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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 6, Section F.5, Deliverable 13)

Period: May 1 – May 31, 2015

Submitted: June 3, 2015

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This SGDP Monthly Drilling Operations Progress Report is made possible by support from the American People sponsored by United States Agency for International Development (USAID). 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.

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## Acronyms and Abbreviations

APA	Afghanistan Petroleum Authority
APPF	Afghanistan Public Protection Force
CCC	Credible Construction Company
CRA	Corrosive Resistant Alloy
DG	Director General
DM	Deputy Minister
Eng	Engineer
FEL	Formation Evaluation Log
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
TPOFS	Turkish Petroleum Oil Field Services Company
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: Blow-Out Preventer on Juma 2A Well



Figure 2: CRA Tubing Onsite



Figure 3: APA Director General, SGGA, TPAO Onsite



Figure 4: Drilling Operations Underway at Juma #2A



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 USD 36,757,766 “on-budget” contract to Turkish Petroleum Corporation (TPAO). The contract is 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 and Modification 5, Section F.5.B, Deliverable 13.

# 1 SGDP Gas Field Operations

## 1.1 Activities Performed and Milestones Achieved During the Reporting Period

- May 3, 2015, SGGA met with Z. Sarwari and refreshed his memory on customs instructions in the drilling contract to help him obtain TPAO's customs paperwork more quickly. Also obtained his commitment to send MoMP's first monthly SGDP report focused on drilling operations progress, to USAID covering the month of April.
- May 6, 2015, DM Sadat provided a short presentation to ICE covering the status of SGDP. He provided only the very most general information.
- May 10, 2015, Dr. Q. Qaeym, APA Director General, visited the project site to observe the drilling operation progress and meet with his onsite staff. This was his first visit and it seemed to lead to greater urgency from TPAO and more cooperation.
- May 10, 2015, SGGA met with Z. Sarwari and discussed SGDP's critical items and issues checklist, mostly focused on renewal of TPAO's performance security and MoMP support to TPAO importing their perforation charges and radioactive isotopes for wireline logging.
- May 11, 2015, TPAO informed SGGA engineers in Sheberghan that the well logging equipment was loaded in Turkey and ready to head to Afghanistan.
- May 16, 2015, per MoMP's request, TPAO notified MoMP of its performance security extension, even further than requested, all the way through December 31, 2015.
- May 17, 2015 MoMP onsite engineers conducted a random inspection of TPAO's 5.5" CRA production tubing by checking and measuring two crates randomly. Each crate was found to contain 16 units which were 11 meters long. TPAO provided the original CRA tubing purchase order and the Ministry was able to verify that the tubing was provided by Tenaris (Italy) and was delivered to TPAO in increments from June through October 2014.
- May 30, 2015, SGGA met with Z. Sarwari and discussed SGDP's critical items and issues checklist, mostly focused on confidentiality agreement for the gas reserve estimate, and MoMP support to TPAO importing their perforation charges and radioactive isotopes for wireline logging. Approval of the importation of radioactive isotopes and perforation charges remains the single greatest risk to interrupting current progress. Per Z. Sarwari, the Atomic High Energy Commission has reviewed and approved. The two remaining government agencies yet to approve are the Ministry of Interior and Ministry of Transport.
- May 31, 2015, SGGA staff supported APA's Dr. Q. Qaeym, per his request, as he visited the Gerquduq gas field, inspecting previous TPAO well work accomplished for ADB.

Table 1: TPAO's Daily Drilling Report Summary

Date	Current Depth	Mobilization Status	Drilling Staff	Security Staff	Actions and Formations
1	254m	16 trucks in route, 7 trucks in Aquina Port	97	139	Drilling – sandstone and siltstone formations
2	254m	15 trucks in route, 8 trucks in Aquina Port	99	153	Drilling – sandstone and siltstone formation
3	254m	15 trucks in route, 8 trucks in Aquina Port	99	153	Drilling – siltstone formation
4	477m	15 trucks in route, 8 trucks in Aquina Port	99	153	Drilling – claystone and siltstone formations
5	653m	9 trucks in route, 14 trucks in Aquina Port	99	153	Drilling – claystone formation; <b>Surpassed 500 meters depth</b>
6	794m	9 trucks in route, 14 trucks in Aquina Port	112	153	Drilling – marlstone formation
7	933m	6/24 unloaded, 8/24 in route, 10/24 in Aquina Port	114	153	Drilling – sandstone and claystone formations
8	1062m	6/24 unloaded, 8/24 in route, 10/24 in Aquina Port	96	153	Drilling – limestone formation; <b>Surpassed 1,000 meters depth</b>
9	1123m	6/24 unloaded, 8/24 in route, 10/24 in Aquina Port	96	153	Drilling – sandstone and claystone formations
10	1247m	6/24 unloaded, 8/24 in route, 10/24 in Aquina Port	102	153	Drilling – sandstone and claystone formations
11	1360m	8/24 unloaded, 2/24 in route, 14/24 in Aquina Port	103	153	Drilling – claystone formation
12	1493m	8/24 unloaded, 2/24 in route, 14/24 in Aquina Port	103	153	Drilling – sandstone and claystone formations
13	1609m	8/24 unloaded, 2/24 in route, 14/24 in Aquina Port	95	153	Drilling – sandstone formation
14	1753m	8/24 unloaded, 1/24 in route, 15/24 in Aquina Port	Not Reported	153	Drilling – sandstone formation
15	1830m	8/24 unloaded, 1/24 in route, 15/24 in Aquina Port	93	153	Drilling – sandstone formation
16	1983m	8/24 unloaded, 1/24 in route, 15/24 in Aquina Port	92	153	Drilling – sandstone formation

