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EGYPT OIL&GAS NEWSPAPER

April 2013 Issue 76 28 Pages www.egyptoil-gas.com

Inconvenient Tenders

Implications for Service Companies

P.20

A Long Hot Summer

The Egyptian government recently announced plans to close the Cairo International Airport four hours per day beginning in June in an effort to conserve energy. In perhaps the greatest public understatement since the revolution, civil aviation minister Wael al-Maadawi stated that the closure was the result of a detailed study highlighting the "dramatic reduction" of flights destined for Cairo. As if more evidence of Egypt stagnating tourism sector was needed, The World Economic Forum also recently released its Travel and Tourism Competitiveness Index. Egypt ranked last in terms of safety and security, falling below Pakistan, Yemen, and Chad. Noting that Pakistan is apparently a more attractive tourist destination, the Cairo airport closure in and of itself should cause little domestic turmoil. The closure is, however, indicative of measures to come as Cairo braces for rapidly approaching summer temperatures. Government officials are clearly bracing for the drastic increase in energy consumption at a time when domestic supplies of fuel barely meet existing consumption levels. Amid requests for credit extensions in order to continue vital imports, and perpetually stalled talks concerning the IMF loans, it seems Egypt is in for a very long hot summer.

Julie Herrick Editor in Chief

Prices

Bullion Market		Crude Oil	
GOLD	SILVER	BRENT	WTI
1627.46	30.20	115.94 USD/BBL	95.37 USD/BBL
-2.6%	-3.14%	3.39%	0.5%

Editor in Chief
Julie Herrick

Senior Staff Writers
Tatianna Duran
Effat Mostafa
Laura Raus
Ethar Shalaby

Chief Reporter
Wael El-Serag

Marketing Manager
Ayman Rady

Business Development Officers
Ayman Hussien
Haitham Zoulfakar
Nada El.Labban

Art Director
Omar Ghazal

Cartoonist
Mai Gamal

Administrative Assistant
Basma Naguib

Assistant Managing Director
Menna Rostom

IT Specialist
Sameh Fattouh

Production Advisor
Mohamed Tantawy

Operations & Financial Manager
Abdallh Elgohary

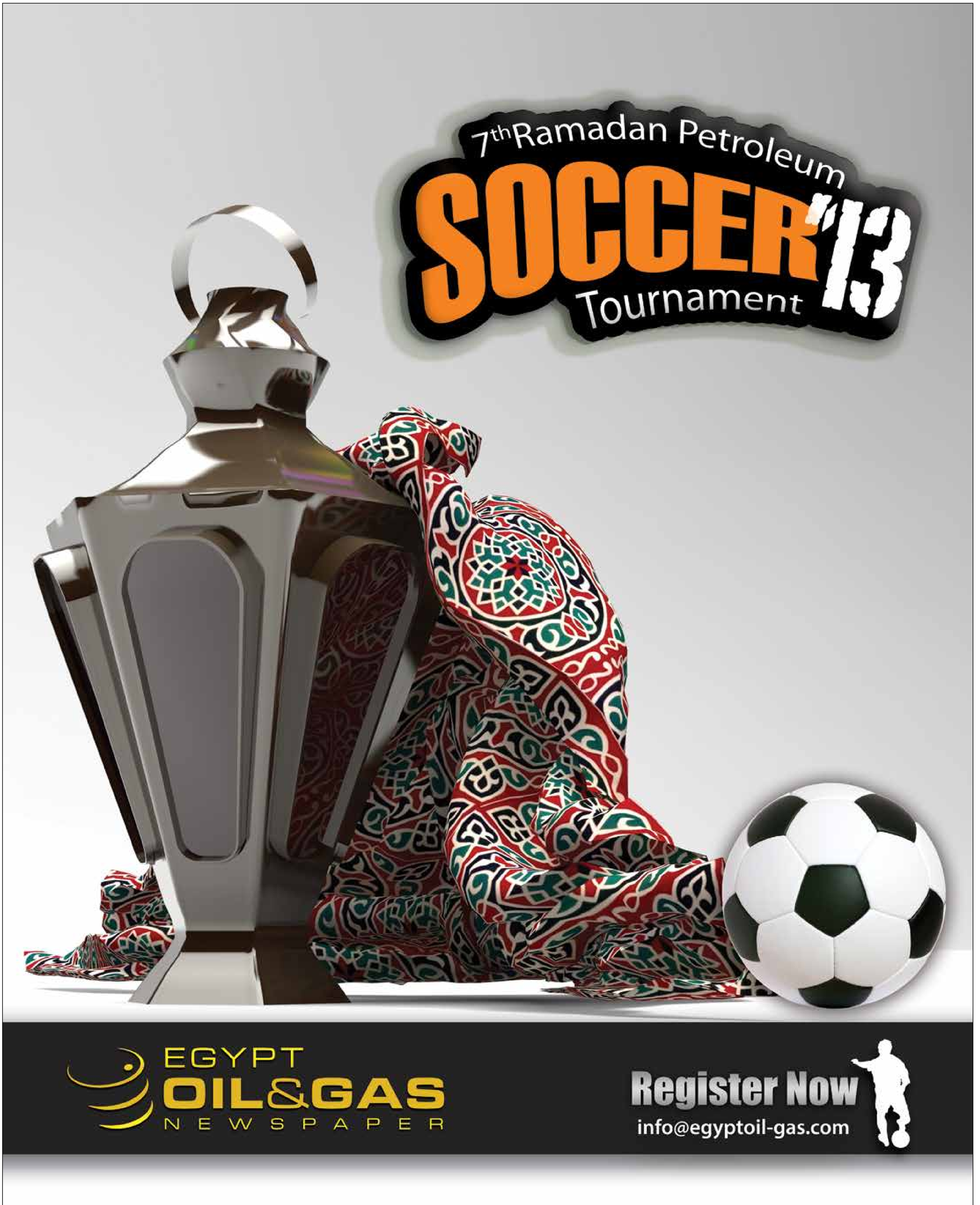
Accountant
Mahmoud Khalil

Publisher
Mohamed Fouad

This publication was founded by
Omar Donia, Mohamed Sabbour
and Mohamed Fouad

EGYPT OIL&GAS NEWSPAPER

Contact Information:
Tel: +202 25164776
+202 25172052
Fax: +202 25172053
E-mail: info@egyptoil-gas.com
www.egyptoil-gas.com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WHEN VERSATILITY COUNTS...

MV FUGRO NAVIGATOR

The Fugro Navigator is the only specialist geoscience survey vessel dedicated to the Egyptian market. The Navigator's multi-role capability allows her to undertake a wide range of survey activities, such as geophysical and geotechnical surveys for drill sites and pipelines, ROV surveys and inspections, and high resolution seismic surveys and environmental surveys.

As a specialist survey vessel, the Navigator offers significant advantages over vessels of opportunity by offering:

- Greater versatility
- Improved safety performance
- Reduced weather standby costs
- The ability to respond quicker to requests for projects
- Hull-mounted sensors produce that higher quality data
- Reduced turnaround time for reporting

The Navigator is permanently equipped with a wide range of geophysical equipment for deep and shallow-water operations while ROV systems and geotechnical and environmental equipment are mobilized to the vessel on a project-by-project basis. She has carried out an average of 15 survey projects each year since her introduction in early 2008, in water depths from as shallow as 10m to over 1300m.

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First Zero Liquid Discharge Plant in Egypt

Aquatech has been awarded a contract by the Egyptian Ethylene and Derivatives Company (ETHYDCO) for a water treatment facility that includes the first integrated Zero Liquid Discharge (ZLD) plant in Egypt.

The contract was signed on March 25 between ETHYDCO Chairman and CEO Eng. Mohamed Samy Abdel Hady, Karl Michael Millauer, Senior Vice President of Aquatech, and Eng. Abdel Nasser Salah, Chairmen and CEO of Enppi (Engineering for Petroleum and Process Industries). Also on hand was the Minister of Petroleum and Mineral Resources, Eng. Osama Kamal.

The ZLD plant will be installed at ETHYDCO's petroleum derivatives manufacturing site in Alexandria. The plant designed and installed by Aquatech will treat wastewater from this facility and cooling tower blowdown to get cooling tower makeup water, boiler feed and achieve Zero Liquid Discharge. The project is expected to be completed early next year.

"This is a historical moment to have the first ZLD technology in the sector. I hope this technology can be used not only in the petroleum sector, but can spread to other sectors as well… This is just the beginning", remarked Minister Kamal at the signing ceremony.

Aquatech

Dana Gas Raises Gas Output in Egypt

Dana Gas announced that it has increased its gas production in Egypt by 10% with the start-up of operations at two new fields. The West Sama-1 and Allium-1 fields in Egypt started commercial operations less than two months after initial well testing, the Sharjah-based company said. "The wells increase our production by 20 million cubic feet per day, providing much needed additional production to the Egyptian market and maintaining vital supplies of gas for power generation," said the company's acting chief executive, Rashid Al Jarwan. Dana Gas declared in a statement to the Abu Dhabi stock exchange that it received 163 million USD in outstanding receivables from the Egyptian government in 2012.

Kuwait Energy Drills New Exploratory Well in Western Desert

Within the context of its 2012-2013 drilling plan, Kuwait Energy Petroleum Company has recently started the drilling process for a new exploratory well. The drilling operation occurred in the company's concession area in the Western Desert.

The ASA-1X ST-2 oil producing exploratory well was drilled to a total depth of 14,790 ft utilizing the ZJ-46 rig. The drilling expenditures reached approximately 5.549 million USD.

The Kuwaiti company was founded in 2005 as an independent company for the exploration and production of oil and gas in the Middle East and North Africa.

Kuwait Energy Drills New Exploratory Well in Eastern Desert

Kuwait Energy Petroleum Company concluded drilling for a new exploratory well. The Kuwaiti company was founded itn 2005 as an independent company for the exploration and production of oil and gas in the Middle East and North Africa.

The drilling operation occurred in the company's concession area in the Eastern Desert. The E.SHNW-1X oil producing exploratory well was drilled to a total depth of 4,291 feet utilizing the ECDC-1 rig. Drilling expenditures are estimated at 1.201 million USD.

Cartoon

Khalda Drills Two New Oil-Producing Wells

Khalda Company has recently drilled a new developmental well. The drilling operations occurred in the company's concession area in the Western Desert. Khalda is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache American Corporation.

The TUT-103 oil-producing developmental well was drilled to a depth of 6,505 ft utilizing the EDC-65 rig. The drilling period lasted for 11 days. Investments on the drilling process are estimated at 350,000 USD.

The WD 33-5 oil-producing developmental well was drilled to a depth of 12,500 ft utilizing the EDC-50 rig. Investments on the drilling process are estimated at 2.5 million USD. Khalda production rates of crude oil and condensates reached 3,747,673 barrels while natural gas production reached 4,501,786 barrels equivalent as the end of February 2013.

Khalda Drills New Gas-Producing Well

Khalda company recently concluded the drilling of a new developmental well. Khalda is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache American Corporation. The drilling operations occurred in the company's concession area in the Western Desert.

The AG-108 gas-producing developmental well was drilled to a depth of 11,400 feet utilizing the ST-6 rig. Investments on the drilling process are estimated at 3.273 million USD. Khalda production rates of crude oil and condensates reached 3,747,673 barrels while natural gas production reached 4,501,786 barrels equivalent as the end of February 2013.

Story Board

Agiba Drills New Developmental Well

Agiba Company recently began drilling a new developmental well. Agiba is a joint venture between EGPC, Mitsui (10%) and IEOC (40%). The drilling operation occurred in the company's concession area in the Western Desert.

The EMRY DEEP-5 oil-producing developmental well was drilled to a depth of 10,500 ft utilizing the ST-8 rig. Egypt Oil & Gas has been informed that the volume of new investments on the drilling process reached approximately 2.133 million USD. Agiba production rates of crude oil and condensates reached 1,543,505 barrels while natural gas production reached 50,939 barrels equivalent as the end of February 2013.

Morsi Assesses Government Plan to Solve Fuel Crisis

On March 10th President Mohamed Morsi reviewed an ambitious plan to end the diesel crisis and meet the people's demands with Petroleum Minister Osama Kamal.

The Minister's current negotiations with Morsi aim to provide power stations with gas ahead of the summer months. According to All Africa News, the Petroleum Minister attributed the diesel crisis to the absence of various forms of control bodies and the sale of large amounts of diesel on the black market.

In further attempts to reduce the crisis, the Minister emphasized that the Egyptian General Petroleum Authority is pumping 35,000 tons of diesels on a daily basis. Kamal assigned Said Mostafa, Petrotrade Chairman, as the chairman of Misr Petroleum, replacing the company's current chairman Nasr Abul-Soud. He also tasked Tareq al-Mula, executive president of the Egyptian General Petroleum Company (EGPC), with supervising the operations at the company.

