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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

Period: September 1 – September 30, 2015

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Acronyms and Abbreviations

AGE	Afghan Gas Enterprise
AGS	Afghan Geological Survey
APA	Afghanistan Petroleum Authority
MoMP	Ministry of Mines and Petroleum
OGS	Oil and Gas Survey
OSHA	United States Occupational Health and Safety Administration
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

- Continued to attempt to support MoMP in obtaining payment of TPAO's invoice for mobilization, which at the end of the reporting period was eight weeks past due and accruing finance charges. Support included providing, again, descriptions of the payment process, copies of drilling contract tax exemption documents, and copies of the drilling contract language related to financing charges on late payments. Although MoMP relatively promptly submitted the TPAO invoice to the Ministry of Finance, that Ministry continues to delay payment based on, among other things, an objection that the extension of the drilling contract was not approved by the Special Procurement Commission, despite the fact that the Minister of Finance signed the USAID Implementation Letter approving the extension.
- Confirmed with APA's Zabi Sarwari that MoMP's current year budget contains no appropriation that would provide mechanism for use of \$30 million USAID grant for drilling contract payments. As of reporting period, MoMP has not responded to requests for information on what steps, if any, are being taken to correct this important matter.
- Following news, in late September, that electric log interpretations showed that the Juma No. 2A well had low porosity (meaning little available space for hydrocarbons in the rock) and was probably going to be non-commercial, SGGA responded by:
 - presenting to MoMP and USAID options and budget impacts for adjusting the scheduled work on the Bashikurd No. 3 and 9 wells in view of the unexpected results
 - researching well data for the No. 3 and 9 wells to determine recommendations for further work. This research included gathering well drilling records and completion reports and locating and obtaining porosity data for core samples from wells in the field, including the No. 9 well, which also showed low porosity. Engineering reports were also prepared by SGGA engineers familiar with the Bashikurd wells.
 - Results of all tests and the reports were provided to MoMP and USAID
 - Recommending to MoMP that sidewall cores be obtained from the Juma No. 2A for more detailed analysis, and that acid stimulation, consistent with common practice in low porosity, fractured limestone/dolomite formations, be conducted to try to achieve improved production prospects. The coring recommendation was ignored by MoMP, and the acid stimulation recommendation was effectively rejected by TPAO's irrelevant objections and demand for increased costs.
 - Informed Sarwari of USAID's preliminary decision not to fund the re-entry of the Bashikurd No. 9.
- Provided recommendation to Min. Saba for language for the Totimaidan production sharing contract under negotiation that would require reimbursement of drilling contract payments from TPAO. Prior to his attending a meeting on the subject with APA DG Qaeym, sent draft language to Sarwari.
- As requested by USAID, prepared and provided to USAID and MoMP a draft "Variation Notice" (change order) for the drilling contract cancelling the re-entry of Bashikurd No. 9, but retaining the re-entry and deepening operations for Bashikurd No. 3.

1.2 Meetings

- 2 September: met APA's Zabi Sarwari and discussed the status of TPAO's first invoice.
- 8 September: met with USAID (J. Jordy and J. Stitch) to discuss project status

- 13 September: met with Sarwari regarding plans for data evaluation and reserve estimates, plans for public-private partnership request for proposals, and plans for completion of Juma No. 2A.
- 15 September: met with (1) Minister Saba regarding Totimaidan contract language for drilling contract reimbursement, drilling operations, and support for Ministry public information office; and (2) USAID to discuss drilling program options.
- 19 September: met with Sarwari regarding TPAO's request for extension of performance period.

1.3 Challenges

Both of the following challenges during this reporting period reflect MoMP's inability to respond effectively or promptly to issues that have arisen during the course of the drilling contract, and to routinely carry out even routine contract management duties except by relying on SGGA for support, or under continued prodding from SGGA.

- MoMP's response to the log and test results showing non-commerciality of the Juma 2A was limited to appointing a "commission" to determine whether to plug the well. It is unknown whether the commission was ever actually appointed or met, since it was reported that DG Qaeym directly ordered the plugging after several days delay. MoMP did not initiate any review of operational plans after learning of the porosity problems in the well.
- Other than meet with Ministry of Finance officials, MoMP has not been able to obtain payment of the pending TPAO invoice. SGGA has not been informed of any effort by MoMP to determine the legal accuracy of the Ministry of Finance claim that the extension of the drilling contract had to be approved by the Special Procurement Commission.
- Until pushed by SGGA, MoMP did not act to cure the lack of an appropriation that would allow payment of drilling costs by the USAID grant.

