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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 February 1 – February 29, 2016

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Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International
AGE	Afghan Gas Enterprise
AGS	Afghan Geological Survey
APA	Afghanistan Petroleum Authority
GOA	Government of the Islamic Republic of Afghanistan
MoMP	Ministry of Mines and Petroleum
OGS	Oil and Gas Survey
OSHA	United States Occupational Health and Safety Administration
PPP	Public-Private Partnership
RFP	Request for Proposal
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

- Continued to urge Z. Sarwari, MoMP project manager for the TPAO drilling contract, to complete the steps necessary for closing out the contract and assuring payment of all invoices. As of the end of the reporting period, the following major issues remained incomplete at the end of the reporting period, despite SGGA having provided detailed and repeated recommendations regarding the specific contract and commercial requirements for completing them:
 - Issuing Engineer's Letter to allow payment of nine month past due TPAO invoice for mobilization. (See below, Challenges. The letter was issued after the end of the reporting period, but prior to the date of this report.)
 - Obtaining TPAO's final information and representations regarding contractually required steps required prior to payment of final invoice.
 - Beginning the final environmental compliance inspection required by the Environmental Management Plan mandated by the National Environmental Protection Agency.
 - Reaching agreement with TPAO on final charges for items such as delay damages and late invoice payment charges.
- Provided Sarwari a package of draft documents required for TPAO drilling contract closeout, including a "closing memorandum" to be signed by the parties stating the basis for all final contract payments and adjustments and confirming the transfer of surplus equipment to MoMP and a mutual release to be signed on final payment of all remaining funds. Despite SGGA's recommendation that Sarwari share the draft documents with TPAO to serve as a basis for closeout negotiations, Sarwari did not do so. A copy was provided to USAID, Minister Saba, and his special advisor D. Azizi.
- Minister Saba and D. Azizi have been kept informed of the delays in the contract close out process, and have repeatedly instructed Z. Sarwari to take action.
- SGGA contracted with Credible Construction Company, a local engineering/environmental firm, to conduct the final environmental on the Juma-Bashikurd work locations. This was necessary because Z. Sarwari continued to be either unwilling or unable to task MoMP staff to carry out the inspection in accordance with the requirements of MoMP's Environmental Management Plan.

1.2 Meetings

- On 10 February, met with D. Azizi, special advisor to Minister Saba, Z. Sarwari, and D. Azizi's staff to discuss the TPAO closeout requirements, including obtaining responses from TPAO on final payment requirements. Public-private partnership plans, the presentation made to the Interministerial Committee on Energy on behalf of the Minister, and the seven reserve studies were also discussed, although it became apparent that D. Azizi had not been briefed previously by Z. Sarwari on these matters.

1.3 Challenges

- SGGA faced numerous challenges during the reporting period in connection with MoMP's efforts to close out the TPAO drilling contract. The most serious was the proposal by Z. Sarwari to attempt to evade the payment of the finance charges of some \$33,000 legitimately due to TPAO because of non-payment of the mobilization invoice, which remains unpaid after nine months. Z. Sarwari's proposal to avoid the finance charges, which must be paid from Ministry funds, was to attempt to have TPAO issue a "new" invoice for the \$1.4 million mobilization fee and ignore the past due invoice. In a meeting on the issue, Z. Sarwari would not accept SGGA's position that such an effort ignored the facts known to all parties, would alienate TPAO

even further, would leave a payment issue unresolved, and would almost certainly fail. The issue was possibly resolved after a detailed note was sent to Z. Sarwari again explaining the objections of SGGA, and Minister Saba and D. Azizi, who were copied on the note, instructed Z. Sarwari to adhere to SGGA's recommended course of action. SGGA believes that the attempt to evade the finance charges reflects the failure in many segments of MoMP to adapt to commercially-oriented and transparent approaches to the Ministry's business and to avoid accountability.

1.4 Plans for Next Month

- Continue to assist MoMP to complete closeout of the TPAO drilling contract in compliance with the contract and acceptable business practices.
- Complete the environmental inspection of the Juma-Bashikurd Field work locations that were begun on 3 March, prepare the inspection report, and advise MoMP of any costs for incomplete cleanup work that should be recovered from TPAO.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Data Evaluation and reserves estimates for up to seven Sheberghan area gas fields.
 - An engineering services subcontract and the accompanying confidentiality agreement for the data evaluation and reserve estimates was signed with the preferred bidder, McDaniel & Associates Consultants Ltd. ("McDaniel") of Calgary.
 - Began uploading gas field data to McDaniel in field priority order.
- Received six proposals in response to SGGA's Public-Private Partnership (PPP) RFP. Of the ten international law firms to which the RFP was sent, six responded.
 - Completed evaluation of proposals and selected a preferred offeror.
 - Began discussions with the preferred offeror on details of subcontract terms and conditions.

2.2 Meetings

- No meetings were held during the reporting period, but a number of telephone conferences were held with McDaniel to discuss details of the work and the data transfers.

2.3 Challenges

- Electronic transfer of the large volume of field data to McDaniel proved to be a significant challenge. Transfer is being made through DropBox, but even from the United States bandwidth restrictions have made for a lengthy process. Uploading from Kabul is continuing after system reconfiguration to speed transfer rates.

2.4 Plans for Next Month

- McDaniel is scheduled to provide data evaluation reports and contingent resources reports as they are completed.
- Complete the award of the PPP structuring subcontract and work with the Ministry of Finance and the Ministry of Mines and Petroleum to obtain information about GOA overall PPP plans.

3 CAPACITY DEVELOPMENT

3.1 Achievements / Activities

- Sheberghan:
 - United States Occupational Safety & Health Administration (OSHA) 192 Hour Oil & Gas Safety & Health Manager and 70 Hour Oil and Gas Train-the-Trainer distance

learning trainings for Oil and Gas Survey (OGS) and Afghan Gas Enterprise (AGE) personnel have been completed by four male personnel...

- Mentoring/coaching for developing sustainable safety and health programs within OGS and AGE is ongoing.
- Market Leader Elementary Business English classes with OGS and AGE personnel in Sheberghan have been completed Seventeen male and three female personnel completed the course
- Kabul:
 - English language training for SGGA staff, including APPF guards, continued. Twenty males and two female staff members are attending.

3.2 Meetings

- No external meetings were held during the reporting period.

3.3 Challenges

- No significant challenges were encountered during this reporting period.

3.4 Plans for Next Month

- The five courses needed for the OGS and AGE participants to complete the OSH Academy 233-Oil and Gas Health and Safety Professional distance learning program will begin.
- Market Leader Pre-Intermediate Business English classes for AGE and OGS personnel will begin in Sheberghan.
- Continue mentoring OGS and AGE staff in the implantation of safety and health policy plans.
- A three month health and safety training course for oil & gas well drilling engineers at OGS and AGE will begin and will include 59 males and 19 female.
- English class in both Kabul and Sheberghan continue.

4 MONTHLY EXPENDITURES

Accrual Report Reference: EPP-I-00-03-00004-00 Task Order: AID-306-TO-12-00002 Reporting Period February, 2016		
A. Contract Ceiling:	30,440,957	
B. Total Obligated toward ceiling	30,440,957	
C. Ceiling remaining	-	
D. Total disbursed	24,964,069	
E. Accruals	<u>656,777</u>	
F. Combined totals	<u><u>25,620,846</u></u>	84.2% of obligation
G. Pipeline balance	<u><u>4,820,111</u></u>	
Accruals:		
January billed, not paid	\$ 329,170	
February Estimate	\$ 327,607	
	<u>-</u>	
	<u><u>656,777</u></u>	

5 PROJECT SCHEDULE