Edison Drills New Developmental Well

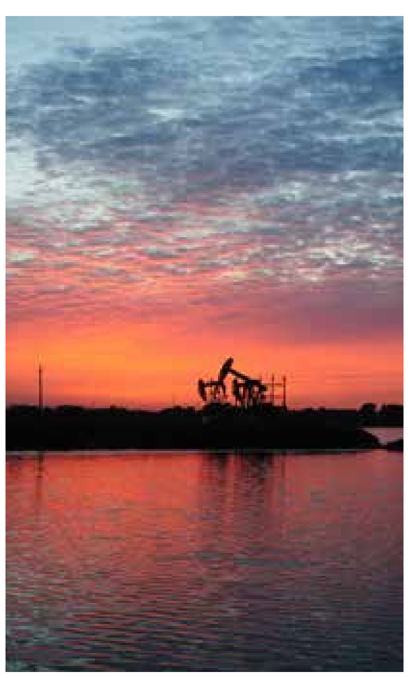
Edison Petroleum Company has recently started the drilling of a new developmental well. The drilling operation occurred in the company's concession area in the Western Desert.

The RAYAN-4 oil-producing developmental well was drilled to a depth of 6,857 ft utilizing the EDC-67 rig. Egypt Oil & Gas has been informed that the volume of new investments on the drilling process reached 2.174 million USD.

GUPCO Drills New Developmental Well

GUPCO recently concluded drilling a new developmental well. The drilling operations occurred in the company's concession area in the Gulf of Suez. GUPCO is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and BP Corporation.

The GS 324-4/OH ST-1 oil-producing developmental well was drilled to a depth of 17,646 ft utilizing the COMET rig. The drilling process lasted for 159 days. Egypt Oil & Gas has been informed that the volume of new investments on the drilling process reached approximately 12.628 million USD. GUPCO production rates of crude oil and condensates reached 1,904,759 barrels while natural gas production reached 191,195 barrels equivalent as the end of February 2013



PETRODARA Drills New Developmental Well

PETRODARA recently concluded the drilling process for a new developmental well. The drilling operation occurred in the company's concession area in the Eastern Desert. PETRODARA is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Dublin Corporation.

The HOSHIA-17 oil producing developmental well was drilled to a total depth of 4,500 ft utilizing the ST-7 rig. The drilling expenditures reached approximately 872,777 USD. PETRODARA production rates of crude oil reached 370,807 barrels at the end of February 2013

BAPETCO Concludes the Drilling of Two Developmental Wells

BAPETCO Petroleum Company has recently concluded the drilling process of two new developmental wells. The drilling operations occurred in the company's concession area in the Western Desert. BAPETCO is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Shell Corporation.

The OBA D-AL oil-producing developmental well was drilled to a total depth of 14,932 ft utilizing the EDC-55 rig. The drilling expenditures reached approximately 6.637 million USD.

The SITRA 8-20 ST-1 oil producing developmental well was drilled to a total depth of 14,892 ft utilizing the NAFTA-1 rig. The drilling expenditures approximately reached 5.033 million USD.

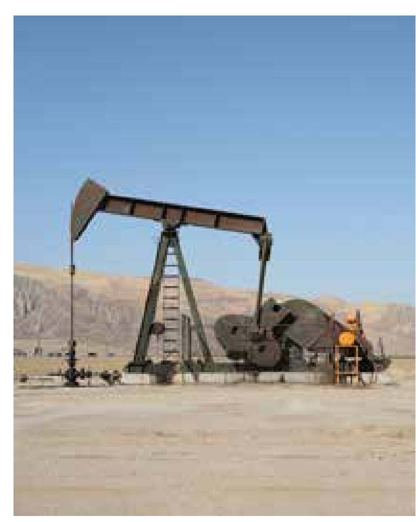
BAPETCO production rates of crude oil and condensates reached 946,715 barrels while natural gas production reached 1,768,214 barrels equivalent as the end of February 2013.

BAPETCO Drills New Exploratory Well

BAPETCO Petroleum Company has recently concluded the drilling process of a new exploratory well. The drilling operation occurred in the company's concession area in the Western Desert. BAPETCO is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Shell Corporation.

The BED 11-F1-1 oil-producing exploratory well was drilled to a total depth of 14,016 ft utilizing the EDC-52 rig.

The drilling expenditures reached approximately 4.481 million USD.



Apache Concludes Drilling of Exploratory Well

Apache recently drilled an exploratory well in their concession area in the Western Desert. Total investments associated with the project are estimated at 4.471 million USD. The WKAN-R-1X oil-producing exploratory well was drilled to a depth of 15,525 ft via the EDC-57 rig. The drill was abandoned and considered dry

EGPC Deputy Dismissed by Petroleum Minister

The Minister of Petroleum Osama Kamal dismissed the Deputy of Operations at EGPC, Nasr Abo El-Seoud. The Ministry stated the dismissal stemmed from his inability to effectively handle the current diesel crisis, which has resulted in numerous protests. Minibus drivers have staged numerous protests throughout Cairo, blocking vital freeways and disrupting commuters. Staff members within the operations department of EGPC protested the dismissal by staging a sit-in outside EGPC. Diesel shortage is an ongoing problem that the Ministry of Supply and Interior Trade is attempting to control by implementing tighter regulations on the distribution of diesel fuel in an effort to curb black market activity.

GPC Resumes Activities In Western Desert

GPC Company has recently concluded the drilling of a new exploratory well. The drilling operation occurred in the company's concession area in the Western Desert.

The HF 36/5X gas-producing exploratory well was drilled to a depth of 8,298 ft utilizing the ST-4 rig. GPC production rates of crude oil and condensates reached 1,103,790 barrels while natural gas production reached 35,714 barrels equivalent as the end of February 2013.

Choice Words

"The United States can and wants to do more…Reaching an agreement with the IMF will require further effort on the part of the Egyptian government and broad support for reform by all Egyptians. When Egypt takes the difficult steps to strengthen its economy and build political unity and justice, we will work with our Congress at home on additional support.

US Secretary of State,
John Kerry
Obtained from The Guardian UK

"We are pleased to announce the successful tie-in of these two discoveries. The wells increase our production by 20 million cubic feet per day, providing much needed additional production to the Egyptian market and maintaining vital supplies of gas for power generation.

Executive Director and Acting CEO of Dana Gas,
Mr. Rashid Al Jarwan,

"The high oil and condensate yields encountered in Amoun NE-1X and the potential for additional wells on the Khalda Ridge and Abu Gharadig Basin provide multiple opportunities for Apache's active exploration and development program in Egypt.

Thomas M. Maher
Vice President and General Manager of Apache's Egypt Region,

"The ministry spends more than $35m to meet daily diesel quotas, and is doing the best it can to make the fuel available to Egyptians. The ministry's monitoring alone is not enough, a strong police apparatus is needed.

Minister of Petroleum and Mineral Resources
Osama Kamal
Obtained via Daily News Egypt

Petrobel Completes Drilling of Two Developmental Wells in Sinai

Petrobel has recently completed the drilling of a developmental well in its Sinai concession area. Petrobel is a joint venture between EGPC and ENI. The oil producing developmental well-labeled 113-187 was drilled to a depth of 10,069 ft using ST-1 rig. Operational investments surrounding the project are estimated at 3.265 million USD.

The second oil producing well labeled 112-149 ST-1 was drilled to a total depth of 8,782 ft using ST-3 rig. Operational investments surrounding the project are estimated at 3.632 million USD.

Petrobel production rates of crude oil and condensates reached 3,409,486 barrels while natural gas production reached 7,359,453 barrels equivalent as the end of February 2013.

ZETICO Drills New Exploratory Well

East Zeit Petroleum Company (ZETICO) recently completed drilling on an exploratory well in its Sinai concession. ZETICO is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and DANA Gas. The NEFERTITI-2X oil producing exploratory well was drilled to a depth of 13,200 ft utilizing the WF-797 rig. Drilling expenditures amounted to 12.273 million USD. ZETICO production rates of crude oil and condensates reached 207,079 barrels while natural gas production reached 15,956 barrels equivalent as the end of February 2013.

Egypt Signs Debt Deals with Petronas, BG Group

The Egyptian government signed agreements with Malaysia's Petronas and Britain's BG Group to reschedule debt payments owed to international oil companies. The final portion and amount of the rescheduled debt has yet to be disclosed. Western media outlets estimate the amount to be around 9 billion USD. According to Reuters, Egyptian Prime Minister Hisham Kandil met on February 2013 with a delegation from Apache Corporation and BG Group to discuss investment opportunities in Egypt. The cabinet said in an official statement "(BG Group) have assured, through the meeting, that they will continue investing in Egypt and expressed their interest in increasing …[investment]…in the future," Kamal also added that the company's investment in Egypt over the next five years is estimated at about $5 billion.

Qarun Completes Activities on New Well

Qarun Petroleum Company recently completed the drilling of a new developmental well. The drilling operations occurred in the company concession's area in the Western Desert. Qarun is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache.

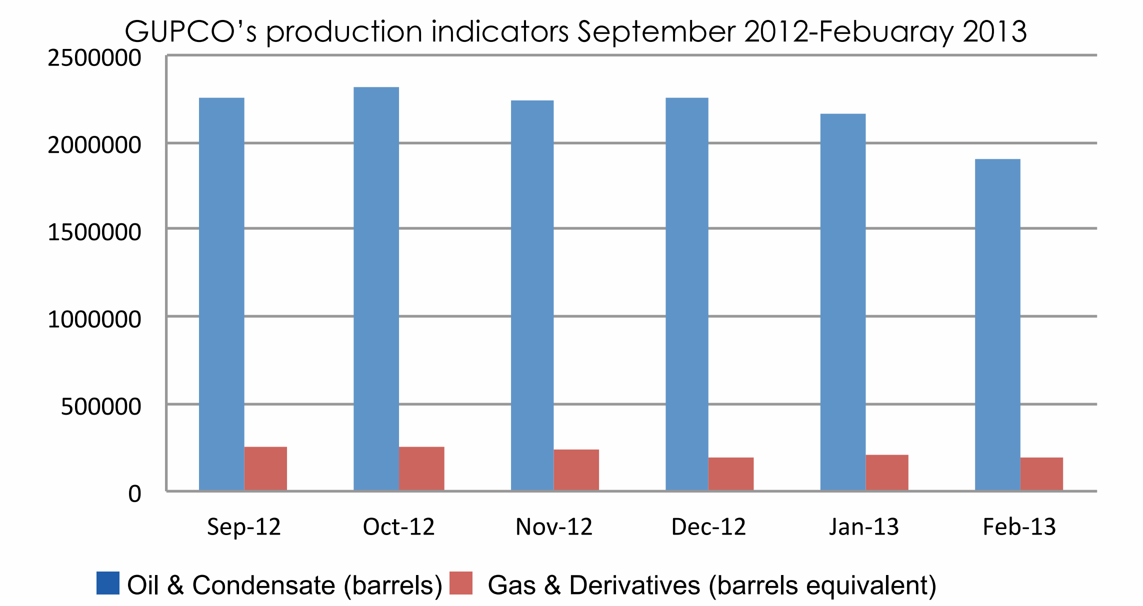
The AQSA-19 oil-producing developmental well was drilled to a depth of 9,370 ft utilizing the EDC-47 rig. Investments surrounding the drilling process are estimated at 1.415 million USD. Qarun production rates of crude oil reached 1,365,092 barrels at the end of February 2013.

WEST BAKR Concludes Drilling of Exploratory Well

WEST BAKR Company has recently started drilling a new exploratory well. The drilling operation occurred in the company's concession area in the Eastern Desert. WEST BAKR is a joint venture between EGPC and TransGlobe Energy Corporation.

The ME-1X oil-producing exploratory well was drilled to a depth of 6,233 ft utilizing the EDC-62 rig. Egypt Oil & Gas has been informed that the volume of new investments on the drilling process reached approximately 855,000 USD.

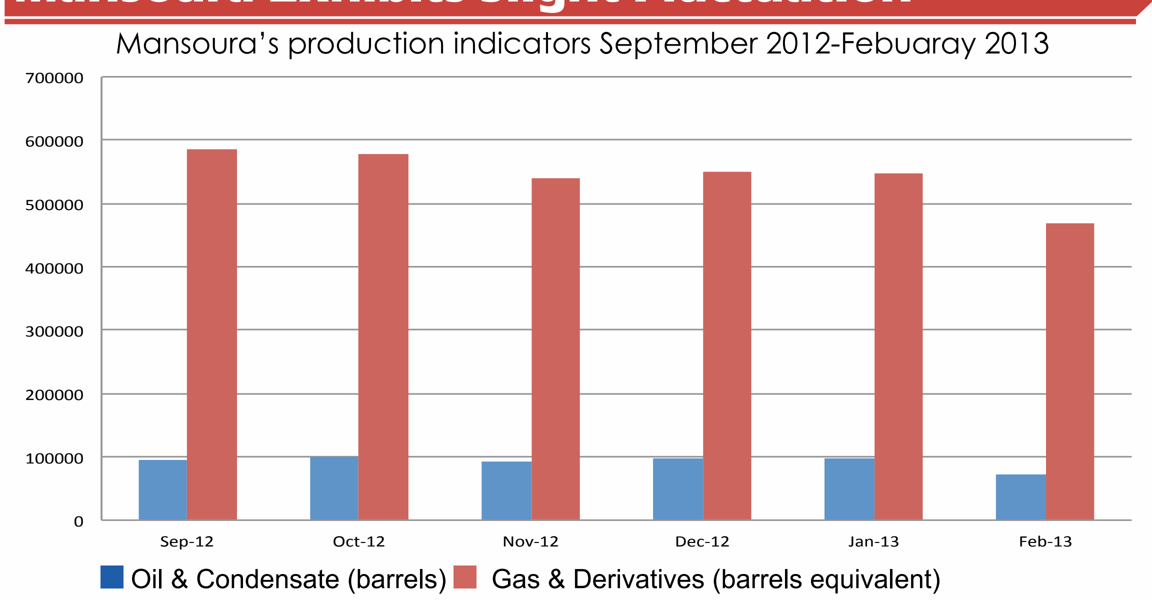
GUPCO Shows Steady Increase Despite Minor Drop



Gulf of Suez Petroleum Company (GUPCO) showed a steady increase over the last six months. Production of oil and condensates in September 2012 started at 2,261,212 barrels and ended at 1,904,759 barrels in February 2013. The production of gas and derivatives in September 2012 started at 254,627 barrels equivalent and ended at 191,195 barrels equivalent in February 2013. The company saw a minimal drop in gas and derivates from December 2012 to February 2013.