Note: SGGA has been told by Sarwari that a request has been sent to the Cabinet requesting an adjustment to MoMP's appropriation to provide for the use of grant funds for the payment of the TPAO drilling contract, and that a request has been sent to the National Procurement Authority (successor the Special Procurement Commission) for approval of the previous extensions of the TPAO drilling contract.

1.4 Plans for Next Month

- Advise MoMP on change order implementation for TPAO drilling contract
- Monitor re-entry, deepening, and testing of Bashikurd No. 3
- Monitor payment of TPAO invoices
- Advise, as requested, on status of reimbursement of drilling funds under Totimaidan production sharing contract.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Completed assembly and scanning of what is believed to be all available well and field data from MoMP and SGGA files in support of the seven field data evaluation and reserve estimate program. Much of the data was obtained in Sheberghan and had to be moved to Kabul for commercial scanning.
- Began categorizing and indexing data in order to provide information to prospect bidders on the type and quantity of data requiring review.

2.2 Meetings

- No significant external meetings this reporting period.

2.3 Challenges

- Due to the age, fragile condition, and non-standard sizes of much of the data, it is difficult to obtain readable document scans. This made it difficult to locate copying shops experience, equipment, and facilities capable of producing quality scans of the data on a timely basis.

2.4 Plans for Next Month

- Complete organizing and indexing the data collected.
- Issue the request for proposals to the previously compiled short list of international petroleum engineering firms.

3 CAPACITY DEVELOPMENT

3.1 Achievements / Activities

- Sheberghan
 - United States Occupational Safety & Health Administration (OSHA) 192 Hour Oil & Gas Safety & Health Manager distance learning training for Oil and Gas Survey (OGS) and Afghan Gas Enterprise (AGE) personnel and is approximately nine percent complete.
 - Translation of the material for the OSHA distance learning training for the engineers at OGS and AGE in Sheberghan and is approximately 28 percent complete.
 - Market Leader Elementary Business English classes with OGS and AGE personnel in Sheberghan are 50 percent complete.
 - Basic Well Drilling course in Sheberghan is approximately 75 percent complete.
 - Mentoring AGE employees with the procurement of service and training for the chromatograph in Sheberghan continues.
- Kabul
 - Mentoring MoMP's Department of Public Relations & Communications has resulted in the creation of up to date job descriptions for the thirty two personnel within the department, the adoption of new media, including Facebook and Twitter, translation of the MoMP website from English into Dari and Pashtun, and effective public communications, including preparation of press releases and feature stories.
 - The development of a resource library for the Public Relations & Communications Department at the MoMP is ongoing though on hold pending the completion of translations for the OSHA distance learning training in Sheberghan.
 - Market Leader Elementary Business English with the Public Relations & Communications Department at the MoMP is approximately 25 percent complete.
 - Mentoring the development of a legal library for the MoMP Legal Department is pending the Legal Library Development Team's completion of assigned project work.

3.2 Meetings

- No significant external meetings in this reporting period.

3.3 Challenges

- No significant challenges encountered during this reporting period.

3.4 Plans for Next Month

- Continue OSHA distance learning course for safety and health management for AGE and OGS personnel, together with required translation of course materials.
- Continue Basic Well Drilling course in Sheberghan is continuing.
- Continue Market Leader Business English classes for AGE and OGS staff in Sheberghan.

4 MONTHLY EXPENDITURES

Accrual Report Reference: EPP-I-00-03-00004-00 Task Order: AID-306-TO-12-00002 Reporting Period September, 2015		
A. Contract Ceiling:	30,440,957	
B. Total Obligated toward ceiling	30,440,957	
C. Ceiling remaining	-	
D. Total disbursed	23,178,610	
E. Accruals	833,452	
F. Combined totals	24,012,061	78.9% of obligation
G. Pipeline balance	6,428,896	
Accruals:		
August to be billed	\$ 385,772	
September Estimate	447,680	
	833,452	

5 PROJECT SCHEDULE

