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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

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Acronyms and Abbreviations

AGE	Afghan Gas Enterprise
APA	Afghanistan Petroleum Authority
TFBSO	Task Force for Business and Stability Operations
COR	Contract Officer Representative
COP	Chief of Party
DG	Director General
DM	Deputy Minister
IL	Implementation Letter
MoMP	Ministry of Mines and Petroleum
OGS	Oil and Gas Survey
GDO	Gas Development Office
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

- Reviewed daily drilling and geological reports from TPAO and forwarded to USAID.
- Received draft of first TPAO invoice (\$1.4 million for mobilization) from APA, and performed due diligence to verify account numbers, bank, SWIFT code, etc.
- Conducted refresher course for remnants of APA's Gas Development Office (GDO) and the designated APA's Finance Department payment specialist on processing requirements for paying SGDP funded invoices.
- Provided all relevant contract references to MoMP for substantiating TPAO performance for justification of payment of first invoice.
- Assisted APA's GDO team to develop ideas on how to prepare required reports to NEPA on environmental compliance of drilling operations; provided contract references and suggestions for conducting monthly inspections in compliance with the Environmental Management Plan.
- Provided Dr. Q. Qaeym and SGGA's Sheberghan staff technical information on cement bond log equipment and on retrievable bridge plugs and packers for Juma-Bashikurd well shut-ins.
- Provided Dr. Q. Qaeym a letter suggesting technical and financial analysis steps in considering a \$3.7 million proposal from TPAO to double case Gourdak salt formation in the Juma Well #2A to protect against potential salt movement and wellbore damage.

1.2 Meetings

- 6 Jun 15, met with APA's Z. Sarwari and explained that expediting TPAO's importation approval is becoming more urgent by the day as TPAO nears the expected bottom of Juma #2A well.
- 9 Jun 15, met with APA's Z. Sarwari and reviewed status of the most urgent SGDP issues, notably following up on GIRoA approval of TPAO's importation of perforation charges and radioactive isotopes, as well as legal review of SGGA's confidentiality agreement with MoMP and its relevant departments.
- 13 Jun 15, conducted an SGDP invoice training at MoMP, training three staff members on how invoices should flow when using USAID funds, in order to be in compliance with SGDP IL 45-03.
- 14 Jun 15, met with APA's Z. Sarwari and reviewed SGDP's most pressing issues: importation of perforation charges and radioactive isotopes, processing TPAO's first invoice for payment, and approval of SGGA's confidentiality agreement.
- 14 Jun 15, met with APA's Dr. Q. Qaeym to discuss well completions and the need to perforate all three wells for testing. Dr. Qaeym concluded that the wells should be perforated and then temporarily plugged.
- 21 Jun 15, met with APA's Z. Sarwari and followed up on SGDP's items which were growing in priority and also discussed the current status of TFBSO's infrastructure projects in order to answer USAID's questions on current status of sustainability.
- 27 Jun 15, attended an APA meeting with TPAO in an advisory role along with SGGA CoP to discuss TPAO's unsolicited proposal to add additional intermediate casing to the Juma #2A well to protect against salt intrusion, but priced at a whopping \$3.7M.

1.3 Challenges

- APA faces another round of personnel layoffs. At this time it appears that the SGDP project manager has been extended, but there are gaping holes elsewhere within APA,

particularly in finance. This uncertainty comes as TPAO has submitted its first invoice and is near to complete the first well and are awaiting importation approval for some key materials.

1.4 Plans for Next Month

- Monitor the process of MoMP paying TPAO's first invoice and intervene if necessary to expedite processing.
- Monitor TPAO's drilling progress as they enter the expected production formation.
- Monitor GIRoA's status of approval of TPAO's importation of perforation charges and radioactive isotopes in order to complete the Juma #2A well.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- As requested by Minister Saba, provided recommendations for negotiation options for recouping the \$37 million drilling contract costs for the Juma-Bashikurd wells through the Totimaidan block production sharing contract negotiations.
- As requested by APA, reviewed and provided feedback on six proposed expressions of interest to hire experts to support the installation of a parallel gas pipeline from Yatimtaq to Mazar-e-Sharif as well as to commission and to operate the Yatimtaq gas amine plant. At request of Z. Sarwari, reviewed MoMP's Mazar 50MW TORs and provided comments and corrections as a courtesy.
- Updated Gas-to-Power Symposium presentation on SGGA's proposed public-private partnership for achieving SGDP phase II: gas processing plant development and translated it into Dari for APA's Dr. Outbuddin.
- Obtained Minister Saba's approval and signature of SGGA's confidentiality agreement permitting SGGA and its eventual subcontractor, access to MoMP's relevant gas field technical information.

