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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 Quarterly Report

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

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## Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
CCC	Credible Construction Company
DM	Deputy Minister
DABS	Da Afghanistan Breshna Sherkat
EMP	Environmental Management Plan
IL	Implementation Letter
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><b>Drilling Contractor Schedule / Performance.</b></p> <p>1) TPAO completed demobilization during this reporting period. Equipment was cleared from the field by 1 March 2016.</p>	<p>1) Despite repeated reminders and offers of support provided by SGGA that the NEPA-mandated EMP required final inspection, MoMP was unable or unwilling to conduct compliance inspections.</p> <p>2) Although TPAO had hired a contractor to carry out field cleanup and remediation, by the end of the first week in March, not even garbage had been cleared. Berms were not leveled, pits were unfilled, human waste was exposed, and the field roads were severely damaged.</p>	<p>1) Because MoMP failed to conduct inspections, SGGA subcontracted with Credible Construction Company (CCC) to inspect the work sites and prepare an environmental compliance report. Site visits in the first week of March revealed that no remedial work had been performed and that the estimated costs of doing so would exceed \$1.27 million. Under the TPAO drilling contract TPAO is required either to complete the work before being paid the final contract payment or to credit MoMP with the amount required for MoMP to complete the work.</p> <p>2) The CCC report has been provided to USAID, MoMP, and TPAO. As of the end of the reporting period MoMP had indicated no plan for dealing with the required remediation.</p>
<p><b>Contract Management Performance of MoMP</b></p> <p>1) In the months prior to the end of operations, SGGA provided numerous reminders through emails, phone calls, meetings and formal letters to Z. Sarwari of all contract closeout requirements, and recommended that all issues possible be resolved before the end of operations and the departure of TPAO</p>	<p>1) Z. Sarwari failed to prepare for contract closeout, despite SGGA support and advice. Although reportedly meeting with TPAO for a week in Sheberghan, the only issue resolved was the inventory and cost of surplus equipment to be turned over to MoMP.</p> <p>2) Despite discovering no facts to support its suspicions, MoMP refused to acknowledge that the casing delivered by TPAO conformed to standards and caused the casing collapse (actually caused by salt shift in the Bashikurd No. 3 well,</p>	<p>1) SGGA maintained its efforts to bring the contract to closeout by</p> <ul style="list-style-type: none"> <li>a) reminders to Sarwari.</li> <li>b) keeping both Min. Saba and Spec. Advisor Daud Azizi informed of SGGA efforts.</li> <li>c) Meeting with Azizi, Sarwari, and Azizi's staff on 10 February to attempt to resolve the potential claims involving the casing and payment of the mobilization invoice.</li> <li>d) Obtaining Min. Saba's instructions to Sarwari to complete the mobilization invoice matter.</li> <li>e) Obtaining Min. Saba's instructions to Sarwari to abandon the scheme to avoid late payments.</li> </ul>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>from the country.</p> <p>2) By the end of the reporting period, MoMP had not yet paid TPAO's \$1.4 million mobilization invoice. It was 278 days late as of the end of March 2016.</p> <p>3) TPAO indicated that it wishes to include the cost of the Juma-Bashikurd reservoir study in the final contract closeout rather than wait for MoMP to tender for the need petroleum engineering services as agreed in Amendment 1 to the drilling contract.</p>	<p>and despite the minister's instructions Sarwari only near the end of March issued a letter approving the mobilization. Faced with \$33,000 in late payment fees, MoMP concocted a plan to ask TPAO to resubmit the mobilization invoice as newly submitted, thus eliminating the late fees.</p> <p>3) MoMP was either unwilling or unable to take the steps needed to issue a tender for the Juma-Bashikurd reservoir study despite being provided a complete set of necessary tender documents by SGGA.</p>	<p>f) on 8 March, meeting with TPAO and MoMP (Sarwari) to facilitate resolution of the numerous issues that should have been taken care of previously. Using SGGA's recommended closeout document significant progress was made in coming to agreement on key issues.</p> <p>2) Same as one above.</p> <p>3) SGGA approached USAID about arranging to add the Juma-Bashikurd study to the McDaniel seven field data and resource study. SGGA has drafted an IL that would allow withholding of grant funds from the TPAO payments to pay for a fixed price reservoir study. However, due to the resignation of the minister and confusion about authority in the Ministry, SGGA is having difficulty obtain the necessary consents to obtain the data needed for McDaniel to prepare a quote for the work.</p>
<p><b>Support to MoMP on projects including field data evaluation and reserve estimates</b></p> <p>1) McDaniel Associates was selected from three petroleum engineering firms offering proposals to conduct data evaluation and reserve estimates on seven gas fields in the Sheberghan area. The subcontract negotiations were concluded in February.</p> <p>2) The more than 25,000 documents</p>	<p>1) The complex daily rate structure of the subcontract caused the three offerors to submit differentially calculated rates. This required clarification and extended discussions with USAID prior to obtaining consent to subcontract. This delayed award for several weeks past schedule.</p> <p>2) During the data assessment, it was learned that Afghan Gas and OGS did not provide gas production data, as instructed by the Minister, and the quality of the data later provided is questionable. Delays on evaluating some fields may</p>	<p>1) Following award, McDaniel started work immediately and on in March began providing initial results of their data analysis.</p> <p>2) SGGA has pushed OGS and AGE to deliver the required production data and at the end of the reporting period it was being delivered and analysis attempted.</p> <p>3) Organization of the core library should continue until the end of the project if required.</p> <p>4) SGGA has shared the information with USAID and advised that the low estimates received could postpone investor interest in infrastructure development until further reserves are discovered and developed.</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>collected, organized, and scanned by SGGA were McDaniel.</p> <p>3) SGGA engineering staff has begun organizing and cataloguing well cores for AGE and OGS. This will provide valuable data for reservoir characteristics for a number of fields.</p> <p>4) Initial gas data evaluation reports from McDaniel have been provided on three fields.</p>	<p>be delayed, but the schedule for priority fields is being largely maintained.</p> <p>3) No problems have yet been encountered, although the cores are not properly stored or catalogued</p> <p>4) Initial data evaluation reports show lower than expected gas figures for Gerquduq, Khoja Gogerdak, and Yatimtaq.</p>	
<p><b>MoMP leadership turmoil</b></p>	<p>1) MoMP went through unprecedented leadership turmoil in March, which remains unresolved as of the end of this reporting period: (1) Min. Saba resigned on 26 March and no acting minister has been named. (2) Director General of the Directorate of Petroleum resigned on 25 March, (3) DM for Administration and Finance was suddenly replaced in mid-March.</p>	<p>1) SGGA is continuing with off-budget tasks, which constitute the bulk of remaining SGGA work. The void in leadership may adversely impact SGGA's ability to obtain policy decisions on public-private partnership planning and attention to gas data evaluation results.</p>