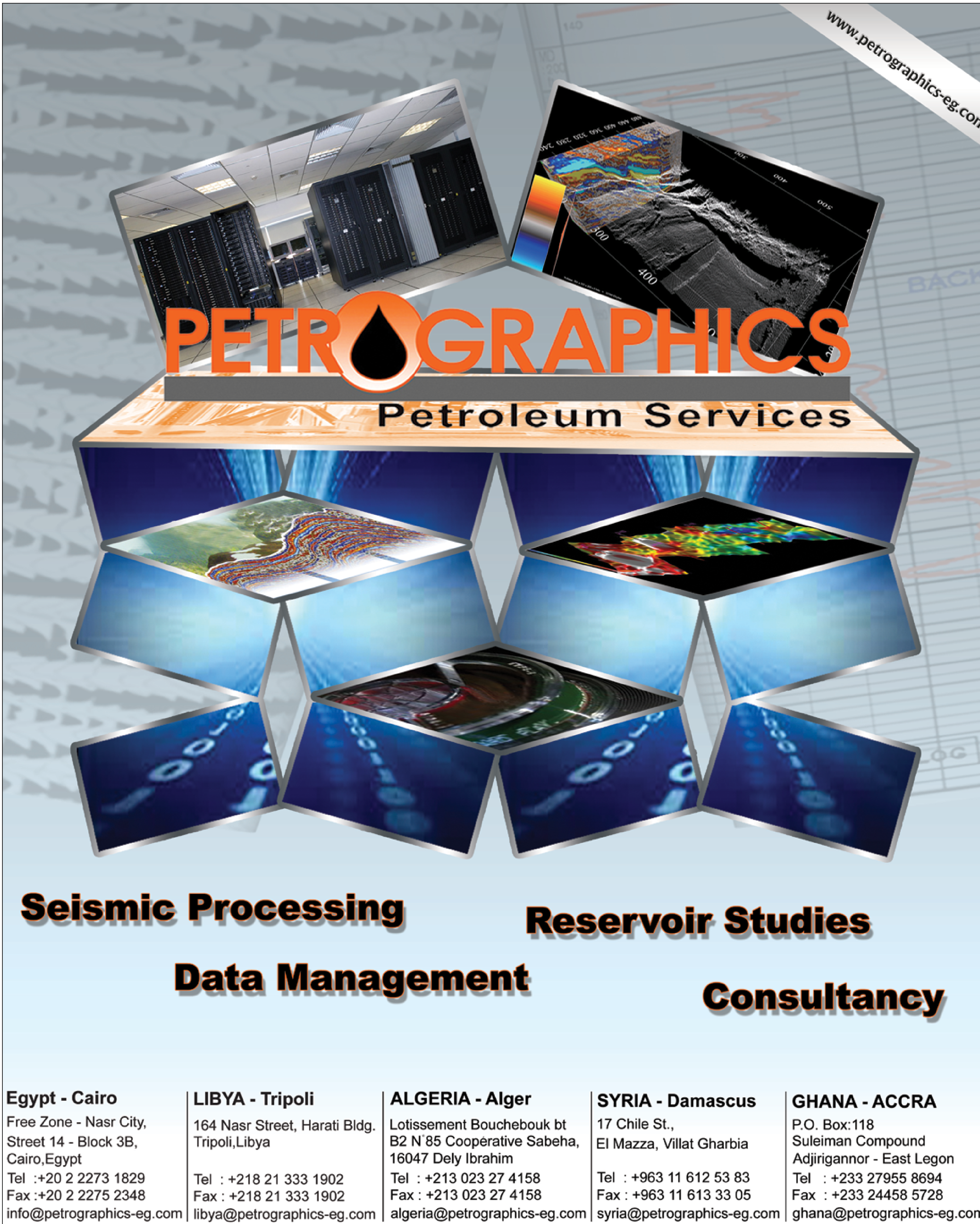
Rates of oil and condensates stayed relatively constant from September 2012 to December 2012 starting at 2,261,212 barrels and ending at 2,255,271 barrels. There was a slight drop in gas and derivatives production in December 2012 at 192,626 to 191,195 barrels in February 2013.

Mansoura Exhibits Slight Fluctuation



Mansoura Company's production demonstrated a very slight fluctuation over the last six months. Production of oil and condensates in September 2012 started at 96,165 barrels and ended at 71,462 barrels in February 2013. The production of gas and derivatives in September 2012 started at 585,495 barrels equivalent and ended at 467,559 barrels equivalent in February 2013. In October 2012 Mansoura's production of oil and condensates jumped to 100,858 barrels before settling to 96,165 barrels for the month of September. The production was inconsistent with a slight increase from November 2012 to January 2013.

Rates of gas and derivative stayed reasonably constant with a relative increase from November 2012, starting at 539,316 barrels equivalent and ended at 547,712 barrels equivalent in January 2013.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LIBYA - Tripoli
164 Nasr Street, Harati Bldg.
Tripoli,Libya
Tel : +218 21 333 1902
Fax : +218 21 333 1902
libya@petrographics-eg.com
ALGERIA - Alger
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16047 Dely Ibrahim
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Fax : +213 023 27 4158
algeria@petrographics-eg.com
SYRIA - Damascus
17 Chile St.,
El Mazza, Villat Gharbia
Tel : +963 11 612 53 83
Fax : +963 11 613 33 05
syria@petrographics-eg.com
GHANA - ACCRA
P.O. Box:118
Suleiman Compound
Adjirigannor - East Legon
Tel : +233 27955 8694
Fax : +233 24458 5728
ghana@petrographics-eg.com

Petrobel Completes Drilling of Developmental Well in Mediterranean

Petrobel has recently completed the drilling of a developmental well in its Mediterranean concession area. Petrobel is a joint venture between EGPC and ENI. The oil producing developmental well, labeled SETH E.SH-1 ST-1 was drilled to a depth of 9,517 feet using the KS MEDST rig. Operational investments surrounding the project are estimated at 25.633 million USD. Petrobel production rates of crude oil and condensates reached 3,409,486 barrels while natural gas production reached 7,359,453 barrels equivalent as of the end of February 2013.

There May Be More Natural Gas for Cyprus

The head of Cyprus' Hydrocarbons State Company (KRETYK), Charles Ellinas announced that the country may have as much as 40 trillion cubic feet (tcf) of natural gas reserves, and could potentially start exporting 2.0 tcf of it by 2020.

According to Cyprus Mail, Ellinas stated at the 2nd Energy Forum that "All indications point to a possibly bigger, perhaps double, reserve in five more blocks that are due to be explored early next year by ENI/KOGAS and TOTAL."

According to the US Geological Survey Assessment, Cyprus can claim around 60 tcf of the total estimated 122 tcf of natural gas in the Levatine basin in the Eastern Mediterranean. In the next three months Cyprus and Israel are expected to finalize a "unitization" agreement that will set out sharing expenses of any hydrocarbons found on their borders.

Disputes Forecasted Over Turkey-Greece Maritime Border

The Greek Prime Minister Antonis Samaras visited Turkey in early March to sign oil and gas agreements between the two countries. Samaras and his Turkish counterpart both vowed to escalate trade between Turkey and Greece after signing dozens of mutual agreements.

However, according to Eurasianet Newswire, it appears that trouble may be on the horizon for Turkish-Greek relations, particularly regarding the issue of Athens' desire to lay claim to a vast amount of potentially oil- and gas-rich maritime territory in the eastern Mediterranean.

Recently Greece has renewed its territorial claims over a broad swath of disputed waters in the eastern Mediterranean where the indebted country hopes to find vast oil and gas deposits. Greece is a significant energy supplier for Europe, which wants to decrease its dependence on Russia. Mounting evidence of those reserves, along with recent moves by Cyprus to assert its own claims, have raised the stakes even further.

The Eurasianet Newswire published that Greece is proceeding cautiously to avoid confrontation and is using U.N. procedures to gradually build its case. Athens's ultimate goal is to gain international recognition for the exclusive use of a 200-nautical-mile zone around the country, basing its claims on the fact that it is a signatory to the U.N.'s Law of the Sea treaty of which Turkey is not.

Oil and Gas Finds Sparks Stampede for Licenses in Lebanon

Vast reserves of crude oil and gas have been found off the coast of Lebanon. The discovery has drawn a "stampede" of global oil companies and could redraw the energy landscape of the region.

Spectrum Geo, a British surveyor, has identified offshore deposits that would make the country one of the leading natural gas producers in the Mediterranean, dwarfing recent finds in Israel and Cyprus.

The chief executive officer of the Spectrum Geo Inc. David Rowlands was reported by the UK Times as saying: "The value of the gas and crude oil reserves in Lebanon is worth $140 billion; our company has found in Lebanon a quantity of oil that could make the country one of the biggest gas producers in the Middle East."

Rowlands also told UK Times that 120 companies showed interest in drilling for oil and gas in Lebanon, "which is a great jostle that has not been witnessed since Libya opened the way for gas exploration in 2004." Meanwhile, Malcolm Graham Wood, the oil and gas adviser for VSA Capital said that the gas reserves in Lebanon amount to more than 25 trillion cubic feet.

Phoenicia Energy Co. Acquires 10% Stake in Concession Offshore Malta

According to Offshore magazine, Phoenicia Energy Co. has agreed to acquire a 10% stake in a concession offshore Malta. Assuming approval from Malta's Minister for Resources and Rural Affairs, Phoenicia, a subsidiary of Mediterranean Oil and Gas, would pay Leni Gas and Oil Investments $1 million for the transferred interest in the Offshore Area 4 PSC. It would also assume liability for Leni's residual costs of 19,050 USD from the acquisition of 3D seismic data in 2011.

Sharecast Newswire published that the acquisition would give Phoenicia a 100% controlling interest in the concession. Chief executive Dr. Bill Higgs told Offshore magazine "We believe this will help to facilitate the current farm-out process in respect of the license, which we aim to complete prior to the fourth quarter of 2012, and will enable us to more effectively pursue the further exploration of the license with the drill bit."

Noble Energy Raises Leviathan Resource Estimate

Noble Energy, Inc. announced results from its second Leviathan appraisal well located in the Rachel license offshore Israel. According to Noble's March 6th press release the Leviathan #4 appraisal well was drilled to a total depth of 16,992 feet and encountered 454 net feet of natural gas pay in multiple intervals, the thickest net pay of any well drilled to date at Leviathan. Hence, the results have enhanced the Company's understanding of the reservoir, which has led to an increase in the estimated recoverable gross mean resources of the field to 18 trillion cubic feet (Tcf) with a range of 15 to 21 Tcf.

Following operations at Leviathan #4 and pending partner approval, the Ensco 5006 rig will be relocated to the Karish prospect in the Alon C license offshore Israel. In their press

statement Noble Energy states that the Karish prospect has a pre-drill gross mean resource estimate of 3.0 Tcf with a range of 2.3 to 3.6 Tcf and is expected to reach total depth in the second quarter.

There are ongoing negotiations between the partners in Leviathan and Woodside Petroleum Ltd to support the development of the Leviathan resources.

Mediterranean Oil and Gas Develops Growth Plans

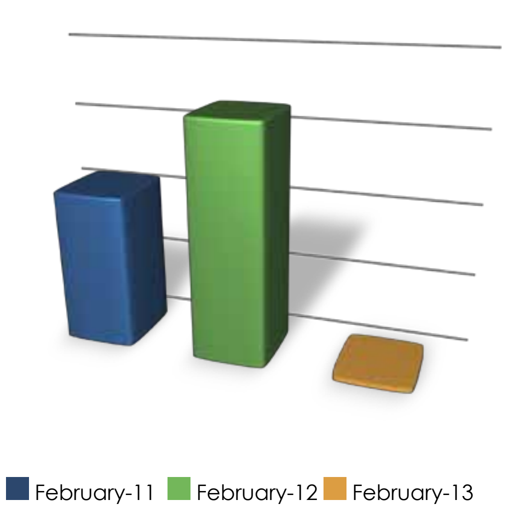
Bill Higgs, Chief Executive of Mediterranean Oil & Gas, has set growth foundations in order to enhance the financial and commercial performance of the company. Higgs declared that gas revenue from production in Italy increased extensively from 4.7 million in 2011 Euros to 16.3 million Euros in 2012. Meanwhile the company's profits rose from 1.8 million Euros in 2011 to 4.1 million Euros in 2012.

