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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: October 1 – October 31, 2014

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Acronyms and Abbreviations

ANSF	Afghan National Security Forces
APA	Afghanistan Petroleum Authority
CSTC-A	Combined Security Transition Command - Afghanistan
DG	Director General
DM	Deputy Minister
MoMP	Ministry of Mines and Petroleum
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TFBSO	Task Force for Business and Stability Operations
TPAO	Turkish National Petroleum Corporation
DoD	Department of Defense
USAID	United States Agency for International Development

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

- October 10, 2014, the Minister of Ministry of Mines and Petroleum (MoMP) unilaterally issued the second contract extension notice, extending the time for completion by 30 days, to 8 November. Afghanistan Petroleum Authority (APA) was not consulted on this extension and was not informed until after the extension had been issued.
- October 20, 2014, APA received a progress report from Turkish National Petroleum Corporation (TPAO) describing progress on the gas field roads, camp, and drilling locations. The work was only 80 percent complete, and completion estimated to take another thirteen days. Similar information had been provided earlier by Sheberghan Gas Generation Activity (SGGA) Sheberghan staff, as well as information that no TPAO personnel were in country.
- October 27, 2014, USAID Deputy Mission Director wrote to MoMP's Deputy Minister for Administration and Finance, Jamel Hares, recommending that MoMP review the status of the TPAO contract and consider terminating it for default as TPAO is clearly in breach.
- October 29, 2014, the day after the USAID letter was delivered to DM Hares, TPAO submitted a "Mobilization Report" to APA stating that it is loading trucks to move rig and equipment to Sheberghan, with expected date of arrival of first (of 243) trucks on or about 30 November 2014.

Security Update:

- The two Pakistani engineers kidnapped in Sheberghan were released. They were working for TPAO's civil works contractor. The national press reported that the Afghan National Security Forces (ANSF) had "freed" the engineers, but prior to the announcement, SGGA had received information that the construction contractor or TPAO had paid a ransom of \$35,000 to obtain their release.
- No significant threats reporting October.

1.2 Meetings

- 1 Sep 14, Heightened security threats canceled the scheduled three-party meeting with APA Director General (DG) Dr. Anwar and Sheberghan Gas Development Project (SGDP) Project Manager, Z. Sarwari.

1.3 Challenges

- TPAO's continued poor performance will result in being unable to get completed new well data for the Juma-Bashikurd Field in time to include new data in any reserve study. SGGA advised that contract termination offers the most prudent course of action for both USAID and MoMP.

1.4 Plans for Next Month

- Provide analysis to MoMP for consideration of termination of TPAO contract, and, if termination is decided on, provide analysis and data supporting the termination and resolution of any claims.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

Gas Reserve Estimate Development

- Requested APA/Ministry cooperation in gathering geologic, geophysical, production, and other field data for the six gas fields selected for evaluation and reserve estimate. The APA Technical Office is resisting the study, apparently seeing it as a threat to their monopoly on information and expertise. In response, SGGA provided copies of the proposed scope of work for the evaluation and estimate, in both English and Dari, for Eng. Khosti, the head of the Technical Department.

Gas Processing Strategy Development

- Learned that the International Finance Corporation's Private Sector Advisory Group is not interested in participating in preparing structuring plan for gas processing/gathering public-private partnership because of their lack of familiarity with gas projects.

Gas-to-Power Symposium Planning

- Prepared event program of activities in collaboration with USAID and US Department of Commerce.
- Compiled list of potential investors and Afghan ministerial officials to target for event participation.
- Confirmed the Westin Abu Dhabi as the conference venue after completing a competitive review process.

