



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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

SGDP Monthly Drilling Operations Progress Report (Mod 3, Section F, Deliverable 24)

Period: June 1 – June 30, 2014

Submitted: June 30, 2014

Prepared by:

Advanced Engineering Associates International, Inc. (AEAI)/SGGA Project Team
1707 L Street, NW, Suite 1030, Washington, DC (USA) 20036
Telephone: 1-202-263-0601

This SGDP Monthly Drilling Operations Progress Report is made possible by support from the American People jointly sponsored by United States Agency for International Development (USAID) and the Government of the Islamic Republic of Afghanistan. The contents of this SGDP Monthly Drilling Operations Progress Report were prepared by Advanced Engineering Associates International, Inc. and are the sole responsibility of Advanced Engineering Associates International, Inc. and do not necessarily reflect the views of USAID or the United States Government.

Table of Contents

Monthly Drilling Operations Progress Report.....	1
1 SGDP Gas Field Operations.....	2
1.1 Activities Performed and Milestones Achieved During the Reporting Period.....	2
2 SGDP Schedule and Financial Milestones	4
2.1 Key Contract Dates and Estimated Completion.....	4
2.2 TPAO Well Status – Technical.....	4
2.3 TPAO Work Schedule – “☒” Marks Present Progress	5
2.4 SGDP Drilling Contract Value and Funding Allocation.....	5
2.5 SGDP Invoicing Status	6
3 Implementation Letter Status.....	6
3.1 USAID – Ministry of Finance (MoF) – MoMP Implementation Letter Tracker	6
4 Drilling Operations Summary.....	6
4.1 TPAO’s Contract Performance Schedule	6
4.2 Progress During This Period.....	6

List of Figures

Figure 1: Bashikurd Well #9 Cellar Pool Completed	1
Figure 2: Bashikurd Well #3 Camp Site	1
Figure 3: Bashikurd Well #9 Camp Site	1
Figure 4: Juma Well #2A Site	1

List of Tables

Table 1: Primary MoMP Staff Supporting SGDP	3
Table 3: Key Contract Dates and Estimated Completion.....	4
Table 4: TPAO Well Status Based on TPAO "Revised" Schedule	4
Table 5: TPAO's Unapproved Second Revised Sixteen Month Work Schedule.....	5
Table 6: SGDP Contract Amount and Funding Allocation	5
Table 7: SGDP Invoicing Status	6
Table 8: USAID – MoF – MoMP Implementation Letter Tracker.....	6

Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International, Inc.
APA	Afghanistan Petroleum Authority
APPF	Afghan Public Protection Force
CRA	Corrosive Resistant Alloy
DG	Director General
IL	Implementation Letter
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
PM	Project Manager
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish Petroleum Corporation
US\$	United States Dollar
USAID	United States Agency for International Development

Monthly Drilling Operations Progress Report

Sheberghan Gas Development Project (SGDP)

A USAID – MoMP “On-Budget” Funded Program

Figure 1: Bashikurd Well #9 Cellar Pool Completed



Figure 2: Bashikurd Well #3 Camp Site



Figure 3: Bashikurd Well #9 Camp Site



Figure 4: Juma Well #2A Site



The Sheberghan Gas Development Project (SGPD) is funded by the United States Agency for International Development (USAID) under Implementation Letter (IL) 45-01, dated May 29, 2012, with a projected end date of April 30, 2015. Under Phase I of SGDP, the Ministry of Mines and Petroleum (MoMP), on December 14, 2013, awarded a United States Dollar (US\$) 36,757,766 “on-budget” contract to Turkish Petroleum Corporation (TPAO). The contract will be funded jointly by USAID and MoMP. As provided in IL45-01, this contract requires TPAO to drill one new well, Juma #2A, and re-enter two wells, Bashikurd #3 and Bashikurd #9 in the Juma-Bashikurd Field in Jawzjan Province. The Sheberghan Gas Generation Activity (SGGA) is responsible for monitoring SGDP progress as USAID’s implementing partner. This report is required under USAID Task Order No. AID-306-TO-12-00002 Modification 3, Section F, Deliverable 24.

