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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

Annual Work and Staffing Plan

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Table of Contents

Acronyms and Abbreviations	
1 The Sheberghan Gas Development Project and Sheberghan Gas Generation Activity.....	1
2 SGDP/SGGA Project Phases	2
3 The 2016 Annual Work Plan	2
3.1 Overview	2
3.2 Technical Assistance to MoMP	3
3.3 Capacity Development	4
3.4 Preparation and Submission of Deliverables to USAID.....	5

Figures

Figure 1 - SGGA Schedule Gantt Chart.....	6
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Acronyms and Abbreviations

AGE	Afghan Gas Enterprise
APA	Afghanistan Petroleum Authority
CoP	Chief of Party
COR	Contract Officer's Representative
MoMP	Ministry of Mines and Petroleum
OGS	Oil and Gas Survey
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development

1 The Sheberghan Gas Development Project and Sheberghan Gas Generation Activity

The Sheberghan Gas Generation Activity (SGGA), pursuant to Task Order No. AID-306-TO-12-00002, provides off-budget technical assistance to the Ministry of Mines and Petroleum (MoMP) to support the implementation of activities comprising the Sheberghan Gas Development Project (SGDP). (SGDP is authorized by the United States Agency for International Development's (USAID's) Strategic Objective Grant Agreement for a Thriving Economy Led by the Private Sector (USAID Grant Agreement No.306-05-00).

The SGGA implementing partner is Advanced Engineering Associates International, Inc. The assistance being provided includes support for MoMP in managing an on-budget service contract with Turkish National Petroleum Corporation (TPAO) for drilling and re-entry operations for three gas wells in the Juma-Bashikurd Field in Jawjzan Province and providing, off-budget, data evaluation and, if feasible, gas reserved estimates for seven known gas fields in the Sheberghan, Afghanistan, area. (SGDP Phase I). Under SGDP Phase II SGGA will develop a business and legal framework for a public-private partnership between the Afghan Government and a private investor to finance, construct and operate a gas gathering system and gas processing plant serving Sheberghan area gas fields. SGGA also provides capacity building in areas supporting renewed development of the Afghan natural gas industry.

Following three years' of work through SGGA, the SGGA task order was extended for the period of 1 April 2015 through 31 July 2016. The extension was provided to complete the SGDP components, on which progress had been delayed by TPAO's delays in commencing work on the three-well service contract, and Afghan government delays attributable to the contested national election and in organizing the new government.

This FY 2016 Annual Work and Staffing Plan identifies the objectives for the year and the means and staffing for completion of those objectives.

Long-Term Goals:

1. Attracting private sector interest in natural gas infrastructure development.
2. Attracting private sector interest in gas-to-power projects to meet demand for electric power at costs lower than that of imported and/or diesel generated electricity.

FY 2016 Objectives:

1. Provide technical assistance to MoMP in managing a service contract for drilling and re-entry of three gas wells in the Juma-Bashikurd Field in Jawjzan Province.
2. Complete and deliver to MoMP data evaluation and reserves estimates for seven priority-ranked gas fields near Sheberghan.
3. Complete and deliver to the relevant ministries in the Afghan government a recommended framework for a public-private partnership for the development of a gas gathering and gas processing business.
4. Complete and deliver to MoMP a conceptual plan for the creation of a State-owned industrial park for energy infrastructure on currently abandoned brownfield land near Sheberghan.
5. Provide capacity development training in technical energy fields to MoMP.
6. Complete and submit to USAID the deliverables specified in the SGGA task order.

2 SGDP/SGGA Project Phases

The SGDP consists of two phases of work:

Phase I: Sheberghan Gas Field Development.

This phase includes the rehabilitation of two existing gas wells and drilling of one additional gas well in the Juma-Bashikurd Field through an "on-budget" third party services contract. The objective of this component is to prove gas reserves and prepare the wells for gas production.

Phase I also includes preparation of a data evaluation report and, assuming sufficient data, the preparation of up to seven reserve estimates for seven priority gas fields in the Sheberghan area. Successful completion of these studies and estimates will provide critical reserve data needed by gas infrastructure developers and by gas end users such as power generators for investment decisions, and provide key data to MoMP for strategic gas management planning.

