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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGGA Monthly Report

Period: July 1 – July 31, 2014

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Acronyms and Abbreviations

APA	Afghanistan Petroleum Authority
DABS	Da Afghanistan Breshna Sherkat
GIS	Geographic Information System
GIZ	German International Cooperation
IPP	Independent Power Plant
MEW	Ministry of Energy and Water
MIDAS	Mining Investment and Development for Afghan Sustainability
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
MOU	Memorandum of Understanding
MW	Megawatt
NEPA	National Environmental Protection Agency
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TFBSO	Task Force for Business and Stability Operations
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

- Researched the Turkish National Petroleum Corporation (TPAO) drilling/re-entry contract requirements, and prepared the following contract notices for Afghanistan Petroleum Authority (APA) to send to TPAO regarding contract obligations and reminders of specific requirements:
 - Notification of Ministry of Mines and Petroleum's (MoMP) Engineer at least twenty one days before beginning mobilization of equipment and materials.
 - Requirement that any equipment transported across the Caspian Sea, as now proposed, must be done with United States (US)-flag vessels unless TPAO provides proof that US-flag vessels are not available.
 - Formal contract notification to submit a revised work program, supported by a report describing how TPAO intends to meet the contract performance schedule requirements.
 - Formal contract notification to submit evidence of procurement of insurance and insurance policies to APA, and warning that further physical operations, including mobilization of equipment and materials, should not be conducted before insurance requirements of contract, including those naming MoMP as a co-insured, are met and proof provided to APA.
- Held a telephone conference with Acting Contracting Officers Representative, J. Stich concerning selecting legal and financial advisors for the proposed public-private partnership for the gas processing plant.
- Conducted research, including consultation with local law firms, regarding Afghan procedures for representing ministries in disputes, including arbitration. Determined that there are apparently no requirements for ministries to be represented by or through the Ministry of Justice or any other government entity.
- Prepared two additional letters for APA, which were sent to TPAO: (1) a response and rebuttal to TPAO's 24 Jun 14 letter on schedule delays, movement of Juma well #2A, and crossing Iran and (2) a notice to TPAO to renew its performance security which expires on 17 Aug 14.
- On 19 Jul 14 APA sent a letter prepared by Sheberghan Gas Generation Activity (SGGA) to TPAO requiring them to revise their schedule and submit a report on how they will get back on track.
- SGGA prepared a second comprehensive TPAO options document with background attachments and sent it to United States Agency for International Development (USAID) and APA on 27 Jul 14.
- On 30 Jul 14 APA notified SGGA that they received an e-mail from TPAO's subcontractor indicating that they plan to mobilize soon and will be sending paperwork to APA soon.

1.2 Meetings

- 5 Jul 15, Met with Z. Sarwari and spent a couple of hours coaching him on the two letters SGGA proposed be sent to TPAO.
- 15 Jul 15, Met with Z. Sarwari for a long discussion about TPAO's lack of performance. It appears that the APA has also reached a point of resignation regarding's TPAO's ability to succeed in performing according to the contract.
- 21 Jul 14, Met with Z. Sarwari for a discussion on the future of the TPAO drilling contract and the potential conflicts that would occur on the award of the exploration production sharing contract for the Totimaidan Block. Mr Sarwari reported that the TPAO project manager had visited Sheberghan the previous week without contacting APA.

- 31 Jul 14, P. Stuart-Thompson, S. Kelley, and W. Register met with J. Jordy, E. Pulliam and J. Kaufman of USAID and discussed the latest TPAO progress and options going forward.

1.3 Challenges

- The lack of performance and continued schedule slippage, as well as TPAO's proposed extended schedule, does not allow reasonable time for the drilling contract to be completed within the existing time frame of the Sheberghan Gas Development Project (SGDP) grant agreement as set out in Implementation Letter 45-01.

1.4 Plans for Next Month

- Continue to monitor TPAO's progress or lack of progress and advise MoMP and USAID on various remedy options.
- Z. Sarwari is planning to conduct a site visit to Sheberghan to review the civil works that have been conducted by TPAO in preparation for drilling and well re-entry operations.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Reviewed and updated the draft statement of objectives for the Sheberghan gas field reservoir studies.
- Delivered tabbed and highlighted English and Dari copies of the screening study and environmental management plan approved by the Afghan National Environmental Protection Agency (NEPA) in connection with Juma-Bashikurd drilling/re-entry operations to Z. Sarwari and a new APA staff member to prepare them for inspection of the road, camp, and drill site work done by TPAO, and to remind them of APA's obligation to submit regular reports to NEPA on environmental compliance.
- Provided updates to USAID's SGDP monthly presentation.