1 SGDP Gas Field Operations

1.1 Activities Performed and Milestones Achieved During the Reporting Period

As of the end of this reporting period, TPAO has consumed just over seventy-three percent of its 270 day contract performance period, and appears to be nearly complete with road and camp works.

Drilling operations preparation progress this period:

- On June 4, 2014, the Afghanistan Petroleum Authority (APA) sent a letter to TPAO warning it that crossing Iran was prohibited by the terms of the grant; this was issued because contrary to expectations of a Caspian Sea crossing, insurance paperwork submitted by TPAO indicated that 235 trucks would transit Iran (the number increased to 240 trucks on June 18, 2014).
- On June 4, 2014, TPAO submitted a letter claiming that delays in designating well location for Juma #2A led to approximately a 53 day schedule slip, from February 21, 2015 to April 15, 2015; also the letter included the following information:
 - Two new schedules. The first shows a one-week schedule slip from February 21, 2015 to February 28, 2015. The second shows a larger schedule slip, from February 28, 2015 to April 15, 2015. Both are unacceptable to APA and USAID.
 - The movement of the rig appears to now be planned for July 2014 with arrival into Afghanistan in August 2014.
 - TPAO provided a subcontract for security services with Boland Tabaghi Construction Company, which does not appear to be affiliated with the Afghan Public Protection Force (APPF) in any way. It explains that APPF does not come with sufficient weaponry to defend the work site.
 - TPAO provided copies of six subcontracts, including security services, road construction, site medical services, a lease contract, and several contracts in Turkish that have not yet been translated.
 - TPAO provided additional insurance documents, though the referenced coverage does not appear to be compliant with the coverage required under the contract.
- On June 7, 2014, APA sent a letter to TPAO insisting that a Contractor's Representative be nominated to act on behalf of TPAO, with authority to resolve issues; the previously nominated individual claimed that he did not have authority to act.
- On June 8, 2014, APA replied to TPAO's letter and proposed schedule increase of June 4, 2014, rejecting TPAO's revised schedule and assertion that MoMP's delay in providing the coordinates of well Juma #2A contributed to the schedule delays.
- On June 13, 2014, the guard commander of the security forces protecting the gas field through TPAO's subcontractor contacted Advanced Engineering Associates International, Inc.'s (AEAI) Sheberghan staff to warn that they were considering walking off the job due to not being paid since April 5, 2014; SGGA forwarded the information to APA's Z. Sarwari and USAID and continued to monitor; the guards ended up remaining on site and there were no further updates by the end of the month.
- On June 17, 2014, TPAO submitted its first detailed construction schedule which showed most of the road work and camp site preparations complete. The water storage pit at Bashikurd Well #1 is three-quarters complete and the road/camp site work for Juma #2A remains.
- On June 18, 2014, TPAO submitted a progress report of mainly pictures and completed road work. The schedule submitted the day prior had already provided the information contained within this report.

- Also on June 18, 2014, APA's Z. Sarwari was alerted by phone that TPAO was considering changing its shipping plans by potentially sending 240 truckloads of equipment and materials across Georgia and the Caspian Sea, into Turkmenistan.
- On June 28, 2014 SGGA received copies of two letters from TPAO dated June 24, 2014 which respond to earlier APA letters.
 - Within one letter TPAO clarifies its two contract representatives and asks the MoMP to appoint the contract "engineer" described in the general and special contract conditions.
 - In a second letter, TPAO asserts that its schedule problems are the result of late MoMP's assignment of an engineer and movement of Juma well #2A; further, TPAO states that it is still evaluating the technical consequences of relocating Juma well #2A, which include concerns such as depth and tilted terrain.
 - Finally, TPAO requests a more detailed explanation about why it cannot cross Iran and contractual references.
- On June 30, 2014 TPAO submitted its final progress report for June. It continued to focus entirely on road construction and camp site preparations which it has nearly completed except for a 600 meter road to the new Juma well #2A site and final rig pad work.
- On June 30, 2014, APA sent a letter to TPAO designating Z. Sarwari as the "engineer" per contract General Contract Condition 3. This was in response to TPAO's request in a letter dated June 24, 2014.

