



**USAID**  
FROM THE AMERICAN PEOPLE

**AFGHANISTAN**

## **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**

March 1 – March 31, 2016

Submitted: April 5, 2016

Prepared by:

Advanced Engineering Associates International, Afghanistan  
House # 4, Afghana Street, Shash Darak, District 9  
Kabul – Afghanistan  
Telephone: + 93 (0) 796 101 933

This Monthly Report is made possible by support from the American People sponsored by United States Agency for International Development (USAID). The contents of this monthly 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.

## Table of Contents

1	DRILLING CONTRACT MANAGEMENT SUPPORT.....	4
1.1	Achievements / Activities.....	4
1.2	Meetings.....	4
1.3	Challenges.....	4
1.4	Plans for Next Month.....	5
2	SGDP NATURAL GAS DEVELOPMENT SUPPORT.....	5
2.1	Achievements / Activities.....	5
2.2	Meetings.....	6
2.3	Challenges.....	6
2.4	Plans for Next Month.....	6
3	CAPACITY DEVELOPMENT.....	6
3.1	Achievements / Activities.....	6
3.2	Meetings.....	7
3.3	Challenges.....	7
3.4	Plans for Next Month.....	7
4	MONTHLY EXPENDITURES.....	8
5	PROJECT SCHEDULE.....	9

## Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International
AGE	Afghan Gas Enterprise
AGS	Afghan Geological Survey
CCC	Credible Construction Company
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

- Recommended in 9 March meeting with both that MoMP and TPAO utilize SGGA's drilling contract closeout memorandum as a guide for concluding remaining drilling contract open items. Following the meeting SGGA sent both parties and USAID an updated version of the memorandum.
- The Environment Compliance Report, covering TPAO compliance with the requirements of the National Environmental Protection Agency-mandated Environmental Management Plan (EMP) was completed by SGGA subcontractor Credible Construction Company and provided to USAID, MoMP, and TPAO. The Report concluded that the estimated cost of correcting the items not done by TPAO was approximately \$1.27M. Remedial work required includes resurfacing and grading the field road, ripping compacted drill pads, levelling berms, and completing sanitary (including latrines and cesspits) clean up. Under the drilling contract terms, TPAO is required either to remedy the violations or compensate MoMP for the estimated cost of doing so.

### 1.2 Meetings

- On 8 March, attended presentation of Fichtner gas master plan at MoMP.
- On 9 March, SGGA met with Z. Sarwari of MoMP and TPAO representatives and TPAO site cleanup subcontractor. Since the Ministry was unprepared, SGGA mediated the meeting, taking the parties through the remaining steps necessary to conclude the drilling contract and obtain final payment.

### 1.3 Challenges

- The resignations late in the month of both Minister Daud Saba and APA Director General Outbuddin Qaeym will very likely cause delays in doing business with the Ministry, although Outbuddin was quickly replaced by Eng. Nooria Stanekzai. The most immediate impact will be the impairment of the ability to obtain an amendment to the data use and confidentiality agreement and a minister's directive to obtain data for the Juma-Bashikurd Field needed to obtain a quote for preparation of a reservoir study. The loss of Min. Saba will also reduce the pressure being put on Sarwari to conclude TPAO contract issues.
- MoMP's Z. Sarwari failed to prioritize taking the necessary steps to conclude the TPAO drilling contract, despite reportedly spending a week in Sheberghan dealing with TPAO on the transfer of surplus equipment and materials. At the end of the reporting period Sarwari still had not obtained the necessary written representations from TPAO that relate to contract compliance, had not prepared any calculation of potential offsets by TPAO based on MoMP delays in making operational decisions on such matters as well completions and abandonments. The delays of up to two weeks that under usual contract management settings would take no more than two or three days, and often are made within a few hours or less. In addition to Sarwari's lack of leadership, decision-making is seriously impaired by the Ministry's practice of submitting almost all but the most insignificant decisions to committees, with no apparent deadlines set for reporting, and the lack of delegation of authority to mid-level and even upper level managers.
- MoMP made almost no progress toward trying to obtain petroleum engineering services to conduct the Juma-Bashikurd reservoir required to be funded by TPAO under Amendment 1 to the drilling contract. Despite having been provided a complete package of tender documents for Afghan tender procedures by SGGA as early as 19 December 2015 and again on 10 January 2016, MoMP was either incapable of or unwilling to organize the tender, and would not, for some reason, work with the National Procurement Commission staff to obtain support. At the same time, TPAO expressed their wish to make funds available for the study as part of

