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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

Period: May 1 – May 31, 2014

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Acronyms and Abbreviations

ADB	Asian Development Bank
AEAI	Advanced Engineering Associates International, Inc.
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
AISA	Afghanistan Investment Support Agency
APA	Afghanistan Petroleum Authority
CEO	Chief Executive Officer
DABS	Da Afghanistan Breshna Sherkat
GIS	Geographic Information System
GIZ	German International Cooperation
MEW	Ministry of Energy and Water
MIDAS	Mining Investment and Development for Afghan Sustainability
MoMP	Ministry of Mines and Petroleum
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TFBSO	Task Force for Business and Stability Operations
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development
VSU	Vetting Support Unit

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

Technical assistance for correspondence with TPAO

- Assisted Afghanistan Petroleum Authority (APA) in preparing a follow-on letter, which it sent to Turkish National Petroleum Corporation (TPAO) notifying its leadership that they are in violation of the contract for not providing proof that required insurance has been obtained and for not providing copies of all subcontracts.
- Reviewed TPAO's 26 May 14 progress report and drafted an eight point rebuttal to it for APA, as part of Sheberghan Gas Generation Activity's (SGGA) contract management coaching, for use in future dialog with TPAO.

Contract monitoring

- Ministry of Mines and Petroleum (MoMP) appointed two engineers from Afghan Gas Enterprise (AGE) to monitor TPAO's field operations.
- Insurance compliance
- Drafted a notice for APA to send to TPAO on insurance non-compliance with the requirements of the contract.

Juma #2A placement change

- APA reported that TPAO was notified of well location for Juma #2A on 5 May. SGGA worked with TPAO to prepare the coordinates and prepare the notification letter. This action removes a potential for a delay claim by TPAO.

Legal review

- Provided comments to Z. Sarwari on the MoMP Legal Department's opinion on TPAO's request to assign obligations under its drilling contract to its Afghan-registered subsidiary. SGGA questions whether the MoMP Legal Department's analysis correctly identifies the legal basis and procedure for approving such an assignment.

1.2 Meetings

- 5 May 14, Met with APA's Z. Sarwari and reviewed an SGGA updated checklist of items for APA to closely manage or take action upon.
- 7 May 14, Attended meeting with United States Agency for International Development (USAID), State Dept., Task Force for Business and Stability Operations (TFBSO), D. Lindley (Exim), and P. Pamir (BB Energy) to discuss Exim's and BB Energy's proposals to construct and operate gas processing and power plant facilities in the Sheberghan area.
- 7 May 14, Met with P. Cameron and O. Grynyk (Unicon) regarding coordination of efforts to locate and analyze gas field data for reserve studies.
- 8 May 14, Met with G. Murray and E. Dahlbom from TFBSO regarding Totimaidan tenders and planning for the planned conference for potential gas processing and power generation investors.
- 8 May 14, Met with Z. Sarwari, regarding Juma #2A location, private investment conference, notice to TPAO regarding TPAO's failure to provide copies of its subcontracts and proof of insurance.
- 10 May 14, Met with USAID (J. Jordy, S. Nagwere, Stephen Wheeler, Col. Oubre), to update the task order scope to reflect changed circumstances and approaches, TPAO's continued lack of progress on drilling contract, and failure make contact with USAID during visit as was agreed with Turkish Ambassador, and plans for the USAID Mission Director's trip to the Sheberghan area.

- 10 May 14, met with Z. Sarwari at APA. Reviewed checklist's status of all open items with Z. Sarwari prior to his departure to Sheberghan.
- 20 May 14, Met with APA's Z. Sarwari and reviewed the latest critical items checklist; debriefed him on results of his trip to Sheberghan.
- 26 May 14, Met with APA's Z. Sarwari and reviewed the latest status of TPAO's performance; provided APA a draft letter to send to TPAO about its insurance not complying with the contract.