Date	Current Depth	Mobilization Status	Drilling Staff	Security Staff	Actions and Formations
17	2013m	8/24 unloaded, 1/24 in route, 15/24 in Aquina Port	92	153	Drilling – sandstone and claystone formations; <b>Surpassed 2,000 meters depth</b>
18	2025m	23/24 unloaded, 1/24 in route	92	153	Casing – drilling paused to install intermediate casing
19	2025m	23/24 unloaded, 1/24 in route	92	153	Casing – drilling paused to install intermediate casing
20	2025m	23/24 unloaded, 1/24 in route	92	153	Casing – drilling paused to install intermediate casing
21	2025m	23/24 unloaded, 1/24 in route	92	153	Casing – drilling paused to install intermediate casing
22	2025m	23/24 unloaded, 1/24 in route	92	153	Casing – drilling paused to install intermediate casing
23	2025m	23/24 unloaded, 1/24 in route	92	153	Casing – drilling paused to install intermediate casing
24	2025m	23/24 unloaded, 1/24 in route	101	153	Casing – drilling paused to install intermediate casing
25	2030m	23/24 unloaded, 1/24 in route	101	153	Drilling – claystone formation; encountered some shale
26	2066m	23/24 unloaded, 1/24 in route	101	153	Drilling – claystone formation; encountered some shale
27	2148m	23/24 unloaded, 1/24 in route	101	153	Drilling – claystone formation
28	2223m	23/24 unloaded, 1/24 in route	99	153	Drilling – claystone formation
29	2297m	23/24 unloaded, 1/24 in route	99	153	Drilling – claystone formation
30	2354m	23/24 unloaded, 1/24 in route	94	153	Drilling – claystone formation
31	2408M	23/24 unloaded, 1/24 in route	99	153	Drilling – claystone formation

**Table 2: Primary MoMP Staff Supporting SGDP**

Job Title	Name	Contributions to SGDP
Minister of MoMP	Dr. Daud Shas Saba	IL 45-01 Signing Authority
Director General of APA	Dr. Outbuddin Qaeym	Senior Oversight
SGDP Project Manager	Zabihullah Sarwari	Project Management, Communications
Sr. Assistant to SGDP Project Manager	Zabiullah Jalhoon	Administrative Assistance
Admin Assistant to SGDP Project Manager	Allah Mohammad	Administrative Assistance
Field Representative	Eng. Sadiq Halimi	Monitor Contractor Operations/Reports to PM
Field Representative	Eng. Ayuob Naiwand	Monitor Contractor Operations/Reports to PM
Field Representative	Eng. Amir Mohammad Selab	Monitor Drilling Operation/Reports to PM
Field Representative	Eng. Rozi Khan Sadid	Monitor Drilling Operation/Reports to PM

Most SGGA interfaces with APA are conducted with the SGDP PM, Z. Sarwari, who was appointed to his current position on October 2, 2013. Dr. Anwar Aryan was appointed to his position as interim head of the APA in early August 2014 and departed in early February 2015. The bulk of APA was de-funded on December 21, 2014, leaving approximately 72 staff members without contracts. Several staff members continued to come to the office and perform official duties despite their contract expirations. In early March, approximately 25 of the APA staff members received new contracts. N. Shinwari became the acting Director General (DG) of APA on approximately March 4, 2015. However, for unknown reasons, he resigned after only four weeks in the position and Dr. Q. Qaeym took over and remains DG of APA.

**Table 3: Primary SGGA Staff Supporting Drilling Operations**

Job Title	Name	Contributions to SGDP
Chief of Party	Stroud Kelley	Manage All SGGA Activities
Procurement Advisor	Wayne Register	Monitor Contract Compliance
Deputy Procurement-Operations	Naihmatullah Kohsar	Monitor Contract Operations
Sheberghan Site Manager	Peet Snyman	Coordinate Sheberghan Operations Logistics and Travel
Senior Engineer	Eng. Zalmai Zalmai	Technical Advisor and Liaison
Well Drilling and Testing	Eng. Big Nazar	Technical Advisor
Drilling Engineer	Eng. Habibullah Mokhlis	Technical Advisor
Geologist	Wahid Qaeym	Technical Advisor

In addition to the SGGA staff listed in Table 2, SGGA has security, administrative, and translation personnel based in Sheberghan, and capacity development programs, translators, security, procurement, and administrative support staff based in Kabul.