2.2 Meetings

- 8 Oct 14, Met with C. Drilling, J. Jordy, and R. Plucknett to discuss possible dates for the Gas-to-Power Symposium planned for Abu Dhabi. Issues discussed included timing and follow up program for reaching potential investors, and extent to which reserve estimates and other field data will be available to present to attendees.
- 8 Oct 14, Met with Col. J. Hope, Director of Operations, for the Task Force for Business and Stability Operations (TFBSO) to discuss TFBSO's draw-down plan, and areas of collaboration.
- 14 Oct 14, Met with Peter Cameron from Adam Smith International to discuss general updates pertaining to Afghanistan's natural gas development.
- 25 Oct 14, Met with C. Drilling, J. Jordy, T. Muenzberg, and W. Koenig, to discuss the program, participant list, and invitation strategy for the Gas-to-Power Symposium.

2.3 Challenges

- As noted above, the APA Technical Department is resistant to the proposed data evaluation and reserve estimate planned to be done by an internationally recognized petroleum engineering firm. This is probably in part due to opposition by the head of the department to disclosing data and part a perceived threat to the monopoly on evaluation and interpretation by the department. Perhaps more importantly, the department head is not familiar with international practice in the industry and is unaware of the requirement that even large oil and gas firms require independent reserve evaluation to obtain financing and for regulatory reporting, nor does he know that potential large volume gas purchasers such as power generators require independent reserve certification as a prerequisite to entering into long term supply contracts or committing to infrastructure projects. SGGA will continue to explain these issues both to APA technical personnel and to APA and Ministry senior officials to gain cooperation on the evaluation and estimate work.

2.4 Plans for Next Month

- Issue requests for proposals for the six field data evaluation and reserve estimate and for developing a public-private partnership structure for gas processing and gathering.
- Continue planning the Gas-to-Power Symposium.

3 POWER SECTOR DEVELOPMENT AND ECONOMIC MODELING

3.1 Achievements / Activities

Planning Support for USAID

- At the request of USAID and the Combined Security Transaction Command - Afghanistan (CSTC-A), provided continued technical assistance in support of a program to transfer Afghan National Security Forces' (ANSF's) facilities as follows:
 - Provided economic modeling and cost analysis support.
 - Drafted and distributed a concept paper describing the program.
 - Provided suggestions for simplifying contract arrangements.

3.2 Meetings

- 1 Oct 14, Met with J. Jordy, J. Kaufman from USAID, J. Hope, the TFBSO's Director of Operations, M. Spencer and D. Wilson from CSTC-A and LT COL Hoverston. The meeting discussed the broad aims of the initiative to transfer bases to the grid considering the vast opportunity to improve electricity cost per kWh at ANSF facilities.
- 5 Oct 14, Met with J. Jordy, J. Kaufman, C. Drilling, and K. Peters, J. Hope, M. Spencer and D. Wilson from CSTC-A and Lt. Col. Hoverston to discuss operations to discuss strategic issues related to obtaining approval for transferring ANSF assets to grid power.
- 7 Oct 14, Met with J. Jordy, M. Spencer, D. Wilson, and Lt. Col. Hoverston CSTC-A to further discuss the operations and maintenance per kWh and overall kWh cost figures for on-site diesel generation, and the concept paper, which SGGA drafted from assembling notes from the past several meetings.
- 11 Oct 14, Met with K. Masood from DABS to discuss how to continue training DABS on the SGDP Economic Model.
- 11 Oct 14, Met with J. Jordy and J. Kauffman from USAID, and J. Drake, C. Leone, Lt. Col. Hoverston, MAJ Wilson, M. Spencer, Col. Booker, Maj. Martens, Lt. Col. Darney, and Col. Miller from the Department of Defense, (DoD) to discuss the required steps to obtain support from DoD leadership to transfer ANSF facilities to the Afghan grid.
- 18 Oct 14, Met with J. Jordy, C. Drilling and J. Kauffman from USAID, and J. Drake, C. Leone, Lt. Col. Booker, Maj. Martens, and COL Hope from the Department of Defense, (DoD) to discuss rationales for the PPA terms.
- 25 Oct 14, Met with USAID and CSTC-A, for a final planning session and briefing prep leading into the upcoming program proposal to the Army's Council of Colonels.
- 28 Oct 14, Met with USAID and CSTC-A, including its Chief of Staff, Colonel Evans, for a briefing on the program proposal.