2.2 Meetings

- 5 Jul 14, Met with the Unicon Gas Corporatization Team and traded updates on both projects' actions and operations.
- 12 Jul 14, Met with the Unicon Gas Corporatization Team and introduced SGGA's petroleum engineer.
- 13 Jul 14, Met with various APA engineers to collect information from all on-going or recent gas projects.
- 14 Jul 14, Met with the Unicon Gas Corporatization Team and discussed/shared Sheberghan well data to support both Afghan Gas corporatization and reservoir studies.
- 20 & 21 Jul 14, Met with the Unicon Gas Corporatization Team's O. Grynyk to gain his inputs into the draft statement of objectives for the reservoir studies.
- 26 Jul 14, Met with APA's Z. Attai and the Unicon Gas Corporatization Team to learn about Task Force for Business and Stability Operations's (TFBSO) plans to assist MoMP and Da Afghanistan Breshna Sherkat (DABS) with a small power plant in Mazar-e-Sherif.

2.3 Challenges

- Continued difficulty locating and obtaining sufficient gas well data to facilitate the Sheberghan gas field reservoir studies. SGGA has concluded that some Afghan employees of the APA are withholding information necessary to support reservoir studies.

- In recognition of the future ownership of Juma-Bashikurd gas resources being awarded to an independent investor through the Totimaidan exploration and production sharing contract, to identify alternative gas reserves to support the SGDP project.
- TFBSO has organized for the development of a small power plant of approximately 20-30 Megawatts (MW) that would service the Mazar-e-Sharif MoMP, Ministry of Energy and Water (MEW), Ministry of Finance (MoF), and DABS signed an Memorandum of Understanding (MOU) to proceed with the project. Details of the MOU were provided to J. Jordy in a memorandum from A. Moncada.

2.4 Plans for Next Month

- Continue to improve the Statement of Objectives for Sheberghan gas field reservoir studies through a process of networking with other stakeholders and to continue the search for additional Sheberghan gas well information.

3 POWER SECTOR DEVELOPMENT AND ECONOMIC MODELING

3.1 Achievements / Activities

- Assisted APA's Z. Sarwari in calculating estimated gas consumption per Megawatt Hour for a 200MW power plant, assuming operation with Siemens GT-400 reciprocal engines.
- Assisted in preparing DABS's Chief Executive Officer, Mr. Samadi, for DABS's negotiations Cummins regarding a possible 20 MW Independent Power Plant (IPP).
- Prepared a presentation for Mr. Samadi, with a sensitivity analysis, showing the impact on power prices under different gas price points for a 20 MW IPP. This presentation pointed out the variables to negotiate with any IPP interested in investing in Afghanistan.
- Started modifying SGGA's economic model to simulate likely parameters of the 20MW IPP based on figures prepared for the negotiations with Cummins.
- Continued updates to the SGDP Economic Model.
- Followed up with DABS regarding the Mazar-e-Sharif IPP kick-off meetings to advise it regarding the MOU it signed with MoF and MoMP.

3.2 Meetings

- 14 Jul 14, Met with DABS's Sheberghan Project Management Team Director, K. Masood, to discuss his participation in CASA-1000 meeting held in Kazakhstan this month, discussed a wind power IPP opportunity in Herat in which the interested investor is a German/Afghan company named Seus/Arrow, and discuss the continued transfer of SGGA's economic model to DABS.
- 14 Jul 14, Met with Mr. Samadi, to discuss DABS's negotiations with Cummins regarding a possible investment of a 20MW IPP. Mr. Samadi asked SGGA to assist DABS in preparing a sensitivity analysis to evaluate the impacts of different gas prices on power prices. Mr. Samadi also confirmed SGGA's office space at DABS.
- 16 Jul 14, Met with Mr. Samadi and K. Masood, whom SGGA helped prepare to present the sensitivity analysis that Mr. Samadi requested.

3.3 Challenges

- No significant challenges reported during this period.

3.4 Plans for Next Month

- Provide technical advisory as requested by DABS for various development opportunities it is scheduled to evaluate in the coming months.

- Continue coaching DABS on the SGDP economic model.

4 CAPACITY DEVELOPMENT

4.1 Achievements / Activities

- Continued teaching English language classes to MoMP and DABS.
- Provided instruction to APA trainees and assessed 28 new Geographic Information System (GIS) trainees determine which level of instruction each trainee should receive.
- Continued petroleum engineering instruction in Sheberghan for Afghan Gas Enterprise and Oil and Gas Survey employees discussing different types of mud including oil-based, emulsion, gaseous and general mud characteristics, and checking inhibitor and injection valves as part of well testing.
- Procured a book entitled "The Global Oil & Gas Industry: Management, Strategy and Finance" which SGGA will translate into Dari for MoMP.
- Corresponded with gas processing specialists from Romania and India about coming to work in Sheberghan as advisors to the gas processing facilities in the region.