Proactive Investors Newswire published that Oil & Gas investors will focus on the development of the Ombrina Mare project and the build up to the first exploration well in the Malta venture by the end of 2013. Mediterranean Oil & Gas Company will actively pursue exploration and growth opportunities to increase the drilling in the Mediterranean.

In addition, the company has signed a new gas sales contract with Repower Italia relating to the group's entire gas production from the Guendalina gas field in the Adriatic Sea.

The new contract includes an option for MOG to sell all or part of its onshore Italian gas production. In regards, 75% of MOG's current onshore Italian gas production is connected to the gas distribution network and the remaining 25% is sold to local customers.

Mediterranean Statistics



Equivalent Gas		
February-11	February-12	February-13
21599821	22445000	20051964

Oil		
February-11	February-12	February-13

Liquefied Gas		
February-11	February-12	February-13
435345	476952	369294

Condensate		
February-11	February-12	February-13
1380243	1248596	1093115

Mediterranean Rig Count 2013	Total	Percentage of Total Rigs
	9	8 %

Qatar Announces Its First Natural Gas Deposit in 42 Years

Qatar has discovered a natural gas deposit for the first time in 42 years, according to the nation's energy minister. According to The Peninsula Newswire, the 2.5 trillion cubic feet natural gas deposit was discovered in Qatar's North field, which is the world's biggest gas field and is known to have 900 trillion cubic feet of gas reserves.

Qatar Petroleum, Wintershall AG, and Mitsui & Co are aiming to develop the deposit located in block 4N which is an area encompassing 544 square-kilometers off the Persian Gulf state's northern coast. "We will start production, God willing, in the next few years," said Mohammed Saleh Al Sada, Qatar's Energy Minister.

Qatar has an annual production of as much as 77 million tons of liquefied natural gas, which makes it the world's biggest exporter of the fuel. Although Qatar is a member of OPEC and is a significant oil producer, the government has devoted more resources to the development of natural gas in the modern era.

UAE to Achieve 3 mbpd Oil Production-Future in Turkmenistan

Dr. Matar Hamed Al Neyadi, Undersecretary at the Ministry of Energy told Gulf News that the UAE would shortly be reaching its targeted oil production capacity of 3 million barrels per day (bpd). The country's output is currently about 2.6 million bpd.

Al Neyadi also emphasized that the UAE is interested in expanding its interests in Turkmenistan's oil and gas exploration sector. Abu Dhabi's Mubadala Development Company is also working closely with the government of Turkmenistan to enhance oil and gas discoveries. Additionally, several local companies are in the process of negotiations with oil and natural gas entities in Turkmenistan to encourage investment in the country.

Al Nevadi also announced in an official statement to Gulf News that the UAE's civil nuclear program is on schedule and the country's first nuclear reactor would start operating in 2017.

Iraq Energy Conference in Abu Dhabi Will Host Iraqi Oil Minister

The Iraqi Minister of Oil, Abdul Karim Al Luaibi will be the guest speaker at the upcoming Iraq Energy conference "Opportunities for UAE-Iraq Cooperation" in Abu Dhabi. It will be the first event of its kind to be held in Abu Dhabi, positioning companies based in the Emirates at the forefront of Iraq's oil and gas officials and approved and endorsed IOCs. The conference, organized by The Energy Exchange, will discuss the massive opportunities for UAE-Iraq cooperation in the oil and gas industry.

It is very important for Iraq to involve UAE-based national and international companies in the rebuilding of Iraq given their vast experience and knowledge. Iraq has a huge oil and gas potential. Iraq Energy 2013/14 event Director, Jinanda Sheth, announced that Iraq has made an ample progress in the petroleum sector since 2003. She adds: "The past 2 years alone have witnessed the agreement for the $17.2 billion gas flaring project and the fourth licensing bid round which led to a further three blocks being awarded."

Sheth also explained that UAE-based companies have been heavily present in the rebuilding of Iraq's oil and gas sector in recent years. She also added that there will be future mutual opportunities between Iraq and UAE to exchange experience and knowledge.

New Offshore Gas Discovery in Qatar

Qatar Petroleum (QP) and Wintershall announced their new gas discovery located in Qatar's offshore Block 4 North. Block 4 North is located offshore northern Qatar and is in direct proximity to the North Field at a water depth of around 70 meters. Qatar Petroleum and Wintershall entered into an Exploration and Production Sharing Agreement (EPSA) for Block 4 North in November 2008. According to Qatar Petroleum Newswire, Mitsui Gas Development Qatar joined in 2010 acquiring 20% interest with Wintershall retaining 80% interest and operatorship. Rainer Seele, CEO of Wintershall, commented on the discovery stating, "Wintershall has been actively exploring in Qatar for more than 30 years and we are pleased with the results of the wells in Block 4 North. We are looking forward to proving our capabilities as a reliable and technically competent operator and partner."

Decmil Secures Prelude FLNG Work

Decmil Group Limited announced that its wholly-owned subsidiary, Decmil Australia, has won a $25 million contract to construct a major support facility in the Northern Territory for Shell Development Australia.

Marine online news magazine reported that Decmil has been engaged by Shell as the principal contractor for construction of the Darwin Onshore Supply Base to support the Prelude Floating LNG Facility. As project manager, Decmil will be responsible for the design and construction of the facility including detailed engineering, contracting, procurement, fabrication, transportation and all statutory and regulatory approvals.

The new base, which will be located on Darwin's East Arm Wharf, will provide a high standard of onshore support for the Prelude Floating LNG Project. Design and construction is expected to take approximately 12 months, and construction will commence in July 2013.

GE Races Caterpillar on LNG Trains to Curtail Buffett Cost

Caterpillar Inc. and General Electric Co. the world's largest locomotive makers, are racing to develop natural gas-powered models in a potential shift from diesel's six decades as the fuel of choice for railroads.

Tapping the nation's glut of gas as a transportation power source opens a new front in the global competition between GE and Caterpillar. According to CHICAGO business journal, Liquefied natural gas holds the promise of cutting railroads' costs, curbing greenhouse-gas emissions and ushering in the industry's biggest change in fuel technology.

Industrial goods such as locomotives and energy equipment are part of GE Chief Executive Officer Jeffrey Immelt's push. GE seeks to emphasize manufacturing and shrink the finance unit, an initiative started after credit-market disruptions jeopardized the company. Caterpillar began its dedicated rail business with the 2006 acquisition of Progress Rail.

Authorities in Ireland target Fuel Smugglers

Approximately 300 officers in Ireland joined forces to carry out an extensive cross-border anti-smuggling investigation which targeted fuel smuggling. The joint Irish border operation from the Police Service and Gardai were deployed in a joint effort with members of the Criminal Assets Bureau (CAB) and customs.

BBC news reported that investigations conducted by CAB have identified significant funds being generated and laundered from the illegal sale of laundered diesel and stretched petrol. Fuel Smuggling has knock-on effects on legitimate businesses as well as on unsuspecting customers who have very often experienced damage to the fuel system of their vehicles.

Tackling Nigeria's Pipeline Vandalism

Nigeria has the largest petroleum infrastructure in sub-Saharan Africa but due to frequent pipeline vandalism the industry is not running at full capacity. The Nigerian National Petroleum Corporation (NNPC) has begun implementing new measures to address this serious issue.

Pipeline vandalism has not only affected the capacity of Nigeria's oil and gas assets to function optimally, but results in revenue losses. According to All Africa Newswire, investigations revealed that oil thieving cost the NNCP over N174.57 billion in product losses and repairs of damaged pipelines between 1999 and 2009 alone. Data obtained from the NNPC showed that 398, out of the 16,083 incidents recorded within the stated period were due to pipeline ruptures, while vandalism accounted for 15,685 breaks, or about 97.5 per cent of the total number of cases recorded.

The records also showed that the System 2E/2EX, which conveys products from the Port Harcourt Refinery to Aba- Enugu-Makurdi depots onwards to Yola-Enugu-Auchi was the worst hit. The pipeline network, during the period under review, witnessed 8,105 breaks, which cost the corporation about N78.15 billion in product losses and pipeline repairs.

Other losses occurred with the System 2B (Arepo), which carries products from the Atlas Cove-Mosimi-Satelite-Ibadan-Ilorin depots, with a recorded 2,440 breaks during the period under review. That damage led to a loss of over N73.6 billion in products and pipeline repairs.

In an attempt to tackle the problem, the Nigerian government plans to enhance the implementation of technology to make the pipeline inaccessible to oil thieves and vandals and while at the same time collaborating with the State Governments and other stakeholders for pipelines security.

HESS Focuses on Production and Exploration

Energy giant Hess Corporation is shifting away from the gas station and energy trading and marketing businesses, as it shifts its focus further towards exploration and production. According to Focus Business Newswire, the company will nominate a slate of six independent directors to its board, replacing six that already hold seats.

The announcement arrives about a month after the hedge fund Elliott Management, one of the company's largest shareholders, accused the board of "poor oversight," and said that the company's management was responsible for more than a "decade of failures." Elliott, which holds a 4 percent stake in Hess Corp., is pushing to seat five outsiders on the board.

Focus Business Newswire reported that Hess explained in a letter to shareholders that it is exploring options for its entire downstream business, which includes retail, marketing and energy trading. It expects to become a "pure play" exploration and production company once it fully exits its downstream businesses. Hess will also raise its annual dividend to $1 a share from 40 cents. The dividend boost will begin in the third quarter.

Petrobras Says Comperj Project on Track

Brazilian stated-owned oil company Petrobras recently stated that its refinery and petrochemical project in Comperj is on schedule, dispelling reports about delays due to high production costs.

Petrobras' Comperj project, which is currently under construction, includes includes two refineries and a number of downstream petrochemical units that will produce ethylene, propylene, polyethylene (PE), polypropylene (PP) and other chemicals.

Brazilian newspaper Valor reported that the projects were facing difficulties due to high production costs. Petrobras refuted the claim stating that the Comperj project schedule is compatible with projections and expectations for Comperj's 2012 - 2016 business plan.

The state-owned energy company is targeting $236.5 billion worth of investments during the five-year period. $65.5 billion of which is earmarked for refining, transportation and commercialization of oil derivatives.

BR PETROBRAS

Range Resources to Sell Interests for 30 Million USD

Range Resources Ltd., an oil and gas exploration company, agreed to sell its interest in the North Chapman Ranch and East Clarksville producing fields in Texas, for a sale consideration of 30 million USD. According to Rigs World Newswire, the company will receive 25 million USD upon completion of the transaction and the remaining 5 million USD in royalty payments from future production.

Range Resources holds a 25% interest in the initial Smith 1 well and a 20% interest in further wells on the North Chapman Ranch project, Texas. The project covers approximately 1,680 acres in Texas and has 3P reserves in place (on a 100% basis) of 228 bcf of natural gas, 18 mmbbl of oil and 17 mmbbl of natural gas liquids. The company holds 21.75% interest in the East Clarksville (East Texas Cotton Valley Prospect) in Red River County, Texas.

In addition, the divestment is consistent with Range Resources' strategy to boost the growth of production and cash flow in Trinidad while expanding its portfolio within select Latin American markets. Range Resources intends to use the proceeds from the sale for its core international oil and gas projects.

France to Enhance Marine Energy

In an effort to enhance development of its marine renewable energy, France wants to tap into the potential of its tidal basins. Minister for Ecology, Sustainable Development and Energy, Delphine Batho told UPI News that they are working hard to endorse projects in tidal energy, wave energy, floating wind and ocean thermal technologies.

According to UPI News, France will call for a national debate to discuss the transition from nuclear energy to renewable energy. French President Francoise Hollande pledged to reduce France's utilization of nuclear power by 75 percent and shift to renewable energy by 2025.

The French minister also announced efforts to improve marine renewable while visiting port facilities in Cherbourg. Ports of the Normandy Authority are conducting a $130 million upgrade in an effort to establish four major offshore wind farms in the channel.

In order to confirm the technological and economic viability of renewable energy projects, the French government will set out the framework to develop a financial mechanism to attract more investors.

US Advantage in Clean Energy Trade to China

Surprising evidence comes from, a striking report titled "Advantage America" released in March showing that the United States enjoyed a $1.63 billion trade surplus with China in the solar energy sector in 2011.

The report shows that America's lead was maintained in all three categories of clean energy: solar, wind and smart energy technologies. It is explained that US companies have the advantage in innovation and entrepreneurship, whereas China's strong point is assembly and high-volume manufacturing.

According to the report, on a net basis the US had a $913 million surplus in the solar sector, a $143 million surplus in the wind sector and $571 million in the energy smart technology sector in 2011. In total the two countries traded more than $8.5 billion worth of clean energy goods and services in 2011.