3.3 Challenges

- No significant challenges reported during this period.

3.4 Plans for Next Month

- Provide any additional economic modeling support to CSTC-A and USAID if requested.
- Begin preparing a presentation on plans for an independent power plant and the economic model for the Gas-to-Power Symposium.

4 CAPACITY DEVELOPMENT

4.1 Achievements / Activities

Course Implementation

- Commenced the Economics Basics short-course for MoMP.
- English Language Training: Continued instructing students from MoMP in both Sheberghan and Kabul and DABS in Sheberghan.
- Petroleum Engineering: Continued instructing Afghan Gas Enterprise (AGE) and Oil and Gas Survey employees and mentoring MoMP's SGDP project engineers in Sheberghan covering the following topics:
 - The power of hydrogen (PH), logarithmic PH and calculating PH
 - Measuring drilling mud dehydration
 - Equipment used to install packers, tubing, and production casing
 - Equalizing equipment
 - Filtration of drilling fluid and the mud-gas separator
 - Defined and explained the use of filter cakes, the gauge valve, shale shaker, de-sander
 - Performing and controlling the drilling process
 - Periods between drill bit changes
 - Calculating total weight of the drill pipes
 - Described instruments involved in drilling operations
 - Described annular velocity and fluid quantity during drilling
- Gas Processing: Continued instruction in collaboration with TFBSO. Instruction included:
 - Amine Contractor Skid
 - Amine Regeneration System Overview
 - Standard Abbreviations of Gas and Oil
 - AC-2, Amine Reflux Cooler
 - Initial Startup of Amine Regeneration System ZGS-OP-100-002 (part 1)
 - Initial Startup Procedure: (part 2)
 - Initial Startup Procedure: (part 3)
 - Common Engineering Terms
 - Gas Scrubber and Flash Tank Functions
 - Gas Scrubber and Flash Tank (continue)
 - Gas Sweetening Process and H₂S and CO₂ removal
- Geographic Information System Training: Continued instruction for APA and Afghan Geological Survey staff.

Scheduled Course Planning

- Received vetting approval for Kardan University from USAID and immediately corresponded with Kardan to start scheduling courses for MoMP.
- Listed a request for proposal on Devex for a subcontractor to provide petroleum economics, finance, and project management trainings as well as administering a gas-to-power symposium.

4.2 Meetings

- 12 Oct 14, Met with Z. Jaihoon and L. Sayer from APA to discuss capacity development priorities and updates, including scheduling the basic economics course.
- 14 Oct 14, Met with Z. Sarwari to discuss capacity development updates. He promised to have dates ready for the basic economics training by 18 October and requested that where possible, SGGA should provide evening trainings for APA staff.
- 19 Oct 14, Met with N. Shinwari to discuss the economic basics training slides.

- 19 Oct 14, Met with Z. Sarwari and A. Kakar to discuss capacity development priorities. SGGA expressed the pressing need to meet with DG Anwar in order to schedule the secondment training and economics basics training.
- 21 Oct 14, Met with DG Anwar, Z. Jaihoon, Z. Sarwari, A. Farhad, A. Kakar and L. Sayer to discuss SGGA's capacity development plans.
- 22 Oct 14, Met with G. Beenish, from Kardan University, Z. Jaihoon, Z. Sarwari, L. Sayer to discuss scheduling parameters for trainings with Kardan University.
- 22 Oct 14, Met again with N. Shinwari to continue discussion of economic basics training slides; will meet one more time to finalize materials.
- 23 Oct 14, Met with A. Ghani and A. Farhad from APA to discuss APA's petroleum engineering software requirements.
- 27 Oct 14, Met with Z. Sarwari, N. Shinwari, and Z. Jaihoon, to describe the content of the petroleum economics basics training and discuss other the capacity development schedule.

