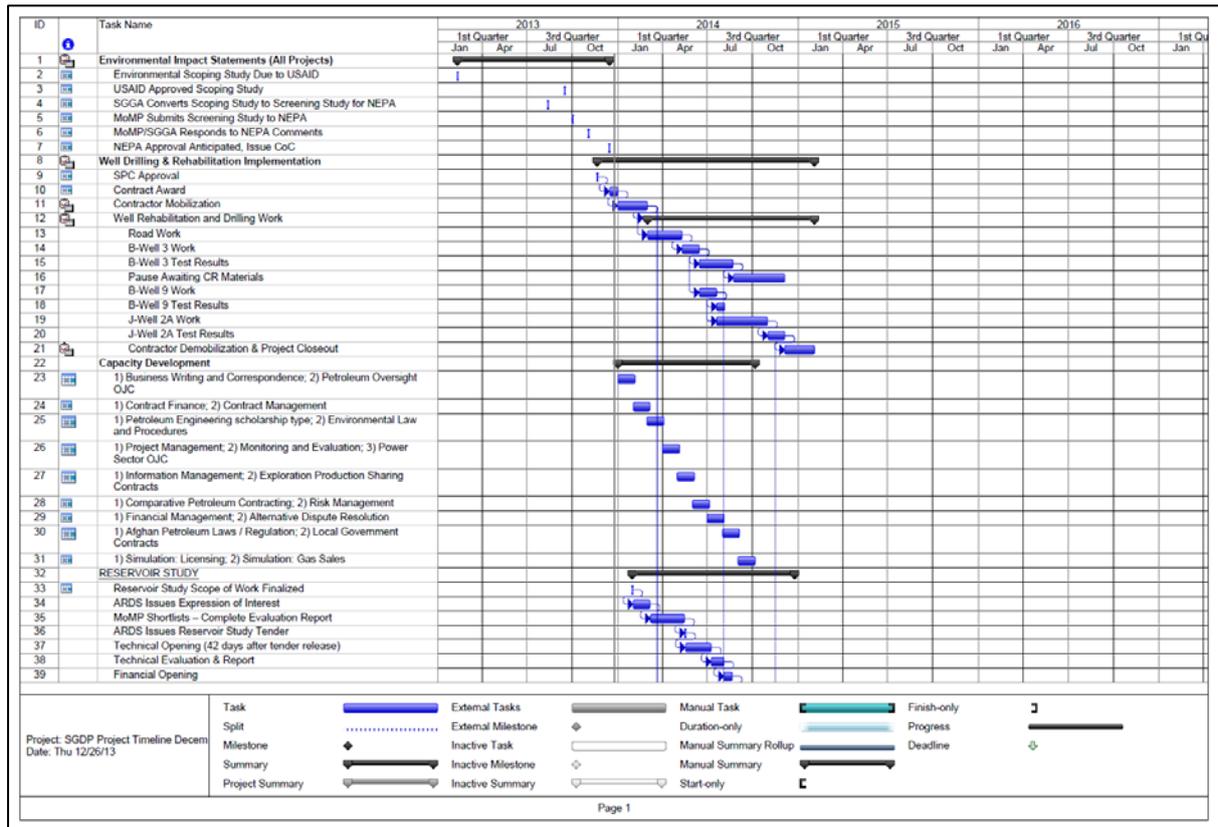
5.3 Challenges

- Potential petroleum engineering hires continue to balk at SGGA's modest salary offers based on USAID's compensation policies compared to what they can obtain in more secure locations within the oil and gas industry.
- ESRI remained unresponsive to SGGA's quotation requests for the ArcGis software licenses required to commence Geographic Information System training.
- SGGA received inconsistent communication from the Kabul Vetting Support Unit regarding approval of companies based outside of Afghanistan. It currently seeks expedited approval for Schlumberger Overseas S.A. in order to obtain visas and prepare logistics for a training program in Doha scheduled for June.
- Approximately five individuals pretended to be employed by OGS or AGE so that they could attend SGGA's English classes in Sheberghan. Other students brought in their children for the classes. SGGA informed them that the instruction is only meant for OGS and AGE employees.

5.4 Plans for Next Month

- Continue English and petroleum engineering programs.
- Commence Microsoft Office training at APA.

6 PROJECT SCHEDULE AS OF DECEMBER 31, 2013



7 PMP DATA

SGGA Performance Monitoring Plan (PMP) Indicators			
Milestones			
Capacity Building - MoMP, DABS, MEW	Prior	Current	
Capacity Assessments	3	1	
Training Courses	11	10	
Evaluations	2	2	
Tenders	Prior	Current	
1. Advertising	1	0	
2. Award	1	0	
3. Mobilization	1	0	
4. Activity work	1	0	
5. Completion	1	0	
Indicators			
Capacity Building - MoMP, DABS, MEW	Prior M/F	Current M/F	Indicator Code
Number of persons assessed	218/11	119/23	11/12
Number of Afghan professionals trained – "F" indicator	524/119	53/8	13/14
Number of Afghan professionals evaluated	81/21	75/12	15/16
<i>M = Male F = Female</i>			
Tenders	Prior	Current	
Number of Rehabilitated and Drilled Wells	1	0	17
Number of Gas Plants constructed	0	0	18
Professional Engineers for Drilling hired	0	0	19
Professional Engineers for Processing Plant hired	0	0	110

8 MONTHLY EXPENDITURES

Financial information omitted