the contract closeout rather than waiting for the tender to be completed. After discussions with TPAO and MoMP, SGGA agreed to approach USAID to try to solve the issue. At the end of the reporting period, USAID was preparing an Implementation Letter under which SGGA would obtain a quote for the reservoir study from McDaniel Associates and, if the quote was acceptable to all parties, withhold the agreed amount, amend the McDaniel scope of work, and pay for the work through the SGGA McDaniel subcontract.

- Environmental compliance inspections were not be able to be fully completed because of security threats in the Bashikurd Field area, where insurgents were reported to be present. Requests for support to the local police and army commands were refused on the ground that all available personnel had been assigned to the use of Vice President Dostum while he was in the north.

#### 1.4 Plans for Next Month

- Meet with Sarwari to determine what additional technical advice needs to be provided by SGGA for his closing out the TPAO contract, while making clear that the closeout is the responsibility of the Ministry and that SGGA will not certify completion of work for disbursement of USAID grant funds until all contract requirements are fully completed.

## 2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

### 2.1 Achievements / Activities

- Seven Field Data Evaluation and Resource Estimates
  - McDaniel submitted and SGGA approved data evaluation reports from McDaniel Associates for the Gerquduq, Khoja Gogerdak, and Yatimtaq fields.
  - McDaniel submitted the contingent resources report for the Gerquduq Field. SGGA requested minor clarifications to the report, which McDaniel is making.
  - Contingent resources reports for the Khoja Gogerdak and Yatimtaq fields are being prepared by McDaniel.
  - Juma/Bashikurd Reservoir Study. As discussed above (Drilling Contract Management Support, Challenges) steps are being taken by USAID and SGGA to amend the McDaniel Associates subcontract to include the Juma-Bashikurd Field reservoir study required under Amendment 1 to the TTPAO drilling contract. In connection with this SGGA:
    - prepared and submitted to MoMP a draft amendment to the existing MoMP-AEEAI Agreement for Access to and Use of Data, and Confidentiality of Data and a draft minister's directive to provide access so that the Juma-Bashikurd data can be provided to McDaniel for preparation of a quotation for the reservoir study preparation. The documents were pending signature when the minister resigned.
    - Prepared and sent to USAID a draft implementation letter to make the necessary changes to the Grant Agreement.
- Public-Private Partnership for Construction and Operation of a Sheberghan Gas Processing Plant
  - Completed negotiation of subcontract terms with law firm proposed to prepare PPP recommendations and transaction and tender documents.
  - Submitted consent to subcontract for legal services to USAID.
- Proposed USID Gas-to-Power Symposium
  - Completed the agenda, budget, and initial planning for the proposed symposium scheduled for late May 2016, at a location to be determined.

## 2.2 Meetings

- On 14 March, met with FAIDA regarding preliminary planning for the logistics and agenda for the proposed USAID symposium. FAIDA is providing the symposium logistics
- On 17 March, met with USAID and FAIDA project to discuss the symposium location (originally proposed for Istanbul) having a Gas-to-Power Symposium in Istanbul, Turkey and completed an agenda.
- On 28 March, met again with USAID and FAIDA to refine logistics and funding details of the symposium. The location has yet to be determined.
- On 30 March, met with Seran Bewar of the Ministry of Finance to determine status of MoF work on public-private partnership policy. Public-private partnerships have been authorized in the Procurement Law and regulations are being developed by MoF.