## 2 Power Sector Technical Assistance (Objective 1)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>All scheduled activity has been completed</p>		

### 3 Capacity Development (Objectives 1 & 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Business English Training - Sheberghan</b></p> <p>1) Pre-Intermediate Market Leader Business English classes for Afghan Gas and OGS personnel in Sheberghan are approximately 17% complete.</p>	<p>1) No significant problems encountered.</p>	
<p><b>Well Drilling Safety and Health Training</b></p> <p>1) Well Drilling Safety and Health training for AGE and OGS personnel began this period and is approximately 8% complete.</p>	<p>1) No significant problems encountered.</p>	

### 4 Policy Support (Objectives 3 & 4)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Afghanistan Gas Market Master Plan</b></p> <p>1) SGGA provided data and policy inputs to the Asian Development Bank sponsored work on an updated gas master plan prepared by Fichtner AG. A briefing on the plan was presented on 8 March. The complete plan will be released soon.</p>	<p>1) No significant problems encountered.</p>	

## 5 Infrastructure Activities (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Structuring Proposal for Gas Gathering and Processing Public-Private Partnership</b></p> <p>1) During the reporting period SGGA issued an RFP to ten international law firms for work to prepare recommendations and accompanying transaction and tender documents for the GOA. Six of the ten firms submitted proposals.</p>	<p>1) Negotiation on specific subcontract terms took significant time, but by the end of the reporting period all issues had been resolved satisfactorily.</p>	<p>1) By the end of this reporting period, AEAI had submitted a request for consent to USAID to award a subcontract to the selected firm.</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	Monthly Performance Report. Note: This report is submitted as part of the monthly report submitted under F.5.B.1.	8 February 2016 10 March 2016 4 April 2016
Task 2: Provide Procurement Support to MoMP to Implement the SGDP		
No.	Description	Date Submitted
Mod 6, Task 2, Del 13	Monthly Report on progress and Quality Assurance/Quality Control of drilling operations, data collection, contract completion of the gas wells	<p><u>Monthly Drilling Reports submitted:</u></p> <ul style="list-style-type: none"> <li>- 8 February 2016</li> <li>- Discontinued after January period report due to completion of drilling operations</li> </ul> <p><u>Data Collection (for reserve estimates)</u></p> <p>Reports submitted:</p> <ul style="list-style-type: none"> <li>- 4 February 2016</li> <li>- Discontinued after January report due to data gathering completion and award of reserve studies contract</li> </ul>

## 7 Quarterly Financials

### FINANCIAL DATA FOR ACCRUALS

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

Amount - US\$

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

24,964,069.34

**B- Expenditures not yet reported to USAID**

Months

Amount

January, 2016

\$ 329,170.06

February, 2016

\$ 327,606.67

March, 2016

\$ 328,408.36

\$985,185.09

**C- Total Estimated Expenditures as of 03/15/16 (A+B)**

\$25,949,254.43