Phase II: Development of a public-private partnership framework for construction and operation of a commercial, long-term gas gathering and processing business.

Phase II contemplates the development of a recommended business and legal structure for the development of a gas gathering system and gas processing facility through a public-private partnership. This would provide a vehicle for leveraging the planned \$60 million USAID grant to the Afghan Government for gas infrastructure development through investment in long-term commercial operations that are required if the gas produced is to be gathered and processed into gas of the quality required for purchase by end-users such as independent power producers.

3 The 2016 Annual Work Plan

3.1 Overview

The 2016 Annual Work Plan is composed of parallel efforts that will be performed from 1 October 2015 through 31 July 2016. The major work objectives include:

1. Provide technical assistance to MoMP in its management of an on-budget service contract for drilling/rehabilitating three natural gas wells in Jawjzan Province.
2. Prepare and provide to MoMP, off-budget, data evaluation reports and, if technically and economically feasible, gas reserve estimates for up to seven gas fields in the Sheberghan area.
3. Prepare, off-budget, and submit to the Afghan Government plans for a legal and business structure for a public-private partnership to create and operate a commercial, long-term gas gathering and processing business utilizing in part a \$60 million grant from USAID to the Afghan Government.
4. Provide capacity development training to MoMP, taking into account the ongoing reorganization and staff cuts at the ministry, with training focus on requirements for re-developing a sustainable gas industry.
5. Complete and deliver to USAID the deliverables specified under the above-described task order and summarized in Table 1, below.

3.2 Technical Assistance to MoMP

As outlined above, SGGA has or will provide direct technical assistance to MoMP in two areas: drilling/re-entry contract management and preparation of gas reserve assessments. SGGA will also provide technical assistance to the Afghan Government (including MoMP, the Ministry of Finance, and possibly other relevant agencies) by preparing a public-private partnership structure for gas gathering and processing. A final area of technical assistance will be the creation of a conceptual plan for an energy-focused industrial park near Sheberghan on a currently unused MoMP brownfield site.

Ongoing advisory support to MoMP for the management of the TPAO drilling/re-entry service contract includes guidance and mentoring in operational and environmental monitoring and reporting, advice on technical drilling issues, advice on contract amendments, and invoice review and payment. As a result of a contract amendment, TPAO has agreed to pay the cost of a reservoir study and reserve estimate following completion of drilling, re-entry, and well testing operations. The procurement of the petroleum engineering service that will be required will be done under Afghan law and procedures. SGGA anticipates providing advice for preparing and administering the tender and in managing the engineering contract. At the current rate of progress, TPAO's field work should be finished in the first quarter of calendar 2016 and the reservoir engineering/reserve estimates should be finished by June 2016.

Preparation of the data evaluation reports and reserve estimates requires two sets of work: the gathering and organization of gas field data from the records of MoMP and other sources, and the technical evaluation and engineering analysis of the available data. This first work is being done by SGGA staff, with a goal of completion by 17 August 2015. The beginning of this work was delayed by some nine months because of the refusal of MoMP to provide access to data held by it.

The second set of work, technical evaluation and engineering analysis, will be provided, off-budget, through a professional services subcontract issued by AEAI to an international petroleum engineering firm. The request for proposals for this subcontract is planned to be issued 17 August 2015. Work is expected to continue through May 2016. The evaluation and estimates will cover up to seven known gas fields in the Sheberghan area and should provide data critical for the evaluation of the feasibility of gas infrastructure projects and the national gas market.

The third area of technical support will be the preparation of a recommended business, financial, and legal structure for a public-private partnership between the Afghan Government and a private gas sector company for the creation of a commercial gas gathering and processing business to serve gas producers in the Sheberghan area. Such an association would enable the best use of the \$60 million grant planned to be awarded to the Afghan Government by USAID for an equity contribution by the Afghan Government to such a business.

