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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGDP Monthly Drilling Operations Progress Report

(Mod 3, Section F, Deliverable 24)

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Acronyms and Abbreviations

APA	Afghanistan Petroleum Authority
CRA	Corrosive Resistant Alloy
IL	Implementation Letter
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development

Monthly Drilling Operations Progress Report

Sheberghan Gas Development Project (SGDP)

A USAID – Ministry of Mines and Petroleum (MoMP) "On-Budget" Funded Program



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 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

- October 10, 2014, the Minister of MoMP unilaterally issued the second contract extension notice, extending the time for completion by 30 days, to 8 November.
- October 20, 2014, Afghanistan Petroleum Authority (APA) received a progress report from 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.
- October 27, 2014, USAID sent a letter 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, TPAO submitted a "mobilization report," with the following information:
 - Trucks Loaded: 12
 - Estimated Loading / Day: 9 – 12 trucks/day
 - Estimated number of total trucks: 243
 - Estimated date of 1st truck arrival at Juma 2A: 30 November 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 of APA	Dr. Mohammed Anwar Aryan	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 Project Manager, Mr. Sarwari, who was appointed into his current position on October 2, 2013. Dr. Anwar Aryan was appointed to his position as interim head of the APA in early August.

SGGA has security, administrative, and translation personnel based in Sheberghan, and capacity development programs, translators, security, procurement, and administrative support staff based in Kabul. SGGA staffs have been assigned to full time duty at MoMP offices to provide support in several areas.

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 Extended to November 8, 2014	May 21, 2015
Current SGGA Forecast of Number of Days TPAO Behind Contract Schedule		
217 Days Behind – Based Upon TPAO’s Revised Schedule		

Table 3 includes the contract time for completion schedule as well as TPAO’s own schedule estimates, though rejected by the APA. On June 4, 2014, TPAO submitted a second revised schedule which took its performance period out to approximately 487 days, to mid-April 2015. On August 1, 2014, TPAO submitted a third revised schedule which took their performance (time to complete contract) out to approximately 548 days, to mid-June 2015.

2.2 TPAO Well Status – Technical

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

Projected Juma 2A Time	Projected Bashikurd 3 Time	Projected Bashikurd 9 Time
105 Days	30 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
February 7, 2015	March 21, 2015	April 30, 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 TPAO Work Schedule – “☒” Marks Present Progress

Table 4: TPAO’s Rejected Fourth Revised Seventeen Month Work Schedule

TPAO Schedule, August 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	May	Jun
Well Drilling & Rehab Work	[Dark Blue Block]																	
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																				

2.4 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	\$ 30,000,000	\$ 7,000,000
Remaining MoMP Funding Share		\$ 242,234

IL 45-01 sets out the funding arrangements agreed by USAID, MoF, and MoMP. USAID agreed to provide \$30,000,000 in funding and GIRoA 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.

2.5 SGDP Invoicing Status

Table 6: SGDP Invoicing Status

Invoice	Invoice Received	Invoice Amount	Invoice Paid
TPAO - 1	None	N/A	N/A

No invoices have been received thus far. Based upon TPAO's "mobilization report" of 20 October, the earliest expected invoice (for mobilization) should be expected in early December 2014, if the contract is not terminated.

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 Number	Date Issued	Subject
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 Engineering Tender
John Abood	September 25, 2014	US-Flag Vessel Non-Availability Determination

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

As of 20 October, TPAO was still only 80% complete with civil works, and was claiming to be loading trucks at Batman, Turkey, for rig and equipment mobilization. Planned arrival on location was 30 November.

4.2 Progress This Period

On October 21, 2014 TPAO submitted its activity report stating the following progress at the project site:

Road Work

- The gravel laying and compaction of the Old Military Camp to Bashikurd 9 road is complete and ready to use.
- The gravel laying and compaction on the Old Military Camp to Bashikurd 3 road is complete ready to use.
- The gravel laying and compaction of the road to the water well is complete and ready to use.
- The gravel laying and compaction of the road the Old Military Camp to highway has started and is in progress.

Drilling Location Preparation

- Gravel laying and compaction is finished on Bashikurd 9. The main site location concrete and cement silo has been poured and work on three septic tanks is complete. Mud pit excavation is in progress.
- Cutting and excavation work is complete on Bashikurd 3. Borrowed embankment is done and gravel flooring is complete. Concrete work of cement silo and excavation of mud pit is in progress.
- Camp site for Juma 2A is complete after gravel flooring and four septic tanks were completed. Cutting and excavation is in progress at the Juma 2A site location. Steel fixing, gravel laying, and installation of septic tanks are in progress at the foundation stage.