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## **SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)**

Contract No. EPP-I-00-03-00004-00, Task Order No. AID-306-TO-12-00002

# **SGDP Monthly Drilling Operations Progress Report**

(Mod 6, Section F.5, Deliverable 13)

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## Acronyms and Abbreviations

ADB	Asian Development Bank
APA	Afghanistan Petroleum Authority
APPF	Afghanistan Public Protection Force
CCC	Credible Construction Company
CRA	Corrosive Resistant Alloy
DG	Director General
DM	Deputy Minister
FEL	Formation Evaluation Log
IL	Implementation Letter
m	Meters
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
PM	Project Manager
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish Petroleum Corporation
USAID	United States Agency for International Development
MoT	Ministry of Transport
MoI	Ministry of Interior Affairs
MoD	Ministry of Defense

## Monthly Drilling Operations Progress Report

### Sheberghan Gas Development Project (SGDP)

A USAID – MoMP “On-Budget” Funded Program

Figure 1: TPAO’s technical team during maintenance of the rotary table



The Sheberghan Gas Development Project (SGDP) is funded by the United States Agency for International Development (USAID) under Implementation Letter (IL) 45-01, dated May 29, 2012, with a projected end date of April 30, 2015. Pursuant to Modification 6 to Task Order No. AID-306-TO-12-00002, the current SGDP projected end date is July 31, 2016. Under Phase I of SGDP, the Ministry of Mines and Petroleum (MoMP) on December 14, 2013, awarded a USD 36,757,766 “on-budget” contract to Turkish Petroleum Corporation (TPAO). The contract is funded jointly by USAID and MoMP. As provided in IL45-01, this contract requires TPAO to drill one new well, Juma #2A, and re-enter two wells, Bashikurd #3 and Bashikurd #9 in the Juma-Bashikurd Field in Jawzjan Province. The Sheberghan Gas Generation Activity (SGGA) is responsible for monitoring SGDP progress as USAID’s implementing partner. This report is required under USAID Task Order No. AID-306-TO-12-00002 Modification 3, Section F, Deliverable 24 Modification 5, Section F.5.B, Deliverable 13, and Modification 6, Section F.5, Deliverable 13.

## SGDP Gas Field Operations

### 1.1 Activities Performed and Milestones Achieved During the Reporting Period

- July 2, 2015, TPAO sent MoMP a price estimate for blanking plugs for the three wells to isolate the producing zones until processing capacity is developed to treat the high sulfur gas from these wells, as requested by the Ministry. The estimated cost of the equipment and operations is \$60,000. A drilling contract amendment for this work will probably be required.
- July 5, 2015, MoMP's committee met in Sheberghan and made their final recommendation to the Minister on TPAO's salt intrusion protection proposal. The committee recommended not to go with the double casing approach as the Gourdak salt zone is not active and presents a minimal risk. The engineering determination was based on past experience in drilling and completing through the Gourdak.
- July 20, 2015, TPAO sent MoMP an official proposal (follow-on to their July 2 price estimate), which proposed an astonishing \$462,555 for providing and installing blanking plus on each of the three wells.
- July 25, 2015, TPAO submitted all the relevant documents on logging tools and radioactive sources to MoMP and requested MoMP to facilitate the importation of the required materials.
- July 26-27, 2015, SGGA met with Zabi Sarwari to catch up on the status of TPAO's invoice. The invoice is under process in Ministry of Finance and will be processed in the coming days and status of special importation approvals. SGGA also learned that MoMP caused a delay in payment of the first invoice due to inaction in previously establishing a project code for the work.
- July 29, 2015, MoMP sent a formal letter to MoT, MoI, MoD, Atomic Energy Authority requesting their cooperation in letting TPAO import the logging tools and radioactive sources.

**Table 1: TPAO's Daily Drilling Report Summary**

Date	Current Depth	Mobilization Status	Drilling Staff	Security Staff	Actions and Formations
1	3197m	20/27 in route, 7/27 at Aquina port	106	154	Drilling paused – Waiting for MoMP's decision on double casing approach
2	3197m	20/27 in route, 7/27 at Aquina port	93	154	Drilling paused – Waiting for MoMP's decision on double casing approach
3	3197m	11/27 in route, 16/27 at Aquina port	93	154	Drilling paused – Waiting for MoMP's decision on double casing approach
4	3197m	11/27 in route, 16/27 at Aquina port	93	154	Drilling paused – Waiting for MoMP's decision on double casing approach
5	3197m	4/27 in route, 23/27 at Aquina port	93	154	Drilling paused – Waiting for MoMP's decision on double casing approach
6	3197m	4/27 in route, 23/27 at Aquina port	93	154	Drilling paused – Waiting for MoMP's decision on double casing approach
7	3197m	4/27 in route, 23/27 at Aquina port	93	154	Drilling paused – Waiting for MoMP's decision on double casing approach
8	3197m	4/28 in route, 23/28 at Aquina Port, 1/28 at Batman	94	154	Drilling paused – Awaiting hole enlargement tool
9	3197m	4/28 in route, 23/28 at	94	154	Drilling paused – Awaiting hole