1.3 Challenges

- The MoMP Legal Department's opinion regarding the requested assignment of the drilling contract to TPAO's Afghan-registered subsidiary incorrectly concluded that approval of assignment must be dealt with under the Hydrocarbons Law, rather than under the terms of the contract itself, which was issued under the Procurement Law.
- The Ministry of Finance tax and exemptions resolution for TPAO continues to be an elusive problem.
- APA moved of Juma 2A well and renaming it Bashikurd 2A without regard to the contract's requirements or potential impact on contract activity.

1.4 Plans for Next Month

- Update a draft notice for APA to send to TPAO requiring TPAO to prepare a special project report providing specific information not being provided in other progress reports.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Finalized a reservoir study company source list to seek proposals from once a scope of work is completed.
- Shared Sheberghan gas field data with Unicon as a part of a joint endeavor to locate and organize gas field data to support valuation and gas reserves to benefit MoMP under Sheberghan Gas Development Project (SGDP) and Afghan Gas corporatization project.
- Created a Dropbox account and uploaded all SGDP well data to share with colleagues, other donors, and eventually, industry.

2.2 Meetings

- 7 May 14, Met with members of the World Bank-funded Unicon team and discussed their progress on Afghan Gas corporatization and areas to collaborate concerning gas field asset data gathering and sharing of gas well information.
- 10 May 14, Met with Unicon's new petroleum engineer and shared all known SGGA Sheberghan field data in SGGA/Unicon's joint efforts on the Sheberghan area fields.
- 19 May 14, Met with USAID and discussed adjusting the SGGA contract scope of work and deliverables to current realities of reservoir study and gas processing public-private partnership strategy.
- 21 May 14, Met with J. Bennett of Geo-Chem, an Afghan-owned company capable of testing natural gas and pipe pressures.
- 24 May 14, Attended the Asian Development Bank (ADB)/Fichtner gas master plan kickoff seminar at APA.
- 25 May 14, Met with eight members of ADB and Fichtner and agreed to collaborate on gas data to mutually support SGDP and the ADB gas master plan.
- 26 May 14, Met with Unicon staff members and discussed their near-term trip to Sheberghan and how it might bring them nearer to having good well data to share.

- 31 May 14, Met with J. Jordy S. Nagwera and S. Wheeler from USAID and State Dept. a half day of discussion on a fifth modification to the SGGA task order and presentation ideas discussion for the Mission Director.

2.3 Challenges

- Due to TPAO's implementation delays that have prevented access to Juma-Bashikurd well data, SGGA has found it difficult locating and obtaining sufficient gas well data to facilitate gas field reservoir studies and information useful to potential investors seeking to invest in gas processing or power plant development.

2.4 Plans for Next Month

- Complete a Power Point presentation and briefing book on SGDP and for USAID's Mission Director.
- Conduct more contact with industry regarding a reservoir study.
- Begin reaching out to industry about the Gas-to-Power Symposium currently scheduled for September.

3 POWER SECTOR DEVELOPMENT SUPPORT

3.1 Achievements / Activities

Research modeling

- At the request of Da Afghanistan Breshna Sherkat (DABS), completed a preliminary analysis report and presentation regarding the evaluation method and data requirements to conduct a cost-benefit analysis on modifying and relocating two AEG MS5001 gas turbines from Kabul to Sheberghan.

SGDP Economic Model

- Completed research regarding natural gas prices for power generation in neighboring countries.
- Modified the SGGA economic model to make it more user-friendly.
- Within the SGDP Economic Model, calculated the required wholesale purchase price for the planned Sheberghan Independent Power Plant and the Internal Rate of Return for the planned gas processing operator under various scenarios. Included data on gas prices and dispatch rates from neighboring countries in the scenario calculations.
- Modified the SGDP's Economic Model to be able to perform the calculations under the various identified scenarios.
- Delivered the current draft of the SGDP Economic Model to USAID.