4.3 Challenges

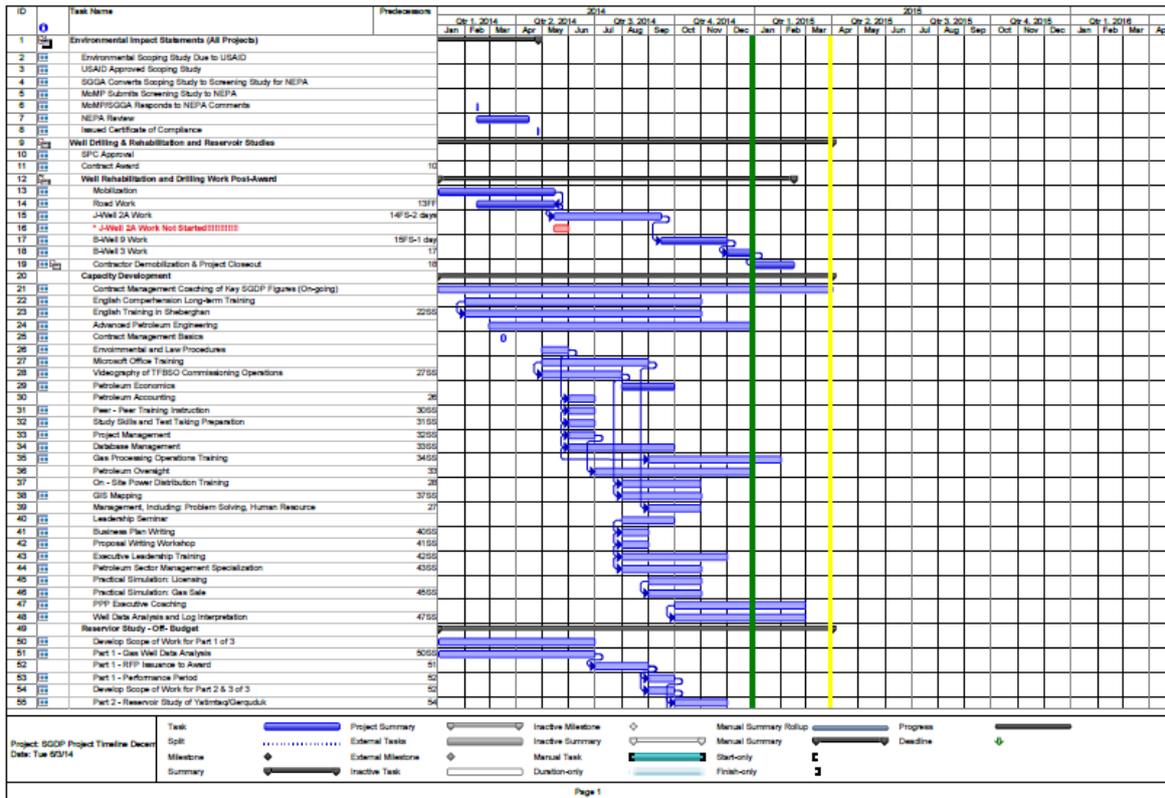
Vetting

- As of the end of this reporting period, SGGA's vetting request for Schlumberger Overseas S.A. remained unanswered, this has effectively prohibited SGGA from performing its planned training program. SGGA has progressed in identifying an American subcontractor to provide training in the petroleum economics and finance trainings it planned to implement through Schlumberger.
 - Additionally, after taking into account the extreme vetting delays involved in the first vetting proposal for Schlumberger, SGGA decided not to submit Schlumberger for vetting for the Upstream Hydrocarbon Geoscience course that it tendered and which Schlumberger also won due to the improbability that SGGA would be able to execute a subcontract prior to its contract completion. As a result, SGGA plans to re-tender the Upstream Hydrocarbon Geoscience course only to American providers next month.
- Decision making has been delayed at MoMP, complicating course planning. SGGA plans to be more aggressive next months to confirm dates, including potentially scheduling trainings and participants unilaterally if counterparts at APA do not increase their responsiveness to scheduling and cooperations requests.