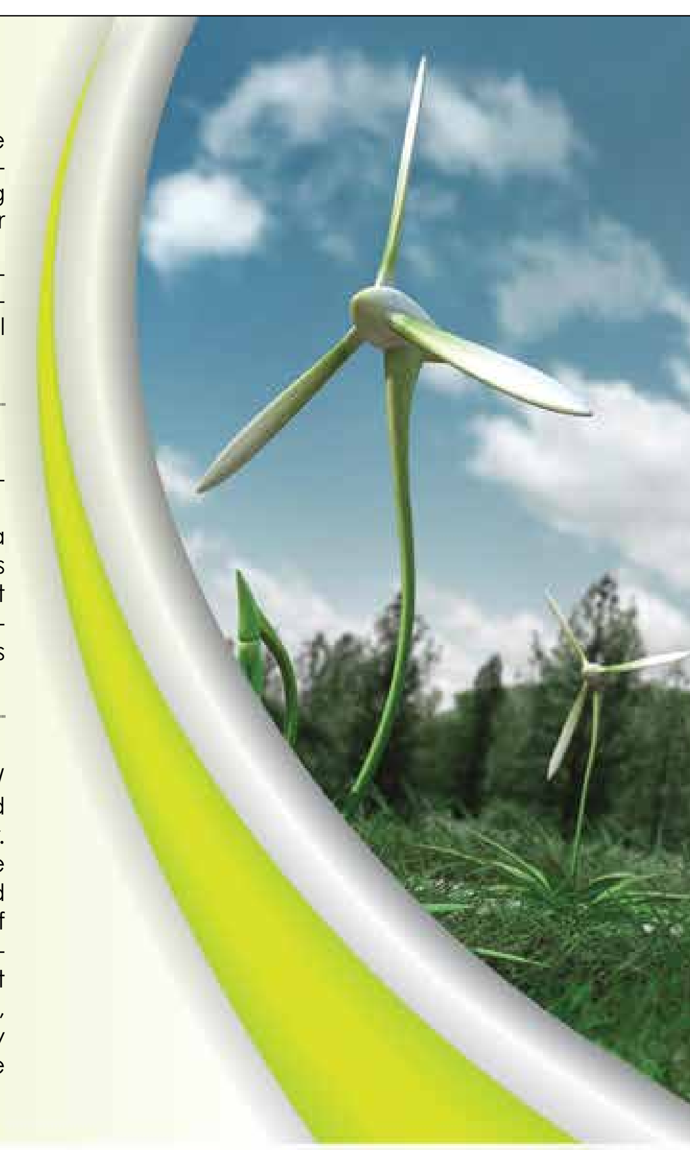
Saudi Arabia Enhances Renewable Energy Program

Saudi Arabia is upon the world's second-largest oil reserves, and as such, oil dominates the national economy. Imperatively, in recent years, Saudi Arabia has begun taking advantage of the abundant sun and wind by developing several major renewable energy projects.

In an impressive attempt to enhance its renewable energy programs, Saudi Arabia has pledged to produce 54,000 megawatts of electricity by renewable energy by 2032. That is a part of a strategy conducted by the Persian Gulf petro-monarchies to save their oil for export.

The goals outlined in the new Saudi program are some of the most ambitious renewable energy targets set by any nation. UPI published that from the 54 GW of renewable energy the Kingdom will develop by 2032, 41 GW will be solar power, and the other 13 GW will be powered by wind energy, geothermal and waste to energy power.

According to UPI, demand is expected to increase sharply in the next 20 years, to 75,000 MW by 2020 and 123,000 MW by 2032, based on an average growth rate of 4.5-5 percent a year. In order to meet the domestic consumption, Saudi Arabia plans to build a chain of at least 16 nuclear power stations under a $109 billion program, with the first operational by 2019. The new solar energy programs show Saudi Arabia's commitment to a more sustainable energy future.



Renewable Energy

By EOG

Upstream Anxiety:

A Commentary on the Current Challenges within the Upstream Business Sector of the Egyptian Oil and Natural Gas Industry

The 2011 revolution transformed the Egyptian government and left a sense of vagueness in the upstream business sector in Egypt. Revisions of the current gas export agreements resulted in amendments to increase gas prices in order match the current international benchmarks.

By Ahmed Rashwan - Director of Assurance & Attestation Services - PricewaterhouseCoopers

The current political situation along with other factors represents a major concern to foreign investors. Although they view Egypt as a potential market for oil and gas investments, they are reluctant to invest because of the serious political and socioeconomic instability that significantly impacts their spending decisions and investment plans. Consequently, major oil and gas producers in Egypt have been negatively affected by liquidity shortages caused by the significant declines in cash flow and foreign currency, the inevitable result of production decline. Some oil and gas companies witnessed a decline in gas production last year and are expected to fall short of expectations for next year. Broader sectors that are high-energy consumers (construction and industry), not to mention the service companies that support the oil and gas sector, have also been affected as their operations are directly linked via supply to oil and gas exploration and production.

Simultaneous to decreasing rates of production and supply, domestic consumption of natural gas increased by approximately 5 percent in 2012 compared to the previous year, causing the government to reduce gas exports in an effort to meet growing domestic demands. Ironically, Egypt reported an increase in natural gas export revenues by an average of 4 percent over the previous years' reported figure (according to the Economic and Social Indicators report released in February 2013 by the state-run Information and Decision Support Centre (IDSC)). The revenue increase is the result of gas price amendments implemented after the Egyptian revolution in early 2011. Cumulatively, these factors indicate that gas production in Egypt will y be utilized to satisfy insatiable domestic demand. As such the government decision to import liquefied natural gas (LNG) was not altogether shocking.

In January 2013, the Egyptian government issued an international tender to import liquefied natural gas to meet domestic demand and announced that the industry will be allowed to import liquefied natural gas for the first time in the second half of 2013. The shift from exportation to importation produces several issues. First, the issue of cost is considerable. The Egyptian government would need to pay about $10 per million British Thermal Units to import, based on Poten and Partners prices. Second, the peripheral costs associated with LNG such as liquefaction, transportation, re-gasification and distribution, all factors that result in substantial price increases. Third, Egypt doesn't have a liquefied natural gas receiving terminal for LNG re-gasification, a substantial infrastructural problem. Taken cumulatively these issues prompt an important question: Can Egypt, given its current liquidity issue, afford to pay for imported liquefied natural gas?

One of the main challenges facing upstream business in Egypt is the huge debt owed by the government to international oil companies. The Egyptian General Petroleum Corporation (EGPC) owes disconcerting amounts, in the range of 7 – 9 billion USD although the exact figure remains a mystery. Taking into consideration that the Egyptian Pound, subject to a managed float, has weakened about 1 percent according to prices compiled by Bloomberg. The estimate represents the lowest level in eight years and brings the decline of the Egyptian Pound, since the start of the January 2011, to 5.4 percent which coincides with a 58 percent plunge in foreign reserves over the period. These broader economic concerns when combined with the arrears problem have resulted in major multinational companies in the upstream sector to drastically decrease activities until the debts are paid. One of the solutions the Egyptian government is using to reschedule debt is dependant on several short and long-term strategies. This includes securing a $4.8 billion loan from the International Monetary Fund (IMF), which is seen as the best rescue plan to restore trust in the Egyptian economy and get it back on track. In order to secure the loan, the International Monetary Fund (IMF) urged the Egyptian government to end its fuel-subsidy regime, which consumes nearly one-fifth of the country's budget. Egyptian politicians have been reluctant to implement the measures, as it offers cheap food and fuel to tens of millions of impoverished Egyptians and will more than likely incite further political unrest.

Can Egypt overcome the liquidity shortages, debts and unrest? I sincerely hope so, as broader stability will have the biggest impact on improving the upstream sector of the Egyptian oil and gas industry.

Debt, Fuel, Water, and Social Stability

By Laura Raus and John Pastrikos

Neglected Service

The Egyptian oil and gas sector, while crucial to the country's economy, is presently playing a dangerous financial and political game that is simultaneously generating substantial obstacles to future macroeconomic growth and development. Over the last year, evidence of this game is to be found in the media's wide reporting of the high debt levels owed by the Egyptian government to various oil and gas production companies. Western outlets have estimated that this debt may be as high as eight billion USD and it is not at all encouraging to foreign investors, domestic consumers, or local firms, that government sources refuse to disclose exact debt figures. As many companies are left waiting for payment, several IOC's have cut production or are understandably refusing to invest further until the debt issue is resolved.

Of course, this financial mismanagement is not only impacting production companies but is taking a substantial toll on service companies as well. While names such as Schlumberger, Weatherford, Baker Hughes, Halliburton and Fugro are less recognizable compared to their upstream counterparts, their role in the sphere of aggregate petroleum production is not any less significant. In fact, it might even be said that oilfield service companies actually constitute a rather crucial bottleneck in production, and can be seen as actually doing the "real" work. Conversely, one might describe major oil "producers" such as BP, Shell, and Apache as simply managing and monitoring the process.

The importance of oilfield service companies, and the fragility of current debt circumstances, might also be reflected in the number of employees working for them. Schlumberger, Halliburton, and Weatherford have roughly 118,000, 72,000, and 58,000 worldwide employees respectively. Meanwhile, Shell has only 87,000 employees and Apache has only 5,000. These rough numbers might be enough to make the casual observer question where the "value added" in the petroleum industry is really originating...and why these service companies have been so neglected.

Seismic testing, drilling, equipment production, transportation, auditing, and undertaking risk analysis are of course just some of the many things these service companies do. In fact, a recent issue of The Economist referred to them as "the unsung masters of the oil industry" due to the fact that large oil producers are becoming increasingly dependent upon the technical expertise that service companies offer. They serve as a solid foundation for ultimate production and presently the Egyptian government is offering them a rather severe disincentive to produce. This disincentive is punctuated by a comment made by one source who noted that "When service debts are taken into account, the total Egyptian government debt in the petroleum sector is as high as 15 billion USD".

Negotiations

Of course, the government and international oil companies are currently negotiating a possible solution to this rather daunting issue. According to another source, the government managed to pay back one billion USD of the debt recently, but will be unable to repay the whole debt in the short term. Given that, several repayment options are currently under consideration. The first option, which the government favors, is paying the debt back in Egyptian pounds as opposed to dollars. The government prefers this option as Egypt's foreign currency reserves have dropped dramatically (more than 60%) since the revolution. Of course, this option does not exactly bode well for the value of the pound as more and more are thrown into circulation. This effectively forces the burden of debt payment on to Egyptian citizens who must tolerate the resulting inflation. To further highlight this reality it should also be noted that, as of March of this year current foreign currency reserves had dipped to 13.5 billion USD and the central bank cautioned in December that Egypt's reserves have dropped to "minimum and critical levels." This statement highlights why the Egyptian pound fell to its lowest level since devaluation a decade ago and why consumer prices in Egypt are palpably increasing. The second proposal under discussion is the government repaying the debt in the form of "co-investments". In other words, if companies willingly invested more in their Egyptian operations, the government would absorb a part of the cost. This of course requires that firms have great faith in the governmental apparatus which, to be frank, seems unlikely given the debt crisis that they are trying to resolve. The third and final option is a rescheduling of the debt payments. This means that the government would pay the debt back over a longer period than initially agreed. This solution seems quite likely since it would follow a near universal rule of high finance that larger debtors often have more power in negotiations than the lenders.

Employment, Investments, and Oil Production

Given these complex negotiations, broader economic instability, other non-petroleum sectoral challenges, recurrent political unrest, and the uncertainty of future IMF assistance, many are asking what will happen if the IOC's start to pull out of Egypt. Inevitably, if the current circumstance persists, service companies may be forced to lay off workers here in Egypt amid the reduction or outright cessation of activities.

While no public data exists concerning the number of employees working in the Egyptian service sector, it is known that there are about 222,000 public sector employees in the oil, gas, and mining industries in Egypt. In general, the ratio of public to private sector employees in Egypt is approximately 1:3. On the assumption that this ratio is about the same for the oil, gas, and mining industries, one can speculate that 888,000 people work in this sphere of the private sector. At least a third of them are likely employed in the oil sector specifically. Considering that, in Norway for example, service employees constitute about one third of the whole oil sector workforce, one can therefore estimate that the Egyptian service sector gives work to about 100,000 people. Roughly 75,000 of them are probably employed by the private service sector. According to industry sources, Egyptians fill most positions in these firms whereas foreigners are usually employed for managerial or other skill-specific positions. Therefore, there are probably at least 50,000 Egyptians employed by international service companies in Egypt. Of specific concern is the reality that, if the foreign oilfield service companies were forced to layoff even a mere tenth of their workforce, this would mean unemployment for thousands of Egyptians. However, this is only the immediate consequence of inaction or failure.

If Egyptian government officials do not solve this debt problem, it will also likely mean a dramatic decline of investments in the sector as companies will slowly lose their trust in the Egyptian government. This will probably result in an even sharper decline in oil production and a further exacerbation of the employment collapse described above. Interestingly, since both the government and the foreign companies are remaining quite silent about the debt problem, some workers in the Egyptian service sector are largely unaware of the threats to their jobs. Egypt Oil and Gas Newspaper interviewed one young employee of a large international service company and he was completely oblivious to the problem his employer is facing. "It will definitely be hard to find another job in the same sector", he admitted as he lounged in a fancy City Stars café. As he exhaled his shisha, one could see that he was not terribly concerned as the possibility of big layoffs seemed far too remote. Unfortunately, due to their lack of seniority, such young employees will be the first to lose their jobs in a broader economic environment of already elevated youth unemployment.

In spite of the youthful ignorance discussed above, and perhaps because the government has been unwilling to publicly disclose the scale of the debt problem and its possible consequences, rumors of the problems have also been swirling around the country. In addition to possibly sparking a public panic, this lack of transparency between the Egyptian government and the oil industry further discourages new investment.