The plan for the public-private partnership will be prepared by an international law firm with substantial experience in structuring public-private partnerships, especially in the gas industry. Additional business/financial advising will be provided by financial experts familiar with the Afghan market and business situation.

Finally, the energy-focused industrial park (the "energy park") conceptual plan will be prepared by an industrial planner under an off-budget subcontract. The CoP will manage this small subcontract with the support of the On-Budget Manager. Oil and gas and power industry technical input will be provided by SGGA staff experts. Implementation of this development would provide an incentive for gas-related industry investment and provide rental income to MoMP.

SGGA previously issued an RFP for professional planning for this conceptual work and received only one qualified proposal, from an Afghan-based firm, but has delayed implementation because of MoMP lack of interest until now. That proposal will be reviewed and preparations for this study resumed.

Staffing Plan: Responsibility for management of these work components has been assigned as follows:

Overall responsibility falls to the SGGA Chief of Party (CoP), who has forty years' experience in the oil and gas industry.

Day to day responsibility for supporting the management of the drilling/re-entry contract will be assumed by the On-budget Task Manager, a CCN who has been deputy on-budget procurement manager from early stages of the tender, award, and management of the TPAO contract. He will be supported by SGGA senior petroleum engineers and geologists, as well as former task manager, who has, for a while, moved to part-time status.

The data evaluation/reserve estimate subcontract procurement and management is in the charge of SGGA's Legal/Energy Specialist, an oil and gas lawyer with over forty years' experience in the industry an extensive experience in Afghanistan and the region. He will be supported, especially in the data collection stage by the On-Budget Task Manager, SGGA's MoMP chief liaison, and SGGA petroleum engineers and geologists.

The public-private partnership subcontract will be managed directly by the CoP.

The energy park planning subcontract will be managed by the On-Budget Task Manager.

3.3 Capacity Development

SGGA's capacity development efforts will be split into two categories: on-site technical mentoring, and classroom teaching and field operations observation in technical topics.

On-site mentoring and instruction will provide skill development for several MoMP divisions, including but not limited to:

1. MoMP engineers, geologists, and operations managers from MoMP headquarters, Afghan Gas Enterprise, and Oil and Gas Survey will observe all phases of the drilling, re-entry, and well testing operations on the three Juma-Bashikurd Field operations.
2. MoMP engineers will have opportunities to interact with the petroleum engineers doing the data evaluation and reserve estimates, including perhaps a study trip to the petroleum engineering firm's technical offices.
3. Afghan Gas staff is being coached on obtaining service for equipment, such as the gas chromatograph donated, but not set up by, another donor.
4. MoMP's Public Relations and Communications Office is receiving mentoring in areas such as preparation and distribution of public information announcements and press releases, and in public information office goals and management.
5. Planning is underway for providing health and safety training for Afghan Gas and Oil and Gas Survey personnel.

Planned technical training courses include:

1. Petroleum Operations – specifically well drilling operations and well-site work observation.
2. English Language – since the international oil and gas industry uses English as its common business and technical language, SGGA will continue to provide English language instruction for MoMP staff as a prerequisite for continued technical and administrative advancement.

Staffing Plan: SGGA's Capacity Development staff in Kabul includes a director, a deputy director of capacity development, and two senior trainers/translators. The director and deputy director are responsible for planning and implementing capacity development programs. The trainers/translators translate training materials, and provide on-site mentoring support for MoMP's SGDP reporting staff and MoMP's Public Relations and Communications Office.

In addition to the Kabul-based staff, SGGA petroleum engineers and geologist in Sheberghan provide technical instruction to MoMP personnel, and two instructors there give English classes.

3.4 Preparation and Submission of Deliverables to USAID

The following table describes the deliverables and identifies staff responsible for the production and timely submission of each deliverable.