Technical support to DABS leadership

- Assisted DABS Chief Executive Officer (CEO), Mr. Samadi, in preparing his presentation to the Southern African Power Pool Cross Border Exchange of Electricity Summit on the status of Afghanistan's cross-border interconnections and expected benefits. The conference took place from 19-23 May in Johannesburg.
- Evaluated the consumption of gas for a 200 Megawatt power plant with units of different technologies, including reciprocating units, including open cycle gas turbines and combined cycle gas turbines.

3.2 Meetings

- 6 May 14, Met with APA's Senior Financial Officer, N. Shinwari to provide information about how gas pricing policy will affect SGGA's SGDP economic model. The discussion included the point that gas prices must be lower for power production than other utilization purposes.

- 6 May 14, Met with several DABS provincial office directors, including directors from Balkh, Jawzjan, Faryab, Andkhoy and Sar-e-Pul. Discussed the rehabilitation schedule for the 110Kilovolt transmission line between the Sheberghan and Mazar-e-Sharif, its substations. The conversation also included plans to electrify some of the villages along the transmission line, and energizing the new substation in Sar-e-Pul. The directors noted that some of the equipment required for the infrastructure development has not been purchased; therefore they were not able to provide estimated construction start dates.
- May 13, Met with DABS's Corporate Manager, K. Masood, to discuss the evaluation process and informational presentation for deciding whether or not to relocate the gas turbines.
- May 13 and May 14, Met with DABS CEO, Mr. Samadi to go through the objectives and content of Mr. Samadi's planned presentation in South Africa.
- May 14, Met with DABS CEO and Chief Commercial Officer, who will serve as DABS's acting CEO during Mr. Samadi's trip to South Africa, to promote SGGA's environmental law and regulation for energy sector development training.
- 21 May 14, Met with DABS's Corporate Manager, K. Masood, to discuss the current end-user tariff and DABS's plans to change it.

3.3 Challenges

- No significant challenges during this reporting period.

3.4 Plans for Next Month

- Select students and prepare an executive coaching module to explain the concepts behind the SGDP Economic Model and how to use it.

4 SHEBERGHAN OPERATIONS

4.1 Achievements / Activities

On-site Technical Assistance

- SGGA organized a trip for AGE and Oil and Gas Survey staff to visit Yatimtaq well #31 and explained the drilling processes occurring there.
- SGGA's Engineer Zalmi traveled to Sheberghan to video record the TFBSO funded gas commissioning trainings. He was able to interview the commissioners and learn details about the gas processing facilities' operating procedures.
- Provided technical support to MoMP's drilling oversight monitors for the TPAO drilling contract.

Security Update

- Three police officers were killed and two others were wounded when a mine detonated in Jawzjan Province's Khamiab District on 12 May. Afghan Islamic Press reported that a Taliban spokesman, identified as Qari Mohammed Yusuf Ahmadi, claimed his organization's responsibility for the attack.
- MoMP's chief of security at the Bashikurd construction site has received numerous security threats.
- With the next round of elections coming soon, the security alert-level in Sheberghan will be raised as confirmed by Sheberghan's chief of police and National Defense Services officials. Afghan security units will conduct more frequent patrols and remain more vigilant on the roads around Sheberghan.
- In Police District 3 of Mazar-e-Sharif, an Improvised Explosive Device exploded that was placed on a concrete fence wall of the parking area of the Qalin Frooshi area, which is on the eastern side of the Blue Mosque; no casualties were reported.

4.2 Meetings

- 20-21 May 14, Met with TFBSO's Sr. Pipeline Engineer, Kelly Howerton, regarding security requirements and video recording the gas processing facilities' commissioning activities.

4.3 Challenges

- As noted above, despite TFBSO's prior communications that its contractor would permit SGGA to video record the gas processing facility commissioning and training process, its subcontractor denied SGGA from taking any video upon its arrival on site.

4.4 Plans for Next Month

- Advise Engineers Sadiq and Abdullah, MoMP's drilling oversight monitoring representatives.
- Continue to provide on-site support to MoMP as requested.