Conclusion

While the money owed to service companies must be paid back, actual repayment may be impossible without economic growth. This however, cannot take place under the current political, economic, and social realities. Frankly, the above circumstances highlight only one element of the extreme juggling of priorities currently undertaken by the Egyptian government. It absolutely must keep the fuel, electricity, food, water, and international relations spheres in the air with near simultaneity and precisely at a time when it has become incredibly difficult or impossible to do so.

At any other time in Egypt's history, the local population might tolerate the government dropping a single ball but today it seems that the people have very likely reached their psychological and material limits. Egypt faces a depreciating currency due to political uncertainty, collapsing foreign reserves formerly used to pay for social services and subsidized products, and a stalled IMF funding deal. The result is a self-fulfilling prophecy of political chaos caused by an inability to pay for food subsidies upon which millions of poor depend, fuel shortages as EGPC refuses crude delivery from Petraco and Arcadia and now runs domestic refineries at a fraction of capacity, and worsening electricity shortages caused by insufficient fuel to operate power plants. At the same time, Egypt continues to become "water poor" on a per-capita basis due to dated infrastructure and pollution. Add to this final, and rarely discussed issue, a coming summer bound to be characterized by bottled water shortages, and fuel of various sorts may just be one type of scarce liquid fought over in Cairo streets.

To alleviate any and all of the above, The Egyptian government is now acting as the modern political equivalent of Charles Dickens' Oliver Twist. She is holding her bowl up to Qatar, America, Turkey, Iraq, and Libya hoping for political and economic salvation. Her mantra is simple..."Please Sir, can I have some more?" The cost of a denial from any source may have dire domestic consequences.

Egypt-Israel Gas Deal: Behind Closed Doors

On March 25 the Cassation Court accepted an appeal for the retrial of former Minister of Petroleum Sameh Fahmy. The ex-official was charged with the wasteful use of public funds by allegedly facilitating the sale of Egyptian natural gas to Israel at a significantly below market prices. For his role in the deal, Fahmy was accused of corruption, negligence and the subversion of public interest.

By Ethar Shalaby

The foundational elements of the deal in question stem from the 1979 Egypt – Israeli Peace Treaty. The treaty stipulated for increased cooperation on behalf of Egypt and Israel in the realms of trade and commerce.

The 2000 sales agreement at the heart of the Sameh Fahmy's case outlined Egypt's willingness to provide Israel with 1.7 billion cubic meters of gas annually for 15 years. Officially, the sale would take place between the Egyptian Investment Authority and an intermediary company. The East Mediterranean Gas Co (EMG) was eventually established in 2000 to serve as the intermediary.

Public reaction to the sale of Egyptian gas to Israel has always been a controversial issue, evinced by repeated bombings of the Sinai gas pipeline in the wake of the uprising that toppled the Mubarak regime. In 2011 following the 25th of January revolution, gas supplies to Israel were frozen. In April 2011 Egypt's new government cancelled the 15-year deal to sell gas to EMG.

Simultaneous to the cessation of sales of Egyptian gas to EMG and as a result of residual political momentum stemming from the revolution, charges of Mubarak era corruption were filed against several officials. The case against Sameh Fahmy commenced in June 2012 and concluded with a verdict of 15 years imprisonment. The ex-Minister of Petroleum was not the only former official charged in the deal, however Fahmy did receive the harshest sentence. In addition to others, former Chairman of the Egyptian General Petroleum Corporation (EGPC) Ibrahim Saleh received a three-year jail sentence. The former Chairman of the Egyptian Natural Gas Holding Company (EGAS) Mohamed Ibrahim Youssef received 10 years imprisonment. Businessman Hussein Salem, former partner in the East Mediterranean Gas Co (EMG), the Israeli-Egyptian consortium, fled to Spain. He was sentenced in absentia in October 2011 and received 7 years imprisonment for profiteering, and 15 years for his role in the Egypt-Israel gas deal.

The prosecution asserted in all of the above cases that the defendants ordered the sale of gas to Israel at discounted prices resulting in a loss of 714 million USD.

The gas deal with Israel and subsequent sentencing of high-level officials from the Mubarak regime has been hotly debated in the mainstream press as well as the Egyptian oil and gas sector. Ostensibly, the prosecutions assertions focus on the economic elements of the case: the price disparity between the negotiated price of Egyptian gas to Israel and international market prices. However confidential documents exclusively obtained by Egypt Oil and Gas demonstrate the degree to which it is impossible to separate the economic merits of the case from broader political events resulting from the end of the Mubarak regime. Given the broader corruption endemic of the Mubarak regime, and the parasitic bureaucracy characteristic of Egypt's political system, it is hard to delineate clear legal points in which to assign particular blame for the deal with Israel.

The internal documents starkly highlight that individuals higher than ex-Minister Fahmy coordinated the gas deal with Israel. The documents indicate that then Minister of Petroleum Fahmy took direction from various individuals such as Omar Soliman, the former Head of Intelligence Services and former Prime Minister Atef Ebeid. Amr Moussa, former Minister of Foreign Affairs, emphasized in a 1993 letter the importance of studying "the preliminary strategic plans to exchange gas with Israel and Gaza." In the document Moussa stated that he had referred to then Prime Minister Atef Ebeid for further instruction. This shows that Ebeid had much more pull in the gas deal than originally thought.

In 2000, the General Authority for Investments and Free Zone issued a decision in support of the establishment of EMG. This company, owned by business tycoon Hussein Salem, sought to "buy all remaining gas supplies from EGPC and other oil companies in Egypt." According to confidential documents and testimony in Fahmy's case, the initial agreement to support EMG included a stipulation that effectively gave the company the right to eventually purchase all supplies of natural gas produced in Egypt. EMG had already established agreements for the sale of Egyptian natural gas to the Electrical Authority in Israel. Upon receiving this information then Minister of Petroleum Fahmy replied via official letter objecting to the arrangement citing the long-term consequences of such a monopoly.

Fahmy's defense team has repeatedly used this letter as proof of his general objection to the Israeli gas deal and, specifically, his refusal to grant EMG absolute rights in purchasing Egyptian natural gas. Fahmy requested that EMG only buy "certain gas quantities as agreed with EGPC."

In 2003 in the midst of negotiations an Israeli newspaper Ma'aref published an article stating that Egypt's negotiations with Israel were not "smooth enough." The newspaper further reported that Israeli Minister of Infrastructure Yousef Paritzky sought cessation of negotiations with Egypt in favor of securing a deal with British Gas. In a confidential letter to Sameh Fahmy obtained by Egypt Oil and Gas President Mubarak stated that the newspaper story was the result of Fahmy's lack of cooperation. In the letter Mubarak calls for ex-chief of intelligence services Omar Suleiman to interfere in order to put added pressure on Fahmy to close the deal.

Mubarak testified at Sameh Fahmy's case telling prosecutors that he was well informed about the details of the sale. During questioning, Mubarak stated that the sale price of natural gas offered to Israel in the agreement was, according to his knowledge, much higher than those offered to Italy and Spain and, as such, comparable to international market prices.

According to court testimony, when asked about the sale price Omar Suleiman noted that the pricing of the gas sold to Israel was suitable at the time. He stressed that a specialized committee in EGPC assessed the price and found it acceptable. When directly asked about his involvement in the gas deal with Israel, Suleiman stated that he helped facilitate the deal with Israel through his connections.

This testimony and confidential documents obtained by Egypt Oil & Gas unmistakably show that other high-ranking individuals in the Mubarak regime were involved in the coordination of the Egypt-Israel gas deal. It appears that Fahmy was not the only government official making decisions. Omar Suleiman's testimony shows that he used his connections to facilitate the deal while confidential documents show that Prime Minister Ebeid was pulling strings behind closed doors, and may have been the major decision maker on the deal. With the new legal developments of Sameh Fahmy's case it is expected that more information will materialize in the coming period. Hopefully, the retrial will bring to light the extent that other major players had their hands on the Egypt-Israel gas deal.

Inconvenient Tenders

Implications for Service Companies

In the Egyptian petroleum sector the system of competitive tendering does little to promote transparency and fair competition among service companies. In a price-driven market, the emphasis is placed on the cheapest option. But at what cost? Egypt Oil and Gas explores the tendering process currently utilized in the Egyptian oil and gas sector in an effort to examine the long-term consequences of "cheapest is best."

By Effat Mostafa

Introduction

Tendering is a process through which petroleum companies (in this context referred to as operators) advertise their procurement needs with detailed technical specifications. The services companies respond via bid proposal in an effort to secure the operators contracts. There are three types of tenders: public tender, limited tender and local tender. A public tender is open to all qualified foreign and domestic suppliers. A limited tender is issued when elements of the contract restrict bidding to certain suppliers, contractors, or technicians that meet the given criteria. Local tenders are issued when participation will be restricted to local suppliers and contractors operating in the territory or governorate where the contract will be executed. During the tendering bid process, service companies who meet or exceed the specifications are considered to be technically acceptable. After basic technical acceptability has been established, a committee comprised of operator personnel and government officials evaluate the commercial or financial aspects of the tender. The committee makes final assessments and awards the contract.

EGPC is the governing body that sets and enforces the rules and guidelines for tendering to ensure compliance and prevent manipulation. Operators obtain permission from EGPC prior to issuing a tender. EGPC is involved in the committee review process that examines the technical and commercial aspects of proposals. EGPC is also responsible for receiving any complaints from service companies. For example, if the petroleum company does not invite a certain service company to a tender without any legal justification, the supplier can file a report with EGPC.

In addition to EGPC, Public Tender Law 89 of 1998 provides the legal framework to govern the tender process in Egypt. Applicable to numerous sectors and contexts, Law 89 governs procurement by all Egyptian ministries, departments and local government units. Law 89 was implemented to improve the transparency and efficiency of the tender process to ensure competitive fairness in awarding lucrative contracts for the acquisition of supplies, goods and services. However, due to lack a lack of clarity and overregulation the legal framework actually serves as a hindrance in the tender process, by adding yet another layer of bureaucracy to an already complex procedure.

Theoretically, the tender process is conducted according to set guidelines and procedures to ensure fair competition. However, given the nature and intent of the tender process (numerous suppliers and contractors competitively bidding for lucrative contracts) it is, implicitly, a prime environment for corruption and manipulation.

Current Problems

Through numerous interviews with domestic and international service companies Egypt Oil and Gas discussed problems in the tender process and key problems recurrently emerged. Several individuals spoke on the condition of anonymity. Overregulation stemming from bureaucratic procedures was often cited as a key problem. Excessive paperwork and delayed decision-making in a process that takes an average of three to six months to acquire necessary materials and services, a time-frame that does little to encourage efficiency and project growth. In fact bureaucratic delays stemming from excessive government regulation and oversight significantly stall projects and contribute to missed-deadlines that inevitably translate into budgets deficits. Exorbitant transaction costs, arbitrary decision-making and generally unresponsive governmental bodies were also cited as problematic elements of the tendering process.

Several service companies noted a distinct lack of transparency in the tender process. Observing that rules are ineffectively and inconsistently implemented resulting in a considerable gap between the regulatory framework and the actual application in the service market.

Neither EGPC nor operators provide clear criteria for evaluation. Numerous operators expressed frustration concerning the absence of feedback throughout the tender process "When I submit a proposal to company and I am rejected, I must know the reason for the rejection as it will help me develop my proposal in the future" stated one source. The lack of transparency stemming from the absence of evaluation criteria results in an ambiguous process open to corruption, manipulation and preferential treatment. "Some companies want to award a certain service company that's why they hide any evaluation criteria. It's not a fair competition. I don't see why we can't get a detailed evaluation sheet," stated Magdy Wedad, Managing Director for Integrated Services at PICO.

Corruption in the tender process is not uncommon and relatively unsurprising given the developing-world context wherein government officials and underpaid civil servants can augment wages via manipulation of a process that awards profitable service contracts. According to numerous sources within the service sector manipulation and corruption in the tender process in Egypt is conducted in both an overt and passive manner. Overt methods involve bribery, extortion, embezzlement, as well as tampering with official documents. A more passive brand of corruption can be observed in the form of preferential treatment, inside influence, price leakage, bid pooling, and illegal gratuities.

Pricing

In addition to abovementioned problems, overwhelmingly service companies complained about the current emphasis on price over quality. Numerous service companies noted that pricing is the most important aspect of the tender process with little concern for quality. Profit maximization via low cost is certainly not a groundbreaking business ethic. However the 'cheapest-is-best' dynamic currently characteristic of the service sector has long-term implications, especially for an industry that thrives on precision manufacturing and technological skill. Wedad emphasized the shortsightedness of price fixation, noting the cheapest options often translate to poor equipment, inefficiency and a lack of expertise. "Lower prices end up costing the operators more in the future due to poor quality which will inevitably decrease production," he added. Amr Manhawy, Sales & Operations Manager of Sea Harvest Service Company, clarified that clients are always looking for the lowest price and often negotiate with the suppliers to decrease the price. "Some operators do ask for price discounts after winning a tender. It increases pressure on us to offer higher discounts. There is no obligation to decrease the prices but we don't want to lose our clients." Suppliers are under pressure to keep costs low in order to maximize profit margins. Suppliers can lower costs by using cheaper labor, equipment and materials that typically translate to inferior, poor quality products or services. Some competitors in the service market utilize inexperienced personnel or laborers in an effort to cut costs and maximize profits, a dangerous prospect given the often-technical tasks and challenging environments that service companies typically operate.

