



USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)
Contract No. EPP-I-00-03-00004-00, USAID Task Order No. AID-306-TO-12-00002

SGGA Quarterly Report
(Mod 2, Section F, Paragraph B (3) and Mod 6, Section F.5)

Period: July 1 – September 30, 2015
Submitted: October 19, 2015

Prepared by:

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

This Quarterly Report is made possible by support from the American People jointly sponsored by United States Agency for International Development (USAID) and the Government of the Islamic Republic of Afghanistan. The contents of this Quarterly 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	MoMP Procurement Technical Assistance (Objective 2)	1
2	Power Sector Technical Assistance (Objective 1)	4
3	Capacity Development (Objectives 1 & 5)	4
4	Policy Support (Objectives 3 & 4)	6
5	Infrastructure Activities (Objective 2)	6
6	Deliverables Submitted This Period (Section F of Mods 2, 3, 5, and 6).....	6
7	SGGA Quarterly Financials	8

Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
MoMP	Ministry of Mines and Petroleum
OGS	Oil and Gas Survey
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish Petroleum Corporation
USAID	United States Agency for International Development

1 MoMP Procurement Technical Assistance (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Drilling Contractor Schedule / Performance.</p> <p>1) The projected total depth for Juma #2 well was approximately 3500 meters. The well was completed on MoMP instructions at total depth of 3481 meters, which is above the projected gas/water contact. TPAO's interpretation of the open hole log indicated that the Kugitan formation in the well had low porosity (≈5%) and although fractured, would have low gas volumes.</p> <p>2) Flow tests resulted in minimal gas volumes and inability of the well to maintain steady pressures. With these test results and the refusal of MoMP and TPAO to consider acid stimulation, a common technique in reservoirs of this kind, the well was determined to be non-commercial and was plugged and abandoned on MoMP's orders given by Dr. Qaeym.</p> <p>3) TPAO's work plan calls next re-entering, deepening, and testing the Kugitan formation in Bashikurd No. 3 well to</p>	<p>1) MoMP was uncertain how to proceed in light of the disappointing and unexpected low porosities. It was clear that MoMP had not prepared alternative strategies to deal with such results.</p> <p>2) Neither MoMP nor TPAO developed any plans for alternative well completion techniques, even after seeing the results from logging that indicated low porosity and heavy fracturing. SGGA's suggestion to consider acid stimulation of the well seemed to confuse the MoMP and met strenuous resistance from TPAO in the form of questionable to spurious objections.</p> <p>3) MoMP had not considered the possibility of an unfavorable result from the 2A operations at the Bashikurd 3 or 9, and clearly had done no</p>	<p>1) On advice of both SGGA and TPAO, MoMP instructed TPAO to install production casing and perforate the potential Kugitan Formation producing intervals, and conduct flow tests. This was the most definitive testing to confirm or overcome the porosity log data.</p> <p>2) After research and obtaining reports and recommendations from its senior engineers, SGGA recommended that MoMP consider acid stimulation of the well to improve gas flow by opening the fracture system. TPAO objections and demands for additional payment resulted in MoMP's refusal of the suggestion. No acid stimulation was conducted, and the Juma 2A was plugged and abandoned on 28 September 2015.</p> <p>3) On receiving the interpretation of the 2A well logs, SGGA initiated a geological review of other Bashikurd wells to assess the viability of planned work on the Bashikurd 3</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>try to improve the results of the 1996 drillstem tests showing 62 MCM/day from the upper Kugitan. The Bashikurd 9 is the last well scheduled for re-entry.</p> <p>4) Based on the SGGA geological review, USAID determined that it will not provide funding for the re-entry of the Bashikurd 9, but would continue to fund the re-entry and deepening of the Bashikurd 3. SGGA relayed this decision to MoMP and on 5 October provided MoMP a draft contract notice to drop Bashikurd 9 from the work schedule.</p> <p>5) On 18 Sep 2015, TPAO submitted a proposed revised schedule to extend the time for completion to 15 January 2016.