5 CAPACITY DEVELOPMENT

5.1 Achievements / Activities

Microsoft Office training

- Completed a Microsoft Office Word training module for APA administrative staff.

English Language

- Administered an assessment Test of English as Foreign Language exam to ten members of APA's advanced English class.
- Hired and oriented Hawa Shokoor as SGGA's new advanced English instructor for APA and Afghanistan Geological Survey (AGS).

Geographic Information System (GIS)

- Met and corresponded extensively with staff members from German International Cooperation (GIZ) and Mining Investment and Development for Afghan Sustainability (MIDAS) to renew collaboration to start GIS training for MoMP staff. Agreed on training timings and locations.

Environmental

- Implemented an environmental law and regulations training to Afghan governmental organizations, for over 75 participants from MoMP, Ministry of Energy and Water (MEW), and DABS and staff members from other development organizations.

Petroleum engineering

- Instruction covered terms used for rig components at the Sultan Kot Warehouse, and definitions for hoisting systems, rotating/circulating systems, downhole monometers and thermometers.
- Oriented SGGA's new Petroleum Engineer, Ali Yazdani, to SGGA's capacity development program.

5.2 Meetings

- 5 May 14, Met with Z. Sarwari and Z. Jaihoon to discuss SGGA's evaluation process for approving potential candidates for the petroleum economics, finance, and accounting training scheduled to take place in Doha.
- 6 May 14, Interviewed 26 staff members from APA to test their English competency and job relevance to attend the aforementioned training in Doha. In coordination with these interviews, met with APA's Human Resource director, Kakar, to determine details of each candidate's employment history and job responsibilities.
- 14 May 14, Teleconference with S. Doppler from MIDAS to discuss how MIDAS and SGGA can best collaborate to provide GIS training for MoMP. Doppler agreed that MIDAS would take

responsibility for purchasing temporary software licenses with its off-budget funding, and then seek to move to full licenses as part of its on-budget programming with MoMP.

- 15 May 14, Teleconference with Nick Skinner to discuss logistics and instructional program for the environmental law and regulation for energy sector development training.
- 20 May 14, Met with E. Ebodaghe, from Dragon Oil to discuss inter-organizational training collaboration. Mr. Ebodaghe agreed to draft a scope of work for a technical training on what he has assessed as the most relevant technical training areas for APA's petroleum engineers. SGGA's P. Stuart-Thompson, will then review the recommended scope of work and add any additional areas.
- 20 May 14, Met with APA's Z. Jaihoon, to explain the need to postpone the Doha training and discuss other areas of capacity development collaboration.
- 20 May 14, Met with staff members from GIZ (S. Darracq and A. Akbari) and MIDAS (S. Doppler and J. Llorca) regarding GIS training collaboration. The group agreed on plans to commence GIS training with an assessment test on 1 June 2014. This start date will be dependent on final approval of the program from AGS's Director General Tahir.
- 26 May 14, Met with S Darracq, A. Akbari from GIZ and S. Doppler and S. Kakar from MIDAS to continue planning for the joint GIS training program. The meeting discussed classroom and laptop assignments determined to schedule the training to commence on 3 June 2014.
- 31 May 14, Skype meeting with Khader Aldakhil, a potential gas processing instructor, to discuss potentially joining SGGA's staff in Sheberghan.