Table 1: Primary MoMP Staff Supporting SGDP

Job Title	Name	Contributions to SGDP
Minister of MoMP	Mohammad Akbar Barakzai	IL 45-01 Signing Authority
Director General (DG) of APA	Abdul Jalil Ahmad Jumriany	Primary SGDP Decision Maker
SGDP Project Manager	Zabihullah Sarwari	Daily Interface
Senior Assistant to SGDP Project Manager	Zabiullah Jaihoon	Daily Interface
Admin Assistant to SGDP Project Manager	Jawad Zariah	Daily Interface
Finance Assistant to SGDP Project Manager	Farid Karimi	Daily Interface
Admin Assistant to SGDP Project Manager	Allah Mohammad	Daily Interface
Admin Assistant to SGDP Project Manager	Naseer Ahmad Tohfa	Daily Interface
Technical Director	Eng. Amirzada Khosti	Head of APA Technical Authority
Field Representative	Eng. Sadiq	Monitor Contractor Operations/Report to Project Manager (PM)
Field Representative	Eng. Abdullah Safi	Monitor Contractor Operations/Report to PM

Most SGGA interfaces with APA are conducted with the SGDP PM, Mr. Sarwari, who was appointed on October 2, 2013. Additional staff have been added over the past few months, providing Mr. Sarwari with much needed support.

SGGA has security, administrative, and translation personnel based in Sheberghan, and capacity development programs, translators, security, procurement, and administrative support staff based in Kabul. These personnel provide varying levels of support to APA for SGDP's operations. Ten SGGA

staff have been assigned to full time duty at MoMP offices to provide support in several areas, including translations, business skills training, financial tracking of SGDP funds, and computer-aided design.

2 SGDP Schedule and Financial Milestones

2.1 Key Contract Dates and Estimated Completion

Table 2: Key Contract Dates and Estimated Completion

Contract Award	Contract Performance Period Ends	TPAO Projected Completion
December 14, 2013	September 10, 2014	April 15, 2015
Current SGGA Forecast of Number of Days TPAO Behind Contract Schedule		
217 Days Behind – Based Upon TPAO’s Revised Schedule		
Percent of <u>Contract Schedule</u> Elapsed As of June 30, 2014	Percent of <u>TPAO’s Revised Schedule</u> Elapsed As of June 30, 2014	
198 Days of 270 = 73% Elapsed	198 Days of 487 = 40% Elapsed	

On January 18, 2013, a little more than a month after signing the contract requiring a 270 day performance period, TPAO submitted to MoMP a new performance schedule which shows completion of drilling operations on January 21, 2015 and demobilization completed on approximately February 21, 2015. Despite numerous efforts from MoMP to engage TPAO in meetings, correspondence, and schedule analysis, TPAO continues to steadfastly refuse to accelerate performance from its revised schedule, which MoMP unequivocally rejected. On June 4, 2014, TPAO submitted an additional revised schedule which took the performance period out to approximately 487 days, to mid-April 2015.

2.2 TPAO Well Status – Technical

Table 3: TPAO Well Status Based on TPAO “Revised” Schedule

Projected Juma 2A Time	Projected Bashikurd 3 Time	Projected Bashikurd 9 Time
120 Days	45 Days	21 Days
Present Working Depth	Present Working Depth	Present Working Depth
0	0	0
Projected Date of Completion	Projected Date of Completion	Projected Date of Completion
September 15, 2014	November 30, 2014	January 21, 2015
Projected Test Results Available	Projected Test Results Available	Projected Test Results Available
Well Completion Plus 30 Days	Well Completion Plus 30 Days	Well Completion Plus 30 Days