## 2.3 Challenges

- SGGA has encountered some difficulty in providing to McDaniel all information required to prepare commercial According to the Petroleum Resource Management System, the international standard for resource classification, the hydrocarbon resources must be discovered, recoverable, commercial, and remaining. Currently more plant cost, pricing, technical and economic data is needed before reserves can be assigned. McDaniel is estimating the contingent resources in the fields, being those quantities of petroleum estimated to be potentially recoverable, but the project(s) are not yet considered mature enough to assign commercial reserves.
- The resignations of Min. Saba and DG Outbuddin and Minister Saba have complicated both work on the Juma-Bashikurd reservoir study work and planning for MoMP representation at the gas-to-power symposium. SGGA is working with remaining MoMP senior staff to try to obtain agreement on the required documents for the Juma-Bashikurd reservoir study.
- Planning for the proposed symposium has been made difficult due to security concerns with Istanbul, high costs for London, and visa restrictions for Afghans travelling to the UAE. At the end of the reporting period, changes in UAE visa requirements opened prospect of holding the symposium in Abu Dhabi.

## 2.4 Plans for Next Month

- Provide support for the gas-to-power symposium as directed.
- Continue to provide additional data to McDaniel as feasible for preparation of contingent resources estimates
- Obtain necessary agreements and data for McDaniel to prepare a quote for the Juma-Bashikurd reservoir study.

# 3 CAPACITY DEVELOPMENT

## 3.1 Achievements / Activities

- Sheberghan:
  - Four male Oil and Gas Survey (OGS) and Afghan Gas (AGE) personnel completed the 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 courses.
  - SGGA's basic health and safety course for AGE and OGS personnel began with 59 male and 19 female students.
  - Market Leader Pre-Intermediate Business English classes have begun with sixteen male and three female OGS and AGE personnel.
- Kabul:

- Basic English class for SGGA staff continues, with twenty male and two female students.

### 3.2 Meetings

- On 09 March, met with MoMP AGS GIS Director Tahir, GIS Lead Sharif, and GIS Specialist Bashir to coordinate Bashir's teaching of a basic GIS for AGE and OGS personnel in Sheberghan. Tahir agreed to relocate Bahir to Sheberghan temporarily to teach on a volunteer basis while Bahir continues his regular duties at the Afghan Geological Survey. The Minister's permission will be required.
- On 12 March, met with OGS Acting Director Nazar Mohammad Rahimi to encourage support for the safety and health participants to complete an additional five advanced courses. Transfer of surplus materials after the SGGA Sheberghan guesthouse closing was also discussed.
- On 12 March, met with the AGE Acting Director Eng. Abdul Qayum to arrange for SGGA capacity building staff and GIS trainer to lodge at the AGE guesthouse while conducting training. Transfer of surplus materials after the SGGA Sheberghan guesthouse closing was also discussed.

### 3.3 Challenges

- No significant challenges during the reporting period.

### 3.4 Plans for Next Month

- Continue Market Leader Pre-Intermediate Business English class in Sheberghan for AGE and OGS personnel.
- A three month basic GIS course in Sheberghan will begin, per the request of the directors of AGE and OGS.
- English classes 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 March, 2016		
A. Contract Ceiling:	30,440,957	
B. Total Obligated toward ceiling	30,440,957	
C. Ceiling remaining	-	
D. Total disbursed	25,646,571	
E. Accruals	<u>1,027,788</u>	
F. Combined totals	<u><u>26,674,359</u></u>	87.6% of obligation
G. Pipeline balance	<u><u>3,766,598</u></u>	
Accruals:		
January billed, not paid	\$ 329,170	
February billed, no paid	\$ 353,331	
March estimate	<u>345,287</u>	
	<u><u>1,027,788</u></u>	

## 5 PROJECT SCHEDULE