</p>	<p>preparatory work for any of the well operations such as reviewing well data or previous reports. Consequently MoMP was both unable and unwilling to consider altering plans based on 2A results.</p> <p>4) As of the date of this report, MoMP has not issued the change order (Variation Notice) dropping the Bashikurd 9 from the work schedule. There were some indications that MoMP wants to continue with the Bashikurd 9 re-entry.</p> <p>5) Such an extension would result in the contract being completed two years and one month after the signing date, and far past the original completion time of 270 days.</p>	<p>and 9. This investigation included examining previous well reports and locating and testing core sample from MoMP's warehouse at Sultan Kot. Cores were located for, among others, Bashikurd 9. The results of the geological review were provided to MoMP and USAID.</p> <p>4) MoMP has been advised, and will continue to be advised that it will need to bear the costs of re-entering the Bashikurd 9 if it chooses to do so.</p> <p>5) MoMP rejected the proposed extension, but extended the time for completion to 10 October 2015 in order to complete work on the Juma 2A. The extension letter expressly stated that delay penalties against TPAO would begin to accrue on 11 October 2015.</p>
<p>Performance of APA and MoMP</p> <p>1) MoMP received TPAO's first invoice on 27 June 2015, and soon thereafter submitted it to the Ministry of Finance for payment. SGGA had previously provided training on invoice handling and contract compliance.</p>	<p>1) As of the end of date of this report, Ministry of Finance has not yet made the payment. Reasons for non-payment cited by Ministry of Finance have included that the previous extension of the contract was not approved by the Special Procurement Commission, although neither Afghan law nor regulations</p>	<p>1) MoMP held several conversations with Ministry of Finance staff on the approval issue, but has finally submitted a request for approval of the previous extension to the Special Procurement Commission. SGGA is unable to determine whether this issue could have been resolved earlier by more complete advance conversations between MoMP and Ministry of Finance staff, as recommended to MoMP by SGGA.</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
	<p>appear to require this.</p>	<p>MoMP staff took no steps to obtain legal assistance regarding the SPC requirement, and refused suggestions to have the Ministry of Mines (or a Deputy Minister) intervene at Ministry of Finance to get the invoice paid.</p>
Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>MoMP support for assistance projects including field data evaluation and reserve estimates</p> <p>1) SGGA completed gathering from MoMP divisions of well and field data for the seven fields to be reviewed. Compliance with the Minister's directive to cooperate with SGGA data collection was generally good.</p> <p>2) Scanning of the voluminous data collected was completed and both the original records and digitized copies were returned to MoMP divisions.</p>	<p>1) Initial data collection met with mixed response. In some instances Ministry staff was fully cooperative, but in other cases, Ministry staff insisted on additional confirmation from their own immediate superiors rather than accepting the Minister's directive.</p> <p>2) Data collection was also hampered by the fact records were poorly organized, scattered across MoMP locations in Kabul, Sheberghan, and Mazar-e-Sherif. MoMP does not maintain either databases or indices of its geological records.</p> <p>Due to the age, fragile condition, and non-standard sizes of much of the data, it was difficult to obtain readable document scans. This made it a challenge to find and employ scanning techniques, equipment and facilities capable of</p>	<p>1) SGGA staff persisted in working with MoMP staff to obtain cooperation, which was usually obtained fairly quickly with support from senior MoMP officials.</p> <p>2) SGGA was fortunate in locating print houses in Mazar-e-Sharif and Kabul with quality equipment to perform the document scanning. With the scanned data, MoMP will then have an easily accessed source of all of its available Sheberghan area natural gas data.</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
	producing quality scans of the data on a timely basis.	