4.2 Meetings

- 6 Jul 14, Met with Z. Jaihoon to let him know that the workstream lead was going on Rest and Recuperation and remind him that SGGA requires a MoMP's scope of work for gas distribution activities, and the Curriculum Vitae (CV) of its gas distribution staff in order to put together an appropriate training requirement.
- 12 Jul 14, Met with Eng. N. Assadi, from the Oil and Gas Sector Department, which is based at the MoMP headquarters building. Eng. Assadi requested participation in SGGA's planned capacity development activities with APA and SGGA is exploring every available opportunity to include Oil and Gas Department's staff in its training program.
- 14 Jul 14, Met with APA Technical Dept to share and get feedback on draft Scope of Work for the intermediate petroleum engineering training program.
- 15 Jul 14, Met with Z. Sarwari to discuss APA's 10-month training plan.
- 20 Jul 14, Met with H. Hasif, the new director of MoMP's Information and Public Affairs Directorate, M. Zamani from MoMP's HR Department, R. Guenduez, Advisor to the MoMP, J. Seegers from German International Cooperation (GIZ), E. Podzorski from Mining Investment and Development for Afghan Sustainability (MIDAS), and A. Ebrahimi from MIDAS. Mr. Hasif briefed the group regarding his plans for improving the information sharing across MoMP, and the participants briefed Mr. Hasif regarding their respective and provided suggestions to help him accomplish his objectives. Some of Mr. Hasif's plans include:
 - Data creation for MoMP's internal and external communication.
 - Internal and external communication guidelines.
 - Publications such as journals, magazines with at least 30% English.
 - Website for uploading the basic information, announcement of the projects. with each project having its own space in the website.
- 22 Jul 14, Met with Director General Eng. Tahir of Afghanistan Geological Survey to discuss preparing an appropriate room GIS training in accordance with his promises from previous meetings.
- 26 Jul 14, Teleconference with J. Llorca from MIDAS to alert him that the ArcGIS licenses are due to expire on 18 August and to ask for plans for long-term continuance.