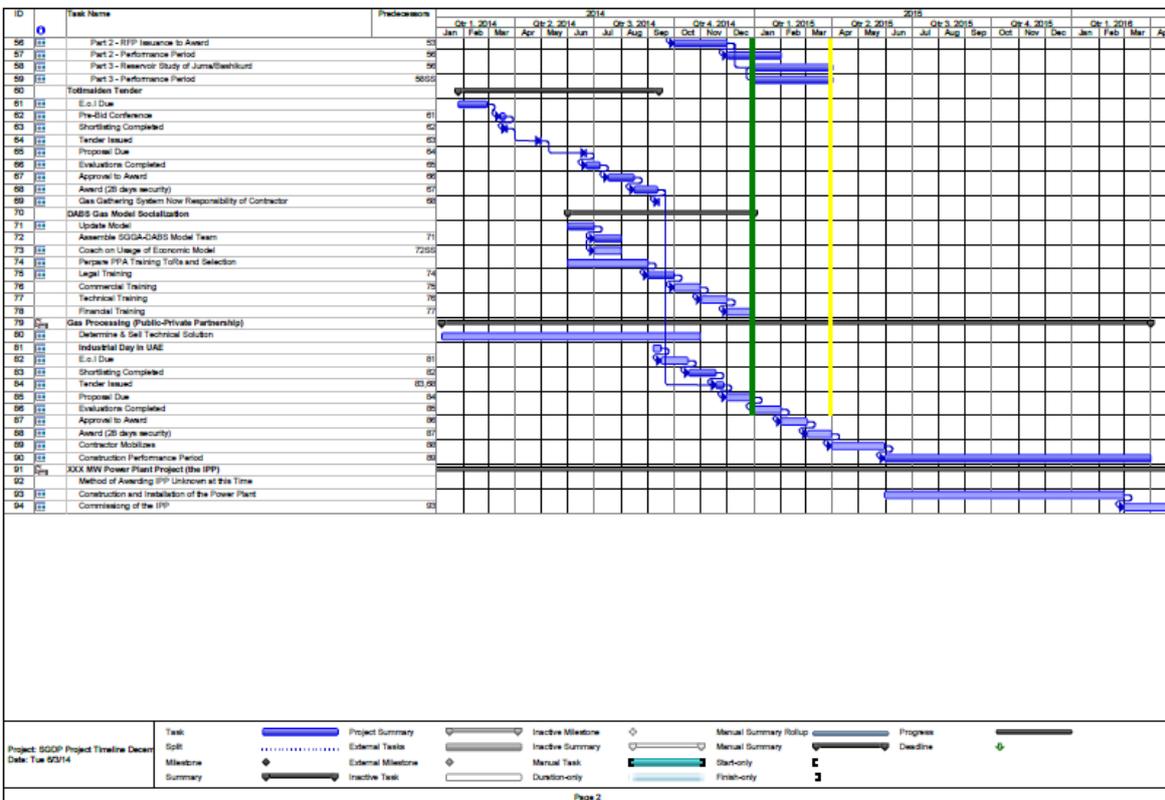
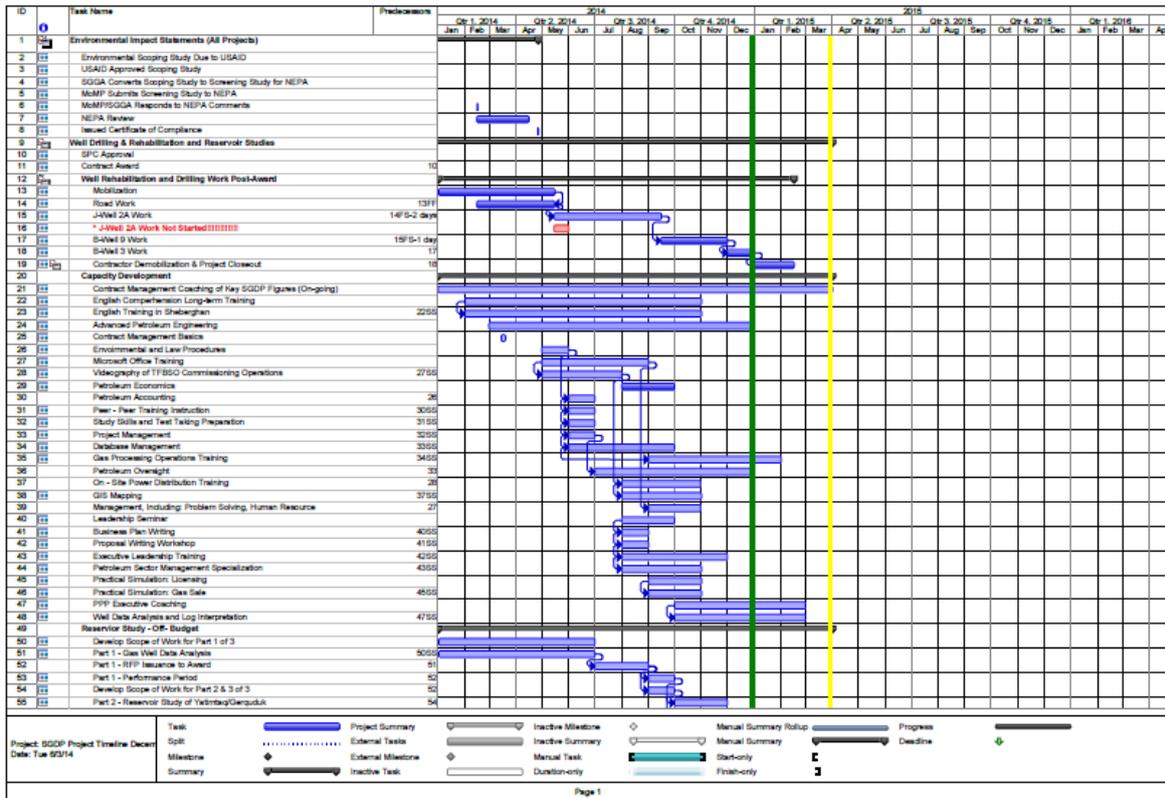
5.3 Challenges