Date	Current Depth	Mobilization Status	Drilling Staff	Security Staff	Actions and Formations
		Aquina Port, 1/28 at Batman			enlargement tool
10	3197m	5/28 in route, 23/28 at Aquina Port	94	154	Drilling paused – Awaiting hole enlargement tool
11	3216m	5/28 in route, 23/28 at Aquina Port	94	154	Drilling re-commenced
12	3228m	5/28 in route, 23/28 at Aquina Port	94	154	Drilling through hard limestone
13	3228m	2/28 in route, 3/28 at Aquina Port, and 23/28 onsite or delivered	98	154	Drilling paused – Making repairs and awaiting wireline logging equipment in transit by air
14	3228m	2/28 in route, 3/28 at Aquina Port, and 23/28 onsite or delivered	98	158	Drilling paused – Making repairs and awaiting wireline logging equipment in transit by air
15	3228m	2/28 in route, 26/28 onsite or delivered	98	158	Drilling paused – Making repairs and awaiting wireline logging equipment in transit by air
16	3228m	2/28 in route, 26/28 onsite or delivered	92	158	Drilling paused – Making repairs and awaiting wireline logging equipment in transit by air
17	3228m	2/28 in route, 26/28 onsite or delivered	87	158	Drilling paused – Awaiting wireline logging equipment in transit by air
18	3228m	2/28 in route, 26/28 onsite or delivered	88	158	Drilling paused – Awaiting wireline logging equipment in transit by air
19	3228m	2/28 in route, 26/28 onsite or delivered	88	158	Drilling paused – Awaiting wireline logging equipment in transit by air
20	3228m	2/28 in route, 26/28 onsite or delivered	90	158	Drilling paused – Awaiting wireline logging equipment in transit by air
21	3228m	2/28 in route, 26/28 onsite or delivered	91	158	Drilling paused – Awaiting wireline logging equipment in transit by air
22	3228m	2/28 in route, 26/28 onsite or delivered	93	158	Drilling paused – Awaiting wireline logging equipment in transit by air
23	3228m	2/28 in route, 26/28 onsite or delivered	92	158	Drilling paused – Awaiting wireline logging equipment in transit by air
24	3228m	2/28 in route, 26/28 onsite or delivered	95	158	Drilling paused – Making repairs and awaiting wireline logging equipment in transit by air
25	3228m	2/28 in route, 26/28 onsite or delivered	95	158	Drilling paused – Making repairs and awaiting wireline logging equipment in transit by air
26	3228m	2/28 in route, 26/28 onsite or delivered	100	158	Drilling paused – Awaiting wireline logging equipment in transit by air

Date	Current Depth	Mobilization Status	Drilling Staff	Security Staff	Actions and Formations
27	3228m	2/28 in route, 26/28 onsite or delivered	112	158	Drilling paused – Awaiting wireline logging equipment in transit by air
28	3228m	2/28 in route, 26/28 onsite or delivered	100	158	Drilling paused – Awaiting wireline logging equipment in transit by air
29	3228m	2/28 in route, 26/28 onsite or delivered	90	158	Drilling paused – Awaiting wireline logging equipment in transit by air
30	3228m	2/28 in route, 26/28 onsite or delivered	90	158	Drilling paused – Awaiting wireline logging equipment in transit by air
31	3228m	2/28 in route, 26/28 onsite or delivered	90	158	Drilling paused – Awaiting wireline logging equipment in transit by air