2 Power Sector Technical Assistance (Objective 1)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
No pending tasks or action this quarter.		

3 Capacity Development (Objectives 1 & 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Business English Training</p> <p>Training in business English is ongoing, including focus on technical staff that requires English to deal in the international petroleum industry.</p>	<p>Training has been adjusted to accommodate two unexpected downsizings of the APA in December 2014 and again in June of 2015. SGGA broadened the training to include mostly staff beyond the APA.</p>	<p>1) Sheberghan Market Leader Elementary Business English classes with Afghan Gas Enterprise (AGE) and Oil and Gas Survey (OGS) personnel in Sheberghan are approximately 50% complete and are continuing.</p> <p>2) Kabul Market Leader Elementary Business English class with MoMP Public Relations & Communications Department personnel is approximately 25% complete and is continuing.</p>
<p>Basic Well Drilling Training</p> <p>Basic well drilling training is continuing for OGS and AGE personnel.</p>	<p>1) OGS and AGE personnel were not included in well drilling operations conducted in 2013 in the Yatimtaq and Gerquduq Fields under ADB funding.</p>	<p>Practical instruction, including observation of current USAID funded operations in the Juma/Bashikurd Field, is continuing. The current course is 75% complete and will continue through the rest of 2015.</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>MoMP Public Relations and Communications Coaching Project</p> <p>SGGA mentoring of MoMP's Public Relations and Communications Department has greatly improved the functioning of the department. Progress has included establishing an office structure, job descriptions, and work deadlines.</p>	<p>Department had staff were poorly trained, frequently had no relevant training or experience, and were often unfamiliar with basic PIO functions and methods. The department had no job descriptions, no standard procedures, and no project frameworks or deadlines.</p>	<p>SGGA mentoring of MoMP's Department of Public Relations & Communications has resulted in:</p> <ul style="list-style-type: none"> - creation of up to date job descriptions for the thirty two staff - adoption of new media tools, including Facebook and Twitter - translation of the MoMP website from English into Dari and Pashtun - more effective public communications, including distinguishing between press releases and feature stories - beginning and ongoing expansion of a department resource library.
<p>MoMP Legal Library Coaching Project</p> <p>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.</p>	<p>MoMP Legal Library Development Team has expressed a continued desire to facilitate the development of a legal library within the MoMP Legal Department. However, their involvement continues to be minimal due to the limited amount of time they have to dedicate to the process.</p>	<p>No change this quarter. 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.</p>
<p>AGE/AGS Safety and Health Coaching Project</p> <p>The distance learning course for Oil & Gas Safety and Health Managers provided by the OSHA has begun for AGE and OGS personnel. The training, facilitated by SGGA capacity building staff, is approximately nine percent complete.</p>	<ol style="list-style-type: none"> 1) The available classrooms lacked both laptops and internet connection necessary for the course. 2) Course materials are only available in English. 	<ol style="list-style-type: none"> 1) SGGA is providing a laptop, projector, and internet access. 2) SGGA staff are translating the course materials into Dari. Translation is 28% complete.

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>AGE Chromatograph Mentoring Project</p> <p>SGGA has been supporting AGE to obtain instruction and service for a donated gas chromatograph for which none had been provided.</p>	<p>AGE's requirements for monitoring gas quality have increased recently, making the need for a functioning chromatograph more urgent.</p>	<p>With SGGA guidance, particularly in defining needs and MoMP procurement methods, AGE was able to obtain service and training through a Ukrainian company.</p>

4 Policy Support (Objectives 3 & 4)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>There were no activities or significant tasks for this quarter.</p>		

5 Infrastructure Activities (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>There were no activities or significant tasks for this quarter.</p>		

6 Deliverables Submitted This Period (Section F of Mods 2, 3, 5, and 6)

Task 1: Technical Assistance, Training, and Capacity Enhancement		
No.	Description	Date Submitted
Mod 3, Task 1, Del 6 & Mod 6 Pg. 4	Implementation Letter/SGDP Activities Performance Report (Submitted monthly for July, August, and September of this quarterly reporting period). Note, SGGA submits a monthly report that combines this requirement with the monthly report required at F.5.B.1	5 August 2015, and 7 September 2015
Task 2: Provide Procurement Support to MoMP to Implement the SGDP		
No.	Description	Date Submitted
Mod 6,	Monthly Report on progress and Quality	5 August 2015, 7 September 2015

Task 2, Del 13	Assurance/Quality Control of drilling operations, data collection, contract completion of the gas wells	5 August 2015, 7 September 2015
Task 2, Del 13	SGGA Monthly Report on Data Collection Progress	
C.6: Performance Monitoring Plan		
No	Description	Date Submitted
Mod 2 SOW C.6	Semi-Annual Monitoring and Evaluation Plan	21 July 2015

7 SGGA Quarterly Financials

FINANCIAL DATA FOR ACCRUALS

Name of Contractor / Grantee:	Advanced Engineering Associates International, Inc.
Grant / Contract Number:	EPP-I-00-03-00004-00, Order No. AID-306-TO-12-00002
Grant / Contract Amount: \$	\$30,440,956.92

Amount - US\$

A - Cumulative Expenditures reported to and paid by USAID (as per latest SF269 report)

23,178,609.53

B- Expenditures not yet reported to USAID

Months

Amount

August, 2015

\$ 457,000.00

September, 2015

\$ 750,000.00

\$1,207,000.00

C- Total Estimated Expenditures as of 09/30/15 (A+B)

\$24,385,609.53