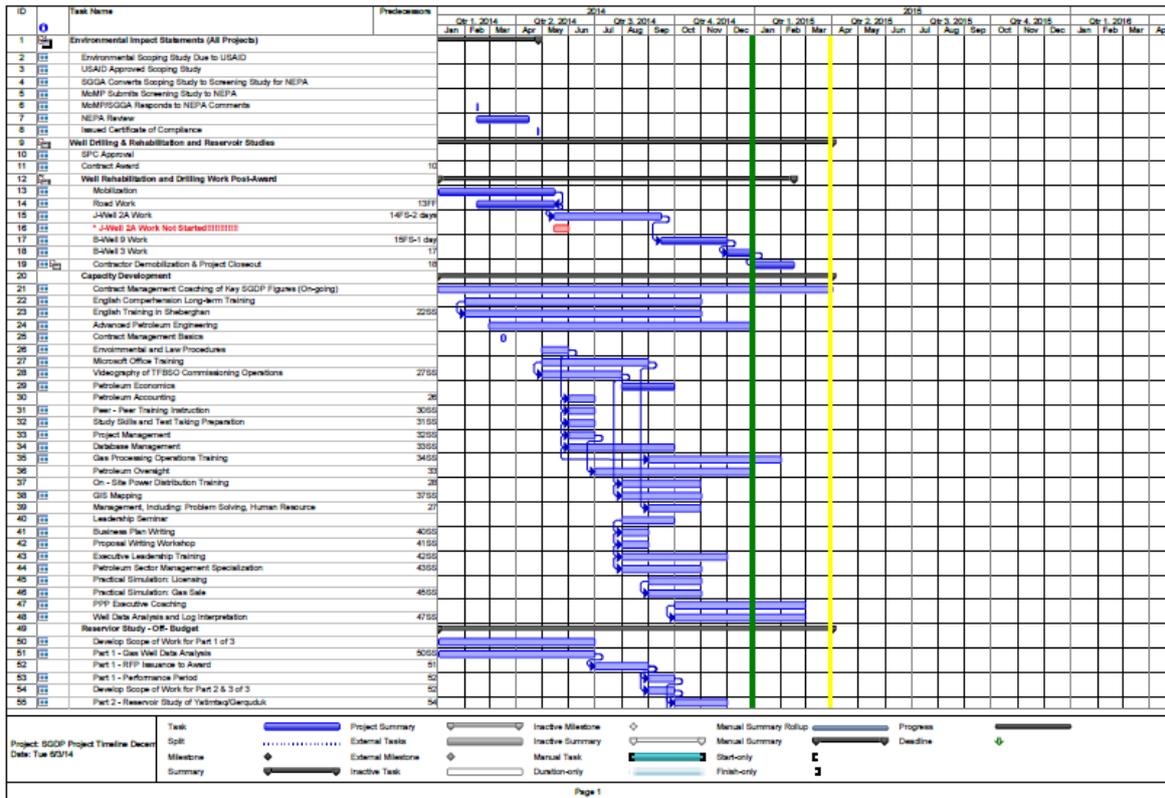
4.3 Challenges

- SGGA has still not received a decision from USAID's Vetting Support Unit for trainings to be conducted by Kardan University or Schlumberger despite submitting applications approximately four months ago. This has negatively impacted SGGA's relationships with the vendors and with MoMP.
- The trial software for ArcGIS instruction obtained by GIZ will expire on 18 August. MIDAS had committed to purchasing full licenses of the software, but in an email correspondence on 27 July, S. Doppler noted that MIDAS did not have the ability to spend the funds to purchase the software. Therefore, SGGA is discussing with MIDAS ways to continue the training on open-source software, which will require time for the instructor to become familiar with the different software program. SGGA is coordinating with C. Gallagher, a contractor for the United States Geological Survey, to determine whether ArcGIS is a technical necessity for MoMP's projected geographic mapping needs.

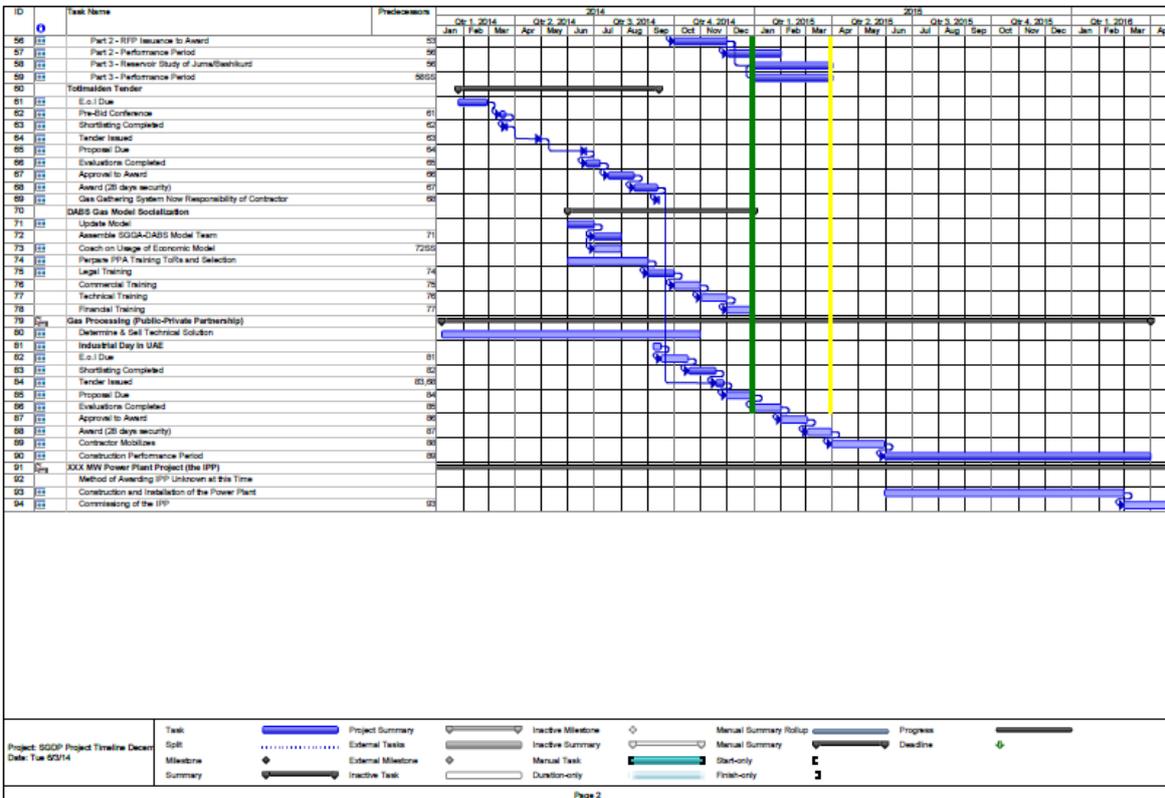
4.4 Plans for Next Month

- Award contracts to Kardan University and Schlumberger if vetting approval from USAID is obtained.
- Continue implementation of programs that SGGA can provide with its in-house resources.
- Submit an Request for Proposal for a mid-level production exploration and operations training for APA's mid-level technical staff.

5 PROJECT SCHEDULE AS OF 31 MAY 2014



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