**Table 2: Primary MoMP Staff Supporting SGDP**

Job Title	Name	Contributions to SGDP
Minister of MoMP	Dr. Daud Shas Saba	IL 45-01 Signing Authority
Director General of APA	Dr. Outbodin Qaeym	Senior Oversight
SGDP Project Manager	Zabihullah Sarwari	Project Management, Communications
Sr. Assistant to SGDP Project Manager	Zabiullah Jaihoon	Administrative Assistance
Admin Assistant to SGDP Project Manager	Allah Mohammad	Administrative Assistance
Field Representative	Eng. Sadiq Halimi	Monitor Contractor Operations/Reports to PM
Field Representative	Eng. Ayuob Naiwand	Monitor Contractor Operations/Reports to PM
Field Representative	Eng. Amir Mohammad Selab	Monitor Drilling Operation/Reports to PM
Field Representative	Eng. Rozi Khan Sadid	Monitor Drilling Operation/Reports to PM

Most SGGA interfaces with APA are conducted with the SGDP PM, Mr. Sarwari, who was appointed to his current position on October 2, 2013. Dr. Anwar Aryan was appointed to his position as interim head of the APA in early August 2014 and departed in early February 2015. The bulk of APA was de-funded on December 21, 2014, leaving approximately 72 staff members without contracts. Several staff members continued to come to the office and perform official duties despite their contract expirations. In early March, approximately 12 of the APA staff members received new contracts. N. Shinwari became the acting Director General (DG) of APA on approximately March 4, 2015. However, for unknown reasons, he resigned after only four weeks in the position and Dr. Q. Qaeym took over leadership of APA near the end of March.

**Table 3: Primary SGGA Staff Supporting Drilling Operations**

Job Title	Name	Contributions to SGDP
Chief of Party	Stroud Kelley	Manage All SGGA Activities
Procurement Advisor	Wayne Register	Monitor Contract Compliance
On-Budget Task Manager	Naihmatullah Kohsar	Monitor TPAO Contract Operations
Sheberghan Site Manager	Peet Snyman	Coordinate Sheberghan Operations Logistics and Travel
Senior Engineer	Eng. Zalmai Zalmai	Technical Advisor and Liaison
Well Drilling and Testing	Eng. Beig Nazar	Technical Advisor
Drilling Engineer	Eng. Habibullah Mokhlis	Technical Advisor
Geologist	Eng. Wahid Qaeym	Technical Advisor

In addition to the SGGA staff listed in Table 3, SGGA has security, administrative, and translation personnel based in Sheberghan, and capacity development programs, translators, security, procurement, and administrative support staff based in Kabul.

## 2 SGDP Schedule and Financial Milestones

### 2.1 Key Contract Dates and Estimated Completion

**Table 4: Key Contract Dates and Estimated Completion**

Contract Award	Original Contract Time for Completion Period	Contract Mod 1 Time for Completion Period
December 14, 2013	September 10, 2014 Note: Extended Twice for 30 Days, Until November 9, 2014	September 25, 2015 Extended to August 31, 2015 Plus 25 Days of Contingency
<b>TPAO's Latest Revised but Rejected Schedule</b>		
<b>On April 25, 2015, TPAO provided a new schedule extending the actual projected completion date to December 31, 2015. This schedule was immediately rejected by MoMP.</b>		

Table 4 includes the contract time for completion schedule as well as TPAO's own schedule estimates, though rejected by MoMP. On 4 June 2014, TPAO submitted a second revised schedule which took its performance period out to approximately 487 days, to mid-April 2015. On August 1, 2014, TPAO submitted a third revised schedule which took their performance (time to complete contract) out to approximately 548 days, to mid-June 2015. It was later revised down to late May. On December 5, 2014, TPAO submitted another revised schedule that extended their performance from May 21, 2014 to August 7, 2015. On January 14, 2015, TPAO submitted another revised schedule that extended their performance from August 7, 2015 to September 15, 2015. On February 9, 2015, TPAO sent an e-mail which suggested that they might be able to complete by August 31, 2015, however, they followed that up by announcing surprise discovery of salt horizons in the Juma-Bashikurd field that seemed to delay the date changes.

Following extension negotiations, on April 6, 2015, MoMP and TPAO reached agreement to extend the time for completion period to August 31, 2015, plus 25 days of contingency supposedly due to customs delays. This agreement was solidified in a document signed by the Acting Minister on April 26, 2015. However, before the contract time extension amendment was inked, on April 25, 2015, TPAO submitted another revised schedule (schedule #9 thus far), pushing completion of the work out another four months, to December 31, 2015.

The lack of urgency in submitting a performance security, completing the roads and campsites, submitting required insurance and subcontract approvals, and constantly revising completion schedules which are outside of agreed upon time lines provides a clear indication that this project is not a priority to TPAO.