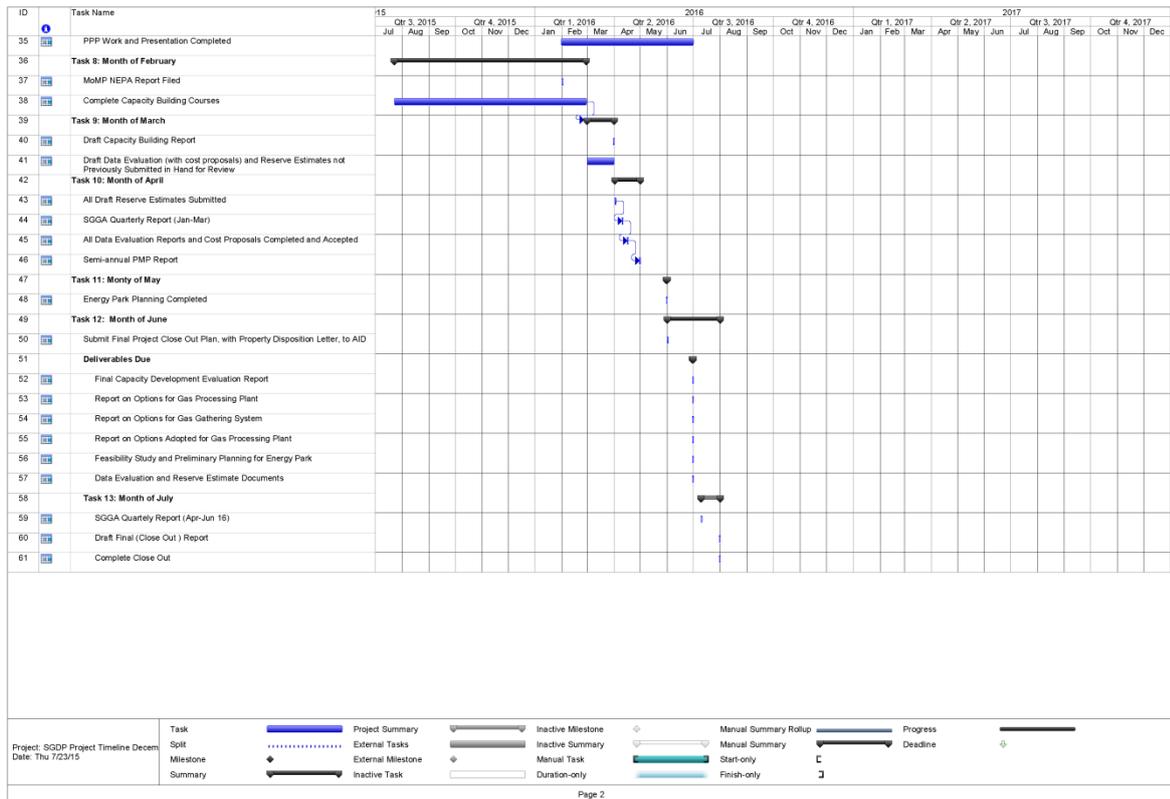
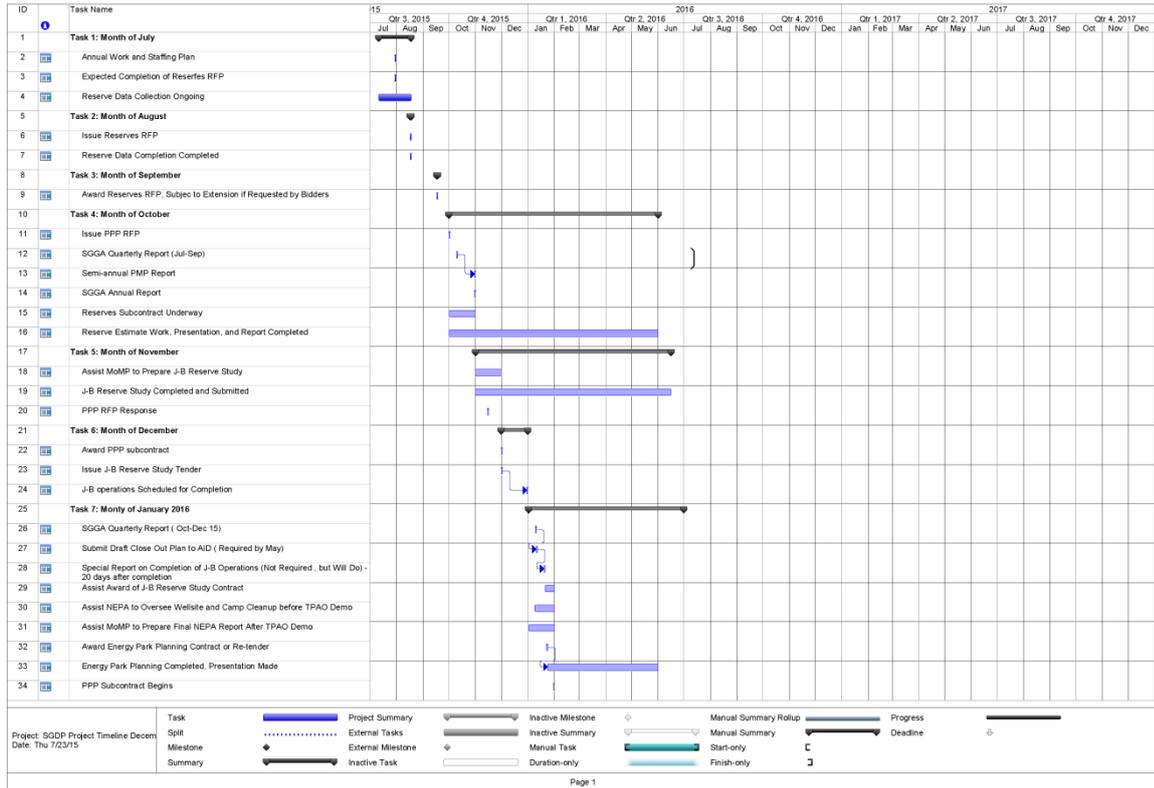
Table 1 – SGGA Deliverables