Suggested Solutions

To improve the tender process in the service market alternative models should be examined and emulated. Petroleum companies in Abu Dhabi apply the Price Escalation System to their tender process. This system allows service companies to make changes to contracts based on price fluctuations of supplies and equipment. The ability to revise contracts could be particularly useful in a rocky economy like Egypt where the currency is fluctuating. The inability to amend contracts can lead to corruption and an increase in low-quality supplies. Companies who are unable to change their contracts are sometimes forced to deliver their goods for the same price but of cheaper quality. This inflexibility therefore leads to bad quality products and inefficient production. The only oil operator that currently applies the price escalation model here in Egypt is BP. One source pointed out that EGAS is more advanced than EGPC as they are more flexible in terms of accepting any price differences. One reason why they are more flexible then EGPC is that they mainly deal with international oil companies, who see the advantage of flexible contracts.

Another approach is to examine how other countries evaluate the tender process. Wedad personally believes that Egypt could learn a great deal from the Mexican model. As an international company, PICO has applied for tenders in Mexico and around the world. Based on Wedad's experience, he sees the Mexican tendering model as very detailed and focused while at the same time being very transparent. Here in Egypt, EGCP simply requires a commercial and technical proposal for the tender application. In Mexico, company financial statements, internal documents, previous tender reports, and equipment price reports are needed in addition to commercial and technical proposals. This extra information makes the tender process more detailed, more effective, and more transparent. The Mexican model also uses well-trained tender evaluators who prioritize quality over price. "Here in Egypt the tendering system is corrupted. We should learn from others and share our experiences. The Egyptian petroleum sector should be better exposed to the international entities," said Wedad.

In addition to looking at other models, EGPC should enhance their communication with service companies. EGPC has yet to establish any sort of conference or dialogue with leading operators and service companies to discuss what the market needs. The major problem with EGPC is the lack of communication and the delay that causes the tendering procedures. "I need the government to provide a better environment and support us with better roles to work and to increase my investment. The government should allow for detailed feedback to enhance the quality of the tendering process," said Wedad. Another source mentioned the need for EGPC to deal with complaints in a timelier manner. Better communication will not only speed up the tender process but it will create more confidence in an already lacking sector.

In addition to communication Egypt should also enforce rules and regulations it already has on the books. For example, the Small and Medium-Sized Enterprises Development Law 2004 which gives domestic companies a competitive advantage over large multinational companies by automatically giving them a 10% price addition to their tender bids. Wedad emphasized that this law should be activated to encourage the national companies to invest more in the industry. He stated, "The national companies can technically compete with the international companies, but the government needs to enhance this competition through tactical measures." This mechanism is not new to the region as countries such as Oman, Libya, and Kuwait each have regulations that either give a set percentage advantage to domestic companies or stipulate that domestic companies must be used before foreign ones. In any case, oil field services companies need to see some sort of change if they want to continue doing business in Egypt.

Conclusion

Amidst Egypt's faltering economy and broader political unrest government officials should take significant steps to increase efficiency in a sector as vital as the oil and natural gas sector. Many service companies, both domestic and foreign, are discouraged by the lack of transparency and shortsightedness of those that govern the sector. The rampant corruption and lack of ethics that is prevalent in the industry decreases performance and discourages investment. At a time when Egypt is struggling, the government should take measures to improve the tender process to make it more accessible and appealing to domestic and foreign investors. At the same time Egypt must not be shortsighted in their decisions. While cheaper may sound better, it is not synonymous and may end up causing problems in the long run. Officials should gain insight from alternative models to improve the tender process that is currently utilized in the Egyptian oil and natural gas sector.

Hesham Fouad,

Chief Executive Officer, SAPESCO

For our issue devoted to the Egyptian service sector Egypt Oil and Gas obtained an exclusive interview with Hesham Fouad, Chief Executive Officer of Sahara Petroleum Services Company (SAPESCO). The exclusive interview highlights SAPESCO's role as a leading service provider and addresses various issues confronting the Egyptian energy sector.

By Julie Herick

Can you highlight SAPESCO'S experience and achievements in the Egyptian service sector?

SAPESCO began investing in the Middle East in the 1980's initially offering heavy service equipment for the petroleum sector. We gradually expanded our portfolio of services to include pumping, stimulation and industrial services, case hole logging, perforations and eventually, integrated services.

Environmentally Egypt is not the largest oil-producing market however it is extremely diverse. It has deep-water, shallow water, natural gas, heavy oil, light oil, as well as sandstone carbonate. We gained valuable experience in Egypt in consideration of its diverse geographic environment. To capitalize on this diverse experience we devoted considerable energy and attention to expanding our service capabilities to meet our clients changing needs in Egypt and elsewhere.

Our goals in Egypt consist of renewed focus on the Mediterranean. In accordance with developing technology and a market focus increasingly geared toward offshore drilling, we have expanded and refined our service portfolio to include offshore services. We are very proud of the fact that, in Egypt, SAPESCO offshore services holds eighty percent of the rig positioning service contracts in both shallow and deep water. We have enjoyed great success over the past four years with our GUPCO/BP survey service contract, as well as the ongoing contract with Gas DE France for deep waters analogue/digital site survey service.

The Egyptian petroleum sector is undergoing a challenging period. How would characterize the current problems?

We fully understand that Egypt, in a broader sense, is in the midst of a challenging period, both politically and economically. The oil and gas sector is not immune to this, and the sector is currently confronted by numerous problems. Liquidity, margins, quality versus cost, these are issues that must be addressed in short order.

I feel that the subsidization issue is the first problem. We have to reduce the subsidies. We must come up with a plan. Without fixing and finalizing the issue of subsidization the oil and gas sector will face increasingly severe problems. The subsidization issue contributes greatly to the problem of delayed payments and I feel that perhaps certain entities take advantage of this. EGPC doesn't pay the IOC's and that has a spillover effect, the IOC's don't pay us. This dynamic contributes to project delays and stagnation in the sector.

The second problem, one that relates particularly to the service sector, concerns the continued emphasis on pricing. Everyone is focused on how to reduce costs without consideration of the impact on quality. This is shortsighted. Pricing should consist of a weighted average evaluation based on technical expertise. Higher technical elements mean greater challenges. Higher technical challenges combined with higher costs for components, materials, and labor should logically translate to price increases. Currently there are many amateurs operating in the Egyptian service market and they are trying to pull prices down. In addition, EGPC urges all service companies to give discounts for contract renewals. They are attempting to push this agenda through the service sector when the attitude is contradictory to quality assurance. Cheaper is not always better. We are SAPESCO, a success story in Egypt, we have the expertise and we know what the IOC's want, and they want quality. The fixation on price to the continued detriment of quality will have long-term consequences. Capital, equipment and expertise will leave Egypt for more lucrative markets with higher prices and more liquidity, the Gulf for example. To avoid this, I urge EGPC and the IOC's to come up with a new formula and process for tendering.

Furthermore, I think that the proper implementation of existing regulations could help Egyptian companies gain a competitive advantage in the domestic market. By law Egyptian companies should have a ten percent advantage. Meaning that by law EGPC should accept ten percent higher price estimates from domestic companies. Regionally, similar mechanisms are applied to level the playing field for local companies competing with huge multinational corporations. In the Omani market local companies are given a fifteen percent advantage. In Libya there are regulations that state that local equipment should be used first. In the Kuwaiti market they ensure that all local companies are fully utilized before allowing foreign companies into the market. This is not a novel approach, such mechanisms are well established in the industry. In twenty-eight years of working in Egyptian energy sector, I have never seen these mechanisms applied. I think the proper implementation of such regulations could go a long way in keeping companies here.

SAPESCO has achieved a considerable regional presence. How would you characterize your regional experience and expansion process?

In the early 1990's we expanded regionally in order to actively broaden our operations. One of our first stations was located in Syria where we operated successfully for nineteen years. Our second station was Libya. Due to the political unrest we had to pull out. Consequently this had an impact on our core activities, which include remedial action to fix production problems. We were amongst the first companies to reenter the Libyan market after the revolution. Production levels are similar to what they were in 2010 and we hope to be back on track in Libya by the third quarter of 2013.

In addition to these efforts, for the past three years we have aggressively focused on expansion in the Gulf. We have a regional office located in Saudi Arabia and have major contracts with ARAMCO and KGO. We have four contracts in Saudi Arabia and are continually looking for new opportunities. We recently finalized contracts in Kuwait, and established an office in Abu Dhabi. We are planning a move to Oman hopefully in 2013. In addition to these efforts we are actively seeking opportunities in the Kurdistan market and hope to soon establish a presence in that market.

SAPESCO has extensive experience operating in environments of political and economic instability. What lessons have you learned? Are those experiences advantageous considering the current unrest in Egypt?

We have gained valuable insight, knowledge and experience operating in Syria, Iraq, Libya and Egypt. Cumulatively, we learned that we needed to develop our internal procedures related to security. In a broader sense, I think our collective experience emphasized the necessity of diversification as a means to offset risk in terms of markets, services and projects. Continued diversification and geographic expansion affords us a degree of resilience in contending with the increased risk implicit in operating in these environments.

As our experience relates to the current situation in Egypt, I feel everyone is doing their best to deal with the issues. Security is a concern. Broader economic and political issues inevitably translate to increased difficulty in daily operations. For example, Bedouin are now imposing mandatory tariffs for any truck that transits through the Western Desert and I'm afraid to say we have to pay it. We are not alone. If you talk to other service companies and IOC's they say the same thing, they pay as well. Every single company is trying to contend with these problems individually and there is a palpable frustration concerning the absence of a centralized government authority to deal with such problems.

Despite the current challenges we remain committed to our Egyptian operations. We are one of the largest service companies operating in the Western Desert. We have substantial contracts with large multinational companies that have an entrenched and vested interest in Egypt. We are here and we remain committed. However, it is very challenging to provide the quality service that SAPESCO is known for given the broader fiscal problems.

SAPESCO has a stellar reputation for HSE. Are there unique challenges operating in this regard in Egypt? What training procedures do you implement to ensure consistency with HSE?

I don't see a unique challenge in terms of HSE compliance in Egypt. The laws are there. I feel a company's relative success or failure in terms of HSE is a representation of management's commitment to implementation of processes and procedures.

We are very committed to environmental health and safety. We feel at the end of the day safety comes first. Within the oil and gas sector I feel it is crucial to adhere to the latest standards in terms of quality and environmental safety. We demand quality and HSE compliance from our employees, contractors and management. We have mandatory rules and regulations that are in place on every project to minimize the environmental impact of our activities. We have a diverse mix of employees. Certain countries have regulations in terms of percentages of domestic versus imported labor. As such we employ Egyptian, Syrians, and Libyans. We implement rigid training and education that is unilaterally applied to all our laborers to ensure quality and compliance on all projects. We are currently certified for ISO 9000. We are in the final stages of receiving accreditation for ISO 14000 and 18000. We feel that our continued efforts in the realm of HSE are very important given our domestic and regional presence.

What are SAPESCO's goals for 2013?

In the Egyptian market we will continue to focus our efforts in the Mediterranean with continued emphasis on deepwater activity. Our offshore services will continue to aggressively promote ROV services that provide diver-less pipeline repairs. We've had great success with this service in both Libya with MILLITAH / ENI, and Egypt with BP. In addition to these activities we will continue to promote our ROV positioning services to the Gulf region.

While we remain committed to the Egyptian market, in consideration of the fixation on price and the lack of liquidity, not to mention the broader socioeconomic and political unrest, we feel our current business strategy would be best served by focusing on aggressive expansion and relocation to markets with higher margins and more quality emphasis. As such, geographic expansion is one of our primary goals for 2013.

In addition to this we have invested in considerable corporate development related to our uplift program and we will continue to test pilot cases of the program in Egypt. We feel that there is potential for uplift in every single service that we offer. We have enjoyed great success with GUPCO in the utilization of our extending reach drilling campaign in the Gulf of Suez and hope to continue efforts in that regard.

In addition to these specific goals we will continue to provide the quality services that we are known for. Since our inception in 2006 we have conducted business with a clear mission of providing international standards and bringing creative up-to-date solutions to our clients. In 2013 we will continue to grow and develop by offering new market technologies and services.

Mohamed H. El Gohary, Chairman & Managing Director of International Drilling Material Manufacturing (IDM)

IDM is a joint venture between Ganope, Petrojet and Enppi. Star Oil and Gas Limited and Petro Materials are also partners in the entity. IDM's mission is to utilize state of the art manufacturing technologies to produce, assemble, thread, maintain and repair casing and tubing threads. IDM services Qarun, Bapetco, Agiba, Petrobel, Khalda and Petrosilah. Egypt Oil and Gas Newspaper recently had the privilege of interviewing IDM Chairman and Managing Director Mohamed El Gohary.

ByJulie Herick

You are a veteran of the oil and gas industry, what changes have you witnessed in your tenure?

I have long and varied experience as I have been in the petroleum sector for thirty-two years. I have extensive experience optimizing local manufacturing strategies for the oil and gas industry, particularly as it pertains to manufacturing necessary components such as casing.

In 2007, I was Chairman of EPHH Rig Manufacturing. I think perhaps one of my biggest accomplishments at EPHH was overseeing the successful completion of six locally manufactured rigs.