- SGGA is unable to bring in its petroleum engineering instructors due to short period remaining on Advanced Engineering Associates International, Inc.'s (AEAI) Afghanistan Investment Support Agency (AISA) license, which is required to obtain visas and work permits. AEA's AISA license renewal application is pending.
- Due to the slowness of response from the Kabul Vetting Support Unit (VSU), SGGA has not been able to commence any of the seven training courses it seeks to subcontract to Kardan University and fallen 2 months behind its initially planned delivery schedule for MoMP.
- SGGA did not hear back from the Kabul VSU in time to book the petroleum economics and finance trainings therefore, it decided to postpone the training until after Ramadan.
- As mentioned in the Sheberghan Operations Section above, TFBSO's contractor denied SGGA's access to video record the commissioning process at the last minute, after SGGA had already procured additional video equipment and sent one of its engineers to the site.

5.4 Plans for Next Month

- Continue English and petroleum engineering programs.
- Commence the GIS training.
- Commence Microsoft Excel training.
- Provide a revised capacity development schedule and action plan to MoMP
- Begin training programs to be provided by Kardan University pending vetting approval.

6 PROJECT SCHEDULE AS OF 31 MAY 2014



7 PMP DATA

SGGA Performance Monitoring Plan (PMP) Indicators			
Milestones			
Capacity Building – MoMP, DABS, MEW	Prior	Current	
Capacity Assessments	3	2	
Training Courses	15	18	
Evaluations	4	4	
Tenders	Prior	Current	
1. Advertising	1	0	
2. Award	1	0	
3. Mobilization	1	0	
4. Activity work	1	0	
5. Completion	1	0	
Indicators			
Capacity Building - MoMP, DABS, MEW	Prior M/F	Current M/F	Indicator Code
Number of persons assessed	557/76	116/9	11/12
Number of Afghan professionals trained – “F” indicator	152/57	486/75	13/14
Number of Afghan professionals evaluated	156/33	74/15	15/16
<i>M = Male F = Female</i>			
Tenders	Prior	Current	
Rehabilitation and drilling of new wells	2	0	17
Design and construction of gas plant	0	0	18
Professional engineers for drilling oversight	1	0	19

Note: The number of training courses, professionals assessed and professionals evaluated in prior reporting changed from previous monthly reports based on data tabulation oversights that were discovered in previous calculations.

8 MONTHLY EXPENDITURES

Financial information omitted.