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## **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 and Mod 5, Section F.5.B, Deliverable 13)

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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 Petroleum Corporation
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: TPAO loaded trucks in Aquina Customs



Figure 2: TPAO loaded trucks in Aquina Customs



The Sheberghan Gas Development Project (SGDP) 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

- December 1, 2014, SGGA attended in a meeting with Afghanistan Petroleum Authority (APA) and TPAO to options for extension of TPAO's contract performance time.
- December 2, 2014, TPAO, APA, and USAID met to discuss the options for extension of performance period and continued USAID funding for contract.
- December 5, 2014, TPAO, apparently following up on the meetings with MoMP and USAID, submitted a revised schedule yet again extending the performance period, this time to August 7, 2015 from their previous scheduled completion of May 21, 2015. TPAO offered to fund a reserve study for the Juma-Bashikurd Field.
- December 7, 2014, TPAO and MoMP reached agreement to extend the contract performance period to August 7, 2015. MoMP sent a request to USAID for consent to modify the drilling contract. As of the end of the reporting period, USAID has not acted on this request.
- December 20, 2014, last day of work for the approximately 72 APA contract employees, whose positions were eliminated in the new national budget. This will leave only some thirty five employees at APA.
- As of December 20, 2014, it appears that MoMP is not in compliance with IL-45-01, since the assigned project manager is no longer employed by APA, the required management, evaluation, and reporting committee has ceased to function, and no reports have been no assigned SGDP project officer, no monthly, evaluation reporting committee and none of the required reports to USAID have been submitted.
- December 23, 2014, TPAO sent a written request to APA for APA's "urgent" support for customs clearance, as TPAO has a number of trucks in Aquina customs zone but is unable to clear them. SGGA provided, yet again, references to the contract terms placing responsibility for customs matters on TPAO and making recommendations to APA on possible solutions. Despite customs problems, TPAO continues
- December 28, 2014, Conversations and e-mails with APA reveal that TPAO is only now providing copies of the contract and other documents to Customs that indicate the drilling contract is being funded by USAID. It appears from this request that TPAO failed to submit the necessary application and supporting documents for duty free customs treatment before attempting to pass customs with a large number of trucks. The type of documents requested are those typically requested by Customs in support of a duty free application. SGGA provided contract references and copies of relevant documents.
- December 30, 2014, TPAO was reported to have brought its duty free customs applications to APA for confirmation before submitting them to Customs.
- December 31, 2014, TPAO submitted 39 trucks exemption forms out of 243 trucks to be signed by APA.

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	No longer employed as of 21 December 2014
Senior Assistant to SGDP Project Manager	Zabiullah Jaihoon	No longer employed as of 21 December 2014
Admin Assistant to SGDP Project Manager	Jawad Zariah	No longer employed as of 21 December 2014
Finance Assistant to SGDP Project Manager	Farid Karimi	No longer employed as of 21 December 2014
Admin Assistant to SGDP Project Manager	Allah Mohammad	No longer employed as of 21 December 2014
Admin Assistant to SGDP Project Manager	Naseer Ahmad Tohfa	No longer employed as of 21 December 2014
Technical Director	Eng. Amirzada Khosti	No longer employed as of 21 December 2014
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 9, 2014	<b>August 7, 2015</b>
<b>Current SGGA Forecast of Number of Days TPAO Behind Contract Schedule</b>		
<b>334 Days Behind – Based Upon TPAO's Revised Schedule</b>		

Table 3 includes the contract time for completion schedule as well as TPAO's own schedule estimates, though rejected by the APA. On 4 June 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. It was later revised down to late May. On December 5, 2014, TPAO submitted another revised schedule that extended their performance from May 21, 2014 to August 7, 2015.

In SGGA's professional opinion it is unlikely that TPAO will finish the project by the end of 2015. The lack of urgency in submitting a performance security, completing the roads and campsites, submitting required insurance and subcontract approvals, etc., provide a pretty clear indication that this project is not a priority to TPAO and that they believe they can allow the schedule to drift without any adverse action taken against them by the Ministry.

## 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
April 15, 2015	May 31, 2015	July 7, 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 Unapproved Fourth Revised Nineteen Month Work Schedule

TPAO Schedule, August 2014	2014												2015							
	Quarter 1			Quarter 2			Quarter 3			Quarter 4			Quarter 1			Quarter2		Q3		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Well Drilling & Rehab Work																				
Preparation Rig & Equipment																				
Manufacture of 5 ½" Corrosive resistant alloy (CRA)28 Casing																				



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 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

During this monthly report, TPAO has submitted a revised contract performance schedule that shows an additional three months' delay. In their previous revised performance schedule, 15 May 2015 was the demobilization date while in the new schedule determines 7 August 2015 as the planned date for completing demobilization. The latest schedule delay places the scheduled completion three days short of one year past the original contract completion date of 10 September 2014.

### 4.2 Progress This Period

Other than making much delayed requests for assistance with customs clearance, as noted above, TPAO has made no effective progress on the contract work during the reporting period. It has succeeded in moving some seventy six cargos of equipment and materials to the Aquina customs area, but because of its failure to complete customs requirements in a timely manner, has not been able to bring the equipment and materials to the field. TPAO wrote a letter to APA on 23 December 2014, asking for APA's prompt action for written permissions and contacts to the related departments for custom clearance of TPAO materials. The progress made during this period is that a total number of 76 trucks loaded with TPAO drilling rig and related equipment have left TPAO base in Batman/Turkey. As of 23 December 2014, 53 trucks arrived in Aquina border and 23 trucks are about to arrive in Aquina border.