Contract Reference No.	Description	SGGA Party Responsible	Due Date
<i>Task 1: Technical Assistance, Training, and Capacity Enhancement</i>			
6	Final Capacity Development Evaluation Report	Capacity Building Director, Communications Manager	06/30/2016
	SGGA Final Report	Chief of Party, Communications Manager	Draft Report due 07/31/2016
<i>Task 2: Provide Procurement Support to MOM to implement the SGDP</i>			
8	Report on options for business and financing mechanisms for a gas gathering plant	SGGA Subcontractor	06/30/2016
9	Report on options for business and financing mechanism for a gas processing system		06/30/2016
10A	Report on business and financing mechanisms adopted for gas processing plant		06/30/2016
10B	Feasibility study and preliminary planning proposal for the creation of an "energy park" located on the present site of the Gerquduq facility	SGGA Subcontractor provider	06/30/2016
11	Quarterly Quality Assurance and Progress Reports on Drilling	On-Budget Task Manager	As needed by COR

Contract Reference No.	Description	SGGA Party Responsible	Due Date
<i>Task 2: Provide Engineering Review and technical assistance to MoMP and USAID with respect to SGDP</i>			
13	Reports on drilling operations, on data collection, and on contract completion of the gas wells: <ul style="list-style-type: none"> • Monthly Reports on Progress and QA/QC of drilling operations • Monthly Reports on Progress for data collection • Monthly Reports on contract completion of the gas wells 	Chief of Party, On-Budget Task Manager	One week after end of each month
14	Comprehensive requirements document for data evaluation and reserve studies for the Sheberghan area gas fields completed to international standards usable by potential investors for planning and obtaining financing, including by private sector banks, IFIs, and donor agencies	SGGA Subcontractor	06/30/2016
21	Reports on progress and achievement of Afghan Gas Enterprise as they occur	Chief of Party	N/A

The work schedule for these deliverables is illustrated in the attached Gantt chart:

Figure 1 - SGGA Schedule Gantt Chart



Notes:

- Task 2 in the Schedule = Deliverable 14
- Task 3 in the Schedule = Deliverables 8, 9, & 10A
- Task 4 in the Schedule = Deliverable 10B