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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 3, Section F, Deliverable 24)

Period: May 1 – May 31, 2014

Submitted: May 31, 2014

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This SGDP Monthly Drilling Operations Progress 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 SGDP Monthly Drilling Operations Progress 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.

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Acronyms and Abbreviations

APA	Afghanistan Petroleum Authority
CRA	Corrosive resistant alloy
DG	Director General
IL	Implementation Letter
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TBD	To Be Determined
TPAO	Turkish Petroleum Corporation
USAID	United States Agency for International Development

Monthly Drilling Operations Progress Report

Sheberghan Gas Development Project (SGDP)

A USAID – MoMP “On-Budget” Funded Program

Figure 1: Rig Site Bashikurd Well #3



Site Rig Location Well # 3 Bashikurd

Figure 2: Camp Site Bashikurd Well #9



Camp Site Well # 9 Bashikurd

Figure 3: Bashikurd Well #3, Faraway View



Well # 3 Bashikurd

Figure 4: Bashikurd Well #9, Preparatory Work



Cellar Pool Well # 9 Bashikurd

The Sheberghan Gas Development Project (SGPD) 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. Under Phase I of SGDP, the Ministry of Mines and Petroleum (MoMP) on December 14, 2013, awarded a United States Dollar (financial information omitted) “on-budget” contract to Turkish Petroleum Corporation (TPAO). The contract will be 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.

1 SGDP Gas Field Operations

1.1 Activities Performed and Milestones Achieved During the Reporting Period

As of the end of the reporting period, TPAO has consumed just over sixty percent of its 270 day contract performance period, but has not yet completed the road, well-site, and camp civil works required, nor obtained authorization from Turkish authorities to move its drilling rig from Turkey to Afghanistan. Requests by MoMP that TPAO take steps to bring the work into compliance with contract requirements continued to be rebuffed and TPAO now appears to be at least 30 days behind their own revised (also unapproved) fourteen month schedule.

Drilling operations preparation progress this period:¹

- On May 5, 2014, Afghanistan Petroleum Authority's (APA) Zabih Sarwari resolved the placement of Juma Well #2A issue with TPAO officials. Juma #2A placement was confirmed to be: N: 36° 42' 06" by E: 065° 32' 06".
- On May 6, 2014, MoMP appointed Engineers Sadiq and Safi from Afghan Gas Enterprise to represent the MoMP on the work site.
- Majority of road work completed.
 - Old military camp road to Bashikurd well #9: Laid gravel and completed compaction, road is complete.
 - Old military camp road to Bashikurd well #3: Laid gravel and completed compaction, road is complete.
 - Water well road: Laid gravel and completed compaction, road is complete.
- Road work still in progress.
 - Zero point road (asphalt road) to old military camp: Began embankment of first layer.
- Site Activity and Rig Pads.
 - Bashikurd well #9 camp site and rig pad: Embankment compaction complete. Gravel work in progress. Excavation for cellar pool in progress.
 - Bashikurd well #3 camp site and rig pad: Cutting and excavation work in progress.
- On May 26, 2014, TPAO's latest progress report was provided to SGGA. It provided the following information:
 - TPAO may raise issue in the near future with the placement of Juma Well #2A due to the "considerable variation" with respect to the installation coordinates submitted in their bidding documents.
 - TPAO's planned insurance did not meet the contractual requirements, so Director General (DG) Jumriany sent a letter to TPAO on May 31, 2014 explaining in detail the contractual requirements for insurance.
 - TPAO provided specifications and cost components about their drilling rig.
 - TPAO provided additional detailed cost information for well completion and cementing materials and equipment such as tubulars, logging tools, perforation explosives, and radioactive isotopes.

¹ As of the close of the reporting period, MoMP had not yet deployed field inspectors/representatives to monitor TPAO's progress. Thus, reports on construction progress are based on unverified reports made by TPAO. Percentage of completion and estimated completion dates have not been provided by TPAO, so these key points have been estimated by SGGA based on oral reports from its Sheberghan staff.

1.2 Primary MoMP Staff Supporting SGDP

Table 1: Primary MoMP Staff Supporting SGDP

Job Title	Name	Contributions to SGDP
Minister of MoMP	Mohammad Akbar Barakzai	IL 45-01 Signing Authority
DG of APA	Abdul Jalil Ahmad Jumriany	Primary SGDP Decision Maker
SGDP Project Manager	Zabihullah Sarwari	Daily Interface
Senior Assistant to SGDP Project Manager	Zabiullah Jaihoon	Daily Interface
Admin Assistant to SGDP Project Manager	Jawad Zariah	Daily Interface
Finance Assistant to SGDP Project Manager	Farid Karimi	Daily Interface
Admin Assistant to SGDP Project Manager	Allah Mohammad	Daily Interface
Admin Assistant to SGDP Project Manager	Naseer Ahmad Tohfa	Daily Interface
Technical Director	Eng. Amirzada Khosti	Head of APA Technical Authority
Field Representative ²	Eng. Sadiq	Monitor Contractor Operations/Report to PM
Field Representative ³	Eng. Abdullah Safi	Monitor Contractor Operations/Report to PM

Most SGGA interfaces with APA are conducted with the SGDP Project Manager, Mr. Sarwari, who was appointed on October 2, 2013.

Table 2: 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
Deputy Procurement-Operations	Naihmatullah Kohsar	Monitor Contract Operations
Deputy Procurement-Administration	Shaista Labib	Monitor Contract Payments
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. Big Nazar	Technical Advisor
Drilling Engineer	Eng. Habibullah Mokhlis	Technical Advisor
Geologist	Wahid Qaeym	Technical Advisor

² Not deployed to field as of close of reporting period.