2.2 Meetings

- 6 Jun 15, met with Minister Saba to discuss repayment by TPAO of \$37 million drilling contract costs in connection with award of Totimaidan Block production sharing contract; and status of Ministry legal department's review of data confidentiality agreement for data evaluation and reserve studies.
- 10 Jun 15, met with MoMP's Legal Director, S. Hashemi and SGDP's Project Manager, Z. Sarwari. Reviewed and discussed SGGA's proposed data access and confidentiality agreement in detail. Agreement was reached on most issues. The remaining issues are to be further considered in a follow-up meeting.
- 14 Jun 15, met with APA's Dr. Q. Qaeym to discuss future SGDP plans, notably the public-private partnership and ways to collaborate for expediting the project as much as possible.
- 22 Jun 15, met with MoMP's Legal Director, S. Hashemi.

2.3 Challenges

- Gathering relevant but dissimilar data from numerous government sources, most in Russian or Dari languages, and most in paper format of different sizes, and categorizing the data enough that industry can ascertain their ability to provide quality bids on providing reserve studies in advance of actually reviewing the data.

2.4 Plans for Next Month

- Turn to gathering and categorizing available data in Kabul and Sheberghan.
- Issue the reserve studies request for proposal.

3 CAPACITY DEVELOPMENT

3.1 Achievements / Activities

- Seven MoMP staff from the SGGA well drilling class observed TPAO's operations in the Juma- Bashikurd field.
- Completed initial components of English curricula for Afghan Gas Enterprise (AGE), Oil and Gas Survey (OGS) classes in Sheberghan.
- Continued petroleum engineering instruction in Sheberghan.
- Continued coaching MoMP's Department of Public Relations & Communications in staff development and training and also began instruction English course for the department.
- Began business English curricula instruction in Sheberghan for OGS and AGE staff.
- Received confirmation from Turkish Petroleum that they are willing to conduct an advanced well drilling class in Sheberghan.

3.2 Meetings

- 1 Jun 15, met with Mr. N. Amirzai, MoMP Policy Director. He stated that MoMP's current health and safety policies are under review and after they are approved all the procedures will be aligned with the updated policies. Mr. Amirzai requested assistance in developing technical health and safety policies to be used by AGE and OGS in Sheberghan.
- 2 Jun 15, met with Petroleum Resources Technical Services Department's General Manager, A. Ahmadi and Health and Safety Manager, Mr. Hanayesh. Mr. Ahmadi stated that they oversee TPAO's health & safety operations based on API and ASME standards. They were not aware if any existing health and safety standards being used by AGE or OGS in Sheberghan. They are looking forward working with a health & safety manager on developing a health & safety training in Sheberghan.
- 8 Jun 15, teleconference with AGE Director, Eng A. Qayum. He stated his support for health and safety training at AGE.
- 8 Jun 15, teleconference with Eng. Rozi from AGE about potentially providing internal instruction on drilling operations for his colleagues.
- 22 Jun 15, met with health & safety team at AGE and discussed about an online training.
- 24 Jun 15, teleconference with M. S. Naveed from MoMP Legal Department. He stated that the evaluation worksheet which was given to them is completed and it needs revision.
- 24 Jun 15, teleconference with Eng. Ayoub from AGE, Sheberghan about the progress with servicing the chromatograph. He states they are still waiting for Turkish Petroleum's response.

3.3 Challenges

- Lack of communication among MoMP and AGE and OGS in Sheberghan, led to an almost complete lack of awareness that MoMP has a general health & safety policy.

3.4 Plans for Next Month

- Continue to assist AGE to obtain service for the gas chromatograph.
- Continue coaching MoMP's Legal Department on the development of a legal library.
- Continue coaching MoMP's Public Relations and Communication Department.
- Continue well drilling training in Sheberghan.

- Continue collaboration with appropriate AGE and OGS health & safety staff to develop a sustainable environmental health & safety program for Sheberghan including health and safety training and translation of occupational safety & health administration training material.

4 MONTHLY EXPENDITURES

Accrual Report Reference: EPP-I-00-03-00004-00 Task Order: AID-306-TO-12-00002 Reporting Period June, 2015		
A. Contract Ceiling:	30,440,957	
B. Total Obligated toward ceiling	30,440,957	
C. Ceiling remaining	-	
D. Total disbursed	21,721,719	
E. Accruals	1,337,229	
F. Combined totals	<u>23,058,949</u>	75.7% of obligation
G. Pipeline balance	<u>7,382,008</u>	
Accruals:		
May billed, not yet paid	\$ 550,529	
June estimate	<u>786,700</u>	
	<u>1,337,229</u>	

5 PROJECT SCHEDULE