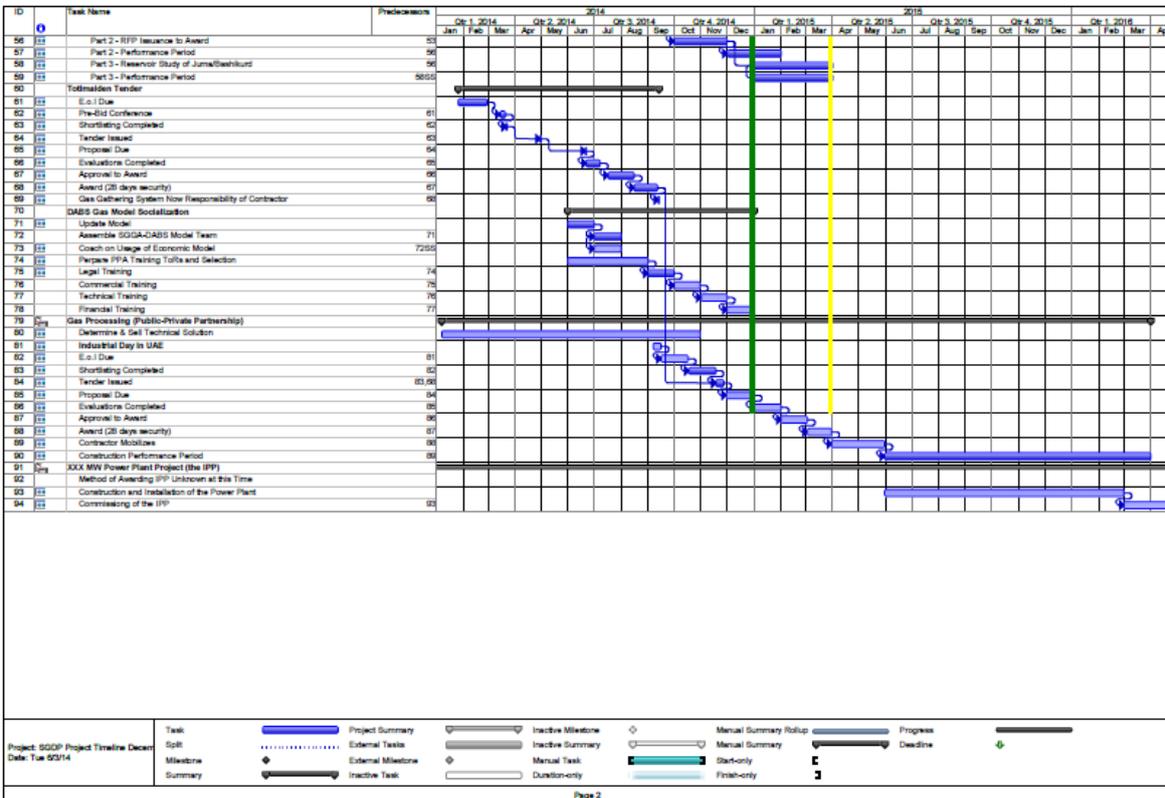
4.4 Plans for Next Month

- Schedule courses and award contract to Kardan University now that vetting has been approved.
- Re-release the Upstream Hydrocarbon Geoscience Course request for proposal after completing market research of qualified American providers.
- Complete Economics Basics Training
- Submit request to subcontract to USAID for the identified petroleum business specialist to instruct petroleum economics, finance, and project management, and the gas-to-power simulation.
- Submit a request to hire to USAID for an identified English instructor/capacity development coordinator to replace the departures of staff members.

5 PROJECT SCHEDULE



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