## 2 SGDP Schedule and Financial Milestones

### 2.1 Key Contract Dates and Estimated Completion

Table 4: Key Contract Dates and Estimated Completion

Contract Award	Original Contract Time for Completion Period	Contract Amendment 1 Time for Completion Period
December 14, 2013	September 10, 2014  Extended Twice for 30 Days, to November 9, 2014	<b>September 25, 2015</b>  Extended to August 31, 2015 Plus 25 Days agreed for claimed customs delays
<b>TPAO's Latest Revised but Rejected Schedule</b>		
<p>On April 25, 2015, TPAO submitted a new schedule showing completion on 31 December 2015. This exceeds the 25 September provided for in Contract Amendment No. 1. This new schedule was rejected by MoMP immediately. The contract amendment specifies that delay penalties of .01% of contract value per day will apply after 25 September.</p>		
<b>Current Number of Days TPAO Behind <u>Original</u> Contract Schedule</b>		
<b>380 Days Behind – Based on MoMP-TPAO Contract Amendment # 1</b>		
<b>477 Days Behind – Based on TPAO's latest revised (rejected) schedule</b>		

Table 3 includes the contract time for completion schedule as well as TPAO's own schedule estimates. 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. On January 14, 2015, TPAO submitted another revised schedule that extended their performance from August 7, 2015 to September 15, 2015. On February 9, 2015, TPAO sent an e-mail which suggested that they might be able to complete by August 31, 2015, however, they followed that up by announcing surprise discovery of salt horizons in the Juma-Bashikurd field that seemed to delay the date changes.

Following extended negotiations, on April 6, 2015, MoMP and TPAO reached agreement to extend the time for completion period to August 31, 2015, plus 25 days of contingency which was part of a mutual agreement to set aside all previous claims by both parties against one another. This agreement was solidified in a document signed by the Acting Minister on April 26, 2015. In effect, the new official contract time for completion period is now, September 25, 2015. However, before the contract time extension amendment was inked, on April 25, 2015, TPAO submitted another revised schedule (schedule #9 thus far), pushing completion of the work out another four months, all the way to December 31, 2015.





## 2.5 SGDP Invoicing Status

Table 8: SGDP Invoicing Status

Invoice #	Invoice Received	Invoice Amount	Invoice Paid
TPAO - 1	TBD	\$0	TBD
TPAO - 2	TBD	\$0	TBD
TPAO - 3	TBD	\$0	TBD
TPAO - 4	TBD	\$0	TBD
TPAO - 5	TBD	\$0	TBD
TPAO - 6	TBD	\$0	TBD

Surprisingly, no invoices have been received thus far. Based upon TPAO's current progress, it is now believed that the first of six authorized invoices could be submitted to MoMP at any time.

## 3 Implementation Letter Status

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

Table 9: 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
IL No. 45-13	January 8, 2015	USAID Drilling Contract Extension No Objection Letter
IL No. 45-14	February 4, 2015	Direction SGDP Wells Not Cost Recoverable to Toti Bloc
IL No. 45-15	<i>As of Date of This Report, Pending Signature by Minister of Finance</i>	Extension of SGDP Beyond 30 April 2015

Table 8 lists all ILs issued thus far under SGDP. The ILs have primarily functioned to approved conditions precedent and drilling tender/contract actions. Two draft ILs were prepared (45-11 and 45-12), but never approved, which explains the numbering gap.

## **4 Drilling Operations Summary**

### **4.1 TPAO's Contract Performance Schedule**

During this period TPAO continued drilling the Juma #2A, and at the end of the period had reached 2480 meters.. Intermediate casing was set to 2,025 meters. SGGA is certain that TPAO will not be able to complete all contract work by the end of the current contract time for completion period, September 25, 2015. TPAO is working from an unofficial schedule which forecasts completion of work and demobilization by December 31, 2015. SGGA continues to aggressively advise APA's Z. Sarwari to push various GIRoA agencies to quickly process and approve TPAO's importation of radioactive isotopes and perforation charges. This is the event of most potential risk to delay current progress. Unfortunately, it's entirely dependent upon GIRoA agencies such as MoMP, Mol, Atomic High Energy Commission, and Ministry of Transport to expedite their approvals. Z. Sarwari believes that the Atomic High Energy Commission has already reviewed and passed their concurrence to Mol, but SGGA has not seen anything in writing to that effect to date.

### **4.2 Progress This Period**

TPAO drilled over 2,100 meters and installed intermediate casing. TPAO submitted quality daily reports, supported MoMP/SGGA tours of the work site and allowed random inspections of key materials. This month was easily TPAO's most cooperative month since award of the contract.