2.3

2.4 TPAO Work Schedule – “☒” Marks Present Progress

Table 4: TPAO’s Unapproved Second Revised Sixteen Month Work Schedule

TPAO Schedule, June 2014	2014												2015			
	Quarter 1			Quarter 2			Quarter 3			Quarter 4			Quarter 1			Q2
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Well Drilling & Rehab Work																
Preparation Rig & Equipment																
Manufacture of 5 ½” Corrosive Resistant Alloy (CRA)28 Casing						☒										
Shipment of 5 ½” CRA28 Casing																
Road, Site, & Camp Construction						☒										
Mobilization to Juma 2A																
Juma 2A – Drilling & Completion																
Mobilization to Bashikurd 3																
Bashikurd 3 – Drilling & Workover																
Mobilization to Bashikurd 9																
Bashikurd 9 – Re-Entry Well																
Contractor Demobilization																

2.5 SGDP Drilling Contract Value and Funding Allocation

Table 5: SGDP Contract Amount and Funding Allocation

Drilling Contract Value	USAID Funding Share	MoMP Funding Share
\$ 36,757,766.00	\$ 30,000,000.00	\$ 7,000,000.00
Remaining MoMP Funding Share		\$ 242,234

IL 45-01 is the source of the funding distribution between USAID and MoMP. USAID agreed to provide \$30,000,000 in funding and MoMP agreed to an additional \$7,000,000 in contingency funding. Nearly all contingency funding was required to award the original contract. This leaves only about \$242,234 of the original project contingency funding available in the event that contract modifications are required for any reason.

2.6 SGDP Invoicing Status

Table 6: SGDP Invoicing Status

Invoice	Invoice Received	Invoice Amount	Invoice Paid
TPAO - 1	TBD	\$0	TBD

No invoices have been received thus far. Based upon TPAO's revised performance schedule, it is now believed that the first of six authorized invoices will probably not be received until approximately August 2014.

3 Implementation Letter Status

3.1 USAID – Ministry of Finance (MoF) – MoMP Implementation Letter Tracker

Table 7: USAID – MoF – MoMP Implementation Letter Tracker

IL Number	Date Issued	Subject
IL No. 45-01	May 29, 2012	Initial IL Beginning SGDP and Conditions Precedent
IL No. 45-02	January 17, 2013	IL Series Renumbered to Begin at 45-01
IL No. 45-03	January 2, 2013	SGDP Payment Process and Instructions
IL No. 45-04	January 17, 2013	MoMP's Submitted Conditions Precedent Accepted
IL No. 45-05	January 17, 2013	USAID Approval of MoMP Drilling Tender Issuance
IL No. 45-06	March 7, 2013	USAID Approval of MoMP Drilling Tender Amendments
IL No. 45-07	November 2, 2013	USAID Approval of MoMP Human Resources Manual
IL No. 45-08	June 15, 2013	USAID Approval of MoMP Drilling Tender Re-Issue
IL No. 45-09	July 28, 2013	USAID Drilling Contract Award No Objection Letter
IL No. 45-10	October 5, 2013	USAID Approval of MoMP Petroleum Eng Tender

Table 8 above, contains a list of all IL amendments issued thus far under SGDP. IL amendments have primarily functioned to approved conditions precedent and drilling tender/contract actions.

4 Drilling Operations Summary

4.1 TPAO's Contract Performance Schedule

TPAO continues to follow its unapproved schedules, the latest now approximately 16 months long, or seven months beyond the contractual requirement of nine months. TPAO's rig has not yet departed Turkey and it has been warned several times not to transit Iran. SGGA believes that TPAO is now waiting until the end of Ramadan to dispatch a 240 truck convoy from Turkey to Afghanistan and will likely commence drilling operations in late August 2014.

4.2 Progress During This Period

Progress appears to have been limited to additional road work and camp site preparations. TPAO responded late in the month to some MoMP concerns and those issues will be addressed in next month's report.