³ Not deployed to field as of close of reporting period.

In addition to the SGGA staff listed in Table 2, SGGA has security, administrative, and translation personnel based in Sheberghan, and capacity development programs, translators, security, procurement, and administrative support staff based in Kabul. These personnel provide varying levels of support to APA for SGDP's operations. Ten SGGA staff have been assigned to full time duty at MoMP offices to provide support in several areas, including translations, business skills training, financial tracking of SGDP funds, and computer-aided design.

2 SGDP Schedule and Financial Milestones

2.1 Key Contract Dates and Estimated Completion

Table 3: Key Contract Dates and Estimated Completion

Contract Award	Contract Performance Period Ends	TPAO Projected Completion
December 14, 2013	September 10, 2014	February 21, 2015
Current SGGA Forecast of Number of Days TPAO Behind Contract Schedule		
164 Days Behind – Based Upon TPAO's Revised Schedule		
Percent of <u>Contract Schedule</u> Elapsed As of May 31, 2014	Percent of <u>TPAO's Revised Schedule</u> Elapsed As of May 31, 2014	
168 Days of 270 = 62% Elapsed	168 Days of 434 = 39% Elapsed	

On January 18, 2013, a little more than a month after signing the contract requiring a 270 day performance period, TPAO submitted to MoMP a new performance schedule which shows completion of drilling operations on January 21, 2015 and demobilization completed on approximately February 21, 2015. Despite numerous efforts from MoMP to engage TPAO in meetings, correspondence, and schedule analysis, TPAO continues to steadfastly refuse to accelerate performance from its revised schedule, which MoMP unequivocally rejected.

SGGA can now confirm that TPAO is behind their extended and unapproved 434 day schedule. That schedule indicated Juma well #2A drilling operations would commence on May 15, 2014. Based upon lack of rig movement and estimated travel and customs clearance time, TPAO appears to be approximately six weeks behind their schedule as of the end of May.

2.2 TPAO Well Status – Technical

Table 4: TPAO Well Status Based on TPAO "Revised" Schedule

Projected Juma 2A Time	Projected Bashikurd 3 Time	Projected Bashikurd 9 Time
120 Days	45 Days	21 Days
Present Working Depth	Present Working Depth	Present Working Depth
0	0	0
Projected Date of Completion	Projected Date of Completion	Projected Date of Completion
September 15, 2014	November 30, 2014	January 21, 2015
Projected Test Results Available	Projected Test Results Available	Projected Test Results Available
Well Completion Plus 30 Days	Well Completion Plus 30 Days	Well Completion Plus 30 Days

The information contained in Table 12 is based upon TPAO's revised schedule, which extends beyond the contractually required schedule and pushes out the earliest well test results into October 2014.

2.3 TPAO Work Schedule – “☒” Marks Present Progress

Table 5: TPAO’s Unapproved Revised Fourteen Month Work Schedule

TPAO Schedule, January 2014	2014												2015		
	Quarter 1			Quarter 2			Quarter 3			Quarter 4			Quarter 1		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Well Drilling & Rehab Work															
Preparation Rig & Equipment															
Manufacture of 5 ½” CRA28 Casing															
Shipment of 5 ½” CRA28 Casing															
Road, Site, & Camp Construction					☒										
Mobilization to Juma 2A					☒										
Juma 2A – Drilling & Completion				☒											
Mobilization to Bashikurd 3															
Bashikurd 3 – Drilling & Workover															
Mobilization to Bashikurd 9															
Bashikurd 9 – Re-Entry Well															
Contractor Demobilization															

2.4 SGDP Drilling Contract Value and Funding Allocation

Table 6: SGDP Contract Amount and Funding Allocation

Drilling Contract Value	USAID Funding Share	MoMP Funding Share
\$ financial information omitted	\$ financial information omitted	\$ financial information omitted
Remaining MoMP Funding Share		\$ financial information omitted

IL 45-01 is the source of the funding distribution between USAID and MoMP. USAID agreed to provide \$ (financial information omitted) in funding and MoMP agreed to an additional \$(financial information omitted) in contingency funding. Nearly all contingency funding was required to award the original contract. This leaves only about \$(financial information omitted) of the original project contingency funding available in the event that contract modifications are required for any reason.

2.5 SGDP Invoicing Status

Table 7: SGDP Invoicing Status

Invoice	Invoice Received	Invoice Amount	Invoice Paid
TPAO - 1	TBD	\$ (financial information omitted)	TBD

No invoices have been received thus far. Based upon TPAO already being behind their revised performance schedule, it is now believed that the first of six authorized invoices will probably not be received until approximately July 2014.

3 Implementation Letter Status

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

Table 8: 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 Eng Tender

Table 16 above, contains a list of all IL amendments issued thus far under SGDP. IL amendments have primarily functioned to approved conditions precedent and drilling tender/contract actions.

4 Drilling Operations Summary

4.1 TPAO's Contract Performance Schedule

TPAO continues to follow its unapproved, revised fourteen month schedule. As of the end of this reporting period, TPAO is already behind by approximately six weeks. TPAO's rig has not yet departed Turkey and Turkish export permits have not been obtained to our knowledge.

4.2 Progress This Period

Very little progress was made during this reporting period. Based upon TPAO progress reports, road work, camp sites, and rig pad work all progressed well, with some roads actually completed.