Afterwards, I moved to IDM in 2009 and my time here has been incredibly rewarding, but also very challenging. In my capacity as Chairman of IDM I serve as a representative for EGPC and the Ministry of Petroleum. We registered the company and started construction in July 2009. IDM started the production phase of machine preparation in the later part of 2010, and actual production commenced at the end of January 2011.

The factory team made considerable achievements in 2012. However, domestic concerns substantially affected the market, particularly the price of imported materials. This was a substantial complication for us as our raw materials are imported from China and Japan.

I believe that Egypt should put more emphasis on the local manufacturing market. We have the potential to be a key supplier of essential materials for the oil and gas sector. I see immense opportunity there. We have the capability and technicians who understand the industry. With more focus on local manufacturing, I think Egypt could see tremendous growth.

What challenges have you faced since your inception in 2009?

The first year of production coincided with 25th of January revolution. This was challenging to say the least. During that time it was very difficult to enter the market, yet we did so while maintaining our exceptional quality standards. We successfully navigated the challenges and exerted considerable effort to meet our goals. In 2011, we achieved profits of around $15 million USD. In 2012, we achieved sales revenue of nearly $37 million. It is also worth mentioning that IDM has additional contracts and purchase orders with an estimated value of $80 million USD.

In 2013 we are focusing on aggressive expansion of our market share with a renewed focus on regional exportation of our products. I also hope to start our second phase, with a renewed focus on tubing and heat treatments. The ongoing political unrest and revolution previously hindered our efforts in that regard. I hope to see increased financial and political stability in Egypt to continually pursue that goal.

How did the labor disputes in Ain Sokhna affect your operations?

We continually strive to create an environment of mutual respect with our employees. We work very hard to maintain good relations. Our policy is and always has been to keep our labor comfortable. We ensure that our laborers operate in safe conditions and we do our best to give our workers all the social benefits and the rights to which they are entitled. We were able to successfully overcome the strike through respectful and collaborative negotiation with our employees. As a result of this, the strike resulted in minimal interruption to our operations.

IDM has been recognized for accomplishments related to health, safety and environment. Can you tell me about IDM's efforts in that regard?

Compliance with health, safety and environmental regulation is something we continually strive to improve. I've found that in order to compete in the international market one must comply with international standards of health and safety. Manufacturing is a challenging sector; we have, and will continue to make considerable efforts in this regard to ensure safe and efficient operations in our plant and support locations. We have received industry-wide recognition for our accomplishments in HSE and we will continue to excel in this regard.

What are your goals for 2013?

Our short-term plan is to aggressively increase our export volume regionally. In 2012 we successfully exported casings to Iraq, and I hope to continue in this vein. We hope to export to Libya and we are currently working now to export to UAE. Our long-term plan is to expand our manufacturing services. Currently, there is only one mill in the Middle East that produces similar services and it is located Saudi Arabia. We would like to establish a production mill in Egypt. We also hope to upgrade to the local manufacturing of casings. We hope to expand our business to produce a new thread for premium connection with Japanese companies (JFE) and we want to take the license from them. Also we are currently negotiating with a Chinese company (TPCO) to take their license as well. We had a good start in 2013 and I have every confidence that we will continue to meet and exceed our goals this year.

Sino Tharwa Drilling Company

Sino Tharwa Drilling Company is the second largest land-drilling contractor in Egypt. Recently the company initiated efforts to expand into the offshore industry as well. With extensive financial and logistical support from China and Egypt, SinoTharwa provides drilling and work-over rigs to the oil and gas industry in Egypt. SinoTharwa has maintained a strong presence in Egypt since its inception eight years ago. The company benefited greatly from solid support of both Chinese and Egyptian backers as well as a motivated and well-experienced management team.

By: Wael El-Serag

Sino-Tharwa Drilling Company was established in 2005 as a joint venture between Sinopec Star Petroleum Co. and Tharwa Petroleum Company – a subsidiary of the Egyptian Ministry of Petroleum & Mineral Resources. Each entity holds a 50% percent share of the company.

The company started with 18 million USD in capital investment. In 2007 capital investment reached 40 million USD. In 2008 the Egyptian Natural Gas Holding Company (EGAS) entered into the joint venture and by the end of 2008, capital investment reached 80 million USD. Currently capital investment stands at 586 million USD. According to SinoTharwa's annual report for 2012, the company successfully occupies a substantial market share with 22% of drilling rigs, making it one of the most competitive petroleum engineering companies in Egypt.

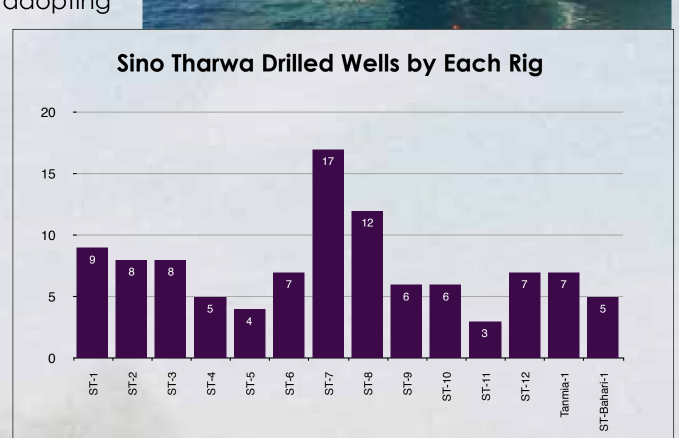
According to SinoTharwa's Annual Report for 2012, the company currently owns and operates eighteen rigs, thirteen land drilling rigs, four work-over rigs and one offshore rig. Total number of drilled footage has increased from 733,539 feet during 2011 to 968,062 feet in 2012.

SinoTharwa employs a daily, monthly, and yearly maintenance program to sustain all equipment for optimal performance and usability. All rigs are issued a variety of international maintenance certificates. In 2007 SinoTharwa proactively a established rig maintenance education program. In addition to a variety of safety certificate and maintenance workshops SinoTharwa makes considerable effort to have backup-drilling equipment in order to efficiently remedy any sudden malfunction.

SinoTharwa has enjoyed much success in 2012 as a result of implementing a well-planned strategy. Average rig utility is estimated at 98.83%. Total working days increased from 5,676 days in 2011 to 6,487 days in 2012. Total amount of wells drilled increased from 90 in 2011 to 104 in 2012. SinoTharwa also participated in 27 onshore tenders in 2012.

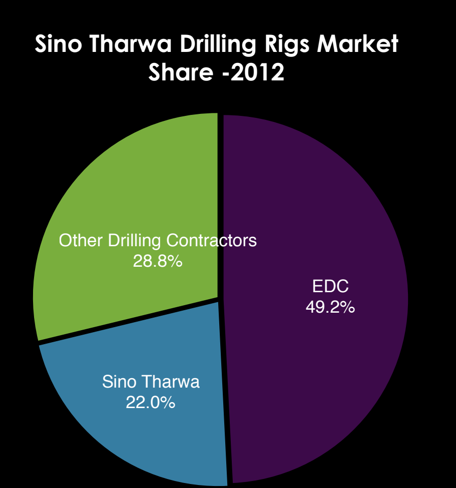
One of the company's main goals for 2012 was domestic, regionally and international expansion. SinoTharwa succeeded in signing work agreements with Syria, Libya, Iraq and Yemen. Additionally, the company succeeded in extending their existing contracts, as well as forging new contracts and relationships with an average 17% increase in daily rates.

SinoTharwa is continually adopting new strategies to sustain the company's prominence and competitiveness in the drilling market. The company has a five-year plan to add nine more rigs. The company is negotiating to buy a new work-over rig, the 650 HP and two land drilling rigs the 2000 HP. The expected date of rig arrival is the second half of 2013. During 2013, the company will renew its contract for ST-1 with a rental value of 2.09 million USD. In 2013, the company expects to deliver and commence operations both onshore and offshore drilling with the safely and reliably SinoTharwa is known for.



Sino Tharwa owns the most advanced offshore rig in Egypt, the Bahari-1. The rig is 3200 HP and it can reach a depth of 30,000 feet.

- The price of the rig is estimated at 342 million USD.
- Has 59 ft long legs with increased capacity for greater land resistance.
- Carrying capacity of 6,000 tons. 3,700 tons reserved for equipment.
- Special pumping system to deliver maximum amount of water
- Ability to operate five machines with high efficiency.
- Onboard technical support 24/7 with emergency team as second line of support.
- 2 Mbps dedicated satellite space segment.
- Backup connection through 1 Mbps shared VSAT connection.
- Auto Tracking TV system which provides a variety of channels
- CCTV to monitor main deck, rig floor, helideck and meeting room.
- Navtex receiver system for weather reports and navigation warnings.
- National Echo Sounder to send signals to the seabed.



Power Generation Project at East Baharia

Qarun Petroleum Company has obtained approval from Apache Corporation for the construction of a new dual fuel power station in East Baharia. East Baharia is one of the key production areas for Qarun with a production rate of 10,000 BPD. This project was initiated to allow Qarun to gain more achievement in oil production while at the same time minimizing the oil to barrel production cost.

Mohamed Gamal El-Din Monsor - General Projects Manager, Qarun Petroleum Company

East Baharia and Heba currently contain 78 oil and water wells. Production at these wells is achieved by artificial lift using electric multistage centrifugal submersible pumps. Small standalone diesel power generators ranging between 256-480 kW power each pump electrically. The annual diesel fuel cost for all of the generators combined is approximately 19 million USD annually.

In an attempt to reduce this high operating expense of diesel, Qarun has begun to re-engineer the generators to use less expensive fuel gas. In order to get this low cost fuel gas to the Western Desert construction commenced on a gas-fueled 16 MW power station to feed East Baharia and Heba. In addition to the generators, the wells also feed the oil storage stations, water injection stations and other utilities such as camps and administrative buildings.

The project consists of 6 gas turbines each rated at 3.2 MW capacity, a switchgear building and a MV transformer station to feed the overhead transmission line which will deliver the power to the wells, oil stations and water injection stations. The transmission line system will be 30 km in length and will deliver the gas from the Abo Elgharadiek / Dahshour Gas pipeline.

The power station in East Baharia will eliminate the 78 individual well site generators, which are currently in service. The estimated savings in capital associated with the transfer of the 78 generators to remote locations is approximately 4.29 million USD, which does not include the contracts for the rental of 13 additional generators.

In addition to cutting costs, the new power plant will also reduce down time for production and improve the efficiency of the operation and increase the life time of the down hole pumps.

The transmission lines will provide the high power required to operate the huge water injection pumps, which are not currently utilized due to lack of power given by normal industrial generators. The project will also minimize the hazards of diesel fuel transportation.

The cost of this project is estimated to be around 47 million USD. ENPPI is responsible for the engineering and design work, while E.M.C. is carrying out maintenance and mechanical works and Petrojet completing the gas pipeline installation. The project is expected to finish by the 3rd quarter of 2013.

Qarun hopes to enable Egyptian companies (E.M.C. - Petrojet - Enppi - Sweedy – A.B.B. - Almaco) to work on the project, which has valued investments of about 26 million USD and total foreign investment of about 21 million USD in gas turbines. This project will increase the confidence of foreign partners who use Egyptian products and inevitably benefit the Egyptian economy by providing foreign currency in addition to job creation for technical cadres.

Current project status:

1. Supplied and installed six dual fuel turbine sets
2. Switchgear is 75% constructed and expected to be finished by mid of 2013
3. Diesel and fire fighting tanks have been installed
4. All other project stages are in progress

The first power turbine is expected to start up in second quarter of 2013.

Al Amal Program completes its 5th round successfully

By Julie Herick

The Al Amal Program was initiated in 2007 and developed by a team of experts from diverse oil and gas companies, universities and other Egyptian corporations. It is organized by the Egyptian Geophysical Society (EGS) and EPEX. The project was designed to fill any gap between industry and academia to help top graduates find their way to the market. The program also aims to help petroleum companies select the qualified and high caliber candidates for future positions in the Egyptian oil and natural gas sector.

One of the basic objectives of the program is to select the top university graduates and enroll them in a two-month program, which includes technical and non-technical sessions, safety and English courses, as well as field trips to various project sites. Since it's inception the program has proved successful with 160 top graduates. Currently, Al Amal Program has successfully completed its 5th round and achieved worldwide recognition.

In an ambitious attempt to enhance education, skills and development, Apache, BP and Shell have supported the program since 2007. The program utilizes numerous volunteers from various oil and gas companies, universities and industry experts.

Engineer Abdullah Ghorab, Former Minister of Petroleum, recently attended a celebration of Al Amals' success. Along with several industry leaders Ghorab expressed his full support of the program and relayed goals to implement similar programs in Egyptian Universities. Numerous Al Amal Program graduates are now working in many of the world's leading oil and gas companies in Egypt and abroad.

Egypt Statistics

EGYPT OIL&GAS RESEARCH & ANALYSIS

Table 1 Egypt Rig Count per Area February 2013

RIG COUNT

Area		Total	Percentage of Total Rigs
Gulf of Suez		10	8 %
Offshore	10		
Land			
Mediterranean Sea		9	8 %
Offshore	9		
Land			
Western Desert		74	62 %
Offshore			
Land	74		
Sinai		11	9 %
Offshore			
Land	11		
Eastern Desert		9	8 %
Offshore			
Land	9		
Delta		6	5 %
Offshore			
Land	6		
Total		119	100%