## 2.2 TPAO Well Status – Technical

Table 5: TPAO Well Status (Per TPAO Schedule # 9, April 25, 2015)

Projected Juma 2A Time	Projected Bashikurd 3 Time	Projected Bashikurd 9 Time
105 Days + 30 Days Contingency	30 Days	21 Days
Present Working Depth (as of July 31, 2015)	Present Working Depth	Present Working Depth
<b>3,228m</b>	0	0



## 2.5 SGDP Invoicing Status

Table 8: SGDP Invoicing Status

Invoice #	Invoice Received	Invoice Amount	Invoice Paid
Inv # M150623001	June 27, 2015	\$1,400,000	Submitted to MoF
TPAO - 2	TBD	\$0	TBD
TPAO - 3	TBD	\$0	TBD
TPAO - 4	TBD	\$0	TBD
TPAO - 5	TBD	\$0	TBD
TPAO - 6	TBD	\$0	TBD

TPAO submitted their first invoice on June 27, 2015, though it was dated June 23, 2015. SGGA learned on July 27, 2015 that APA had not accomplished advance work necessary to prepare for processing the invoice promptly. A project code had not been established prior to this point by the Ministry; despite months of warning that the invoice was coming. It's unknown at this point just how much of a payment delay this will cause.

## 3 Implementation Letter Status

### 3.1 USAID – Ministry of Finance (MoF) – MoMP Implementation Letter Tracker

Table 9: USAID – MoF – MoMP Implementation Letter Tracker

IL Number	Date Issued	Subject
IL No. 45-01	May 29, 2012	Initial IL Beginning SGDP and Conditions Precedent
IL No. 45-02	January 17, 2013	IL Series Renumbered to Begin at 45-01
IL No. 45-03	January 2, 2013	SGDP Payment Process and Instructions
IL No. 45-04	January 17, 2013	MoMP's Submitted Conditions Precedent Accepted
IL No. 45-05	January 17, 2013	USAID Approval of MoMP Drilling Tender Issuance
IL No. 45-06	March 7, 2013	USAID Approval of MoMP Drilling Tender Amendments
IL No. 45-07	November 2, 2013	USAID Approval of MoMP Human Resources Manual
IL No. 45-08	June 15, 2013	USAID Approval of MoMP Drilling Tender Re-Issue
IL No. 45-09	July 28, 2013	USAID Drilling Contract Award No Objection Letter
IL No. 45-10	October 5, 2013	USAID Approval of MoMP Petroleum Engineering Tender
IL Nos. 45-11/12	February/September 2014	Draft ILs regarding monitoring of compliance with and extension of the TPAO drilling contract, which were prepared but not processed due to TPAO's performance
IL No. 45-13	January 8, 2015	USAID Drilling Contract Extension No Objection Letter
IL No. 45-14	February 4, 2015	Direction SGDP Wells Not Cost Recoverable to Totimaidan Block
IL No. 45-15	July 15, 2015	Extension of SGDP Beyond 30 April 2015

Table 9 contains a list of all IL amendments issued thus far under SGDP. IL amendments have primarily functioned to approve conditions precedent and drilling tender/contract actions. As noted in

the table, two draft ILs were prepared (45-11 and 45-12), but never processed. Additionally, a request by APA for a determination of non-availability of U.S. flag vessels was granted by USAID by letter dated September 25, 2014.

## **4 Drilling Operations Summary**

### **4.1 TPAO's Contract Performance Schedule**

Despite no active drilling the final 20 days of this month, TPAO remains on their most recent, unapproved schedule to finish by December 31, 2015. However, at this time, it appears that they will finish Juma well #2A at the earliest, very near the end of their present contract time for completion period, August 31, 2015, even with the addition of 25 extra days added due to Ministry customs delays. TPAO will need substantially more time and in the professional opinion of SGGA, cannot possibly finish all of the remaining work in 2015.

### **4.2 Progress This Period**

TPAO drilled to a current depth of approximately 3,228 meters by July 12, 2015. They did not drill further during the remaining 20 days of the month. They are awaiting importation of wireline logging equipment and materials such as perforation charges and radioactive isotopes. Their importation schedule has changed three times, but seems to be settled at importation near the end of the first week of August. TPAO also shocked the Ministry with a huge \$462,555 proposal to install blanking plugs on the wells rather than the current contract requirement of production wellheads. This followed an initial estimate of \$60,000 for the plugs, which seemed more reasonable. TPAO has not yet provided a technical summary of why additional time would be required for installing the blanking plugs rather than the originally contemplated well heads. All in all, progress this month was disappointing.