

# ELNG, GE complete the H&S partnership program

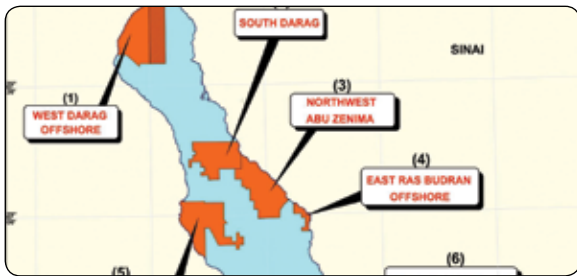


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24 pages



## International Bid Round

### Eight exploration blocks released in the GoS

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## A 10-year Journey

Throughout the last ten years, the Egyptian petroleum sector has witnessed a series of successful achievements under the chairmanship of Eng. Sameh Fahmy

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## The culture of criticism

By human nature, we tend to criticize everything in our life. Intentionally or unintentionally, you find yourself sometimes criticizing or commenting on things going on around you on our daily life. Some would criticize you (your personality, behaviors, works... etc.) for your own good, out of their care, love or interest to make you a better person. While others would criticize you with the aim of holding you back and negatively affect your work performance and your self-confidence for their own benefit. And, there is a third party, which considers the criticism as a fertile ground for ongoing gossips and invaluable controversies to attract attention.

Personally, I believe that before criticizing anyone or anything, we should first weighing the positive and negative aspects similarly, because sometimes few bad things turn us blind from seeing great major successes and achievements. Maybe this due to what I learnt at university, to be objective in my writings and study all aspects of a single topic.

The reason behind my note this month is the topic we present in this issue; the achievements of the petroleum sector over the last ten years. Instead of the wave of criticism that has been attacking the sector for a long period of time, we thought of gathering some of the achievements accomplished in this vital sector and give our readers the freedom to weigh all aspects and decide what worth a criticism and what worth an appreciation.

Despite the newspaper's strategy to keep its voice and visions as objective as possible, this time we tended to focus on only one side and reflect some appreciation to the sector we belong to. We cannot deny that there have been distinguished attainments that helped to ameliorate and develop the petroleum sector in Egypt.

God has created the earth carrying sides, the good and bad. Thus, even if I personally see a bad side in the sector, I should never ignore the good one. However, it is solely the readers' right to determine what they evaluate as good or bad and express their opinions and views. We would love you to share with us your comments and feedback. Any criticism is considered for the editorial team as a guideline for ameliorating the content of our newspaper. Send your comments to [info@egyptoil-gas.com](mailto:info@egyptoil-gas.com)

Yomna Bassiouni  
Managing Editor

## Guest Column

### All lies in the added value

Currently, the main measure for the petroleum sector lies in the value added in all sectors, whether upstream or downstream. This value is assessed differently from one perspective to another.

As a matter of fact, the vigorous attempts led by the Ministry of Petroleum to attract foreign investments reflect the meaning of "added value". The Ministry aims at ameliorating the sector conditions and increasing its value locally and internationally. However, some foreign companies misuse the privileges granted by the Ministry in order to avoid tax paying and increase their economic profits. Such attitude raised the awareness concerning the importance of increasing the local investments in the country.

In the shadow of the current global economic crisis, the Minister of Petroleum Eng. Sameh Fahmy directed his efforts towards the local investments. Moreover, he is boosting the value of the Egyptian industry by playing a strategic role as energy provider. The latest Russian-Ukrainian gas tensions opened the door for new gas producers to seize the opportunity and expand their power. In other words, while Europe was seeking other channels for gas than Russia, Egypt has been one of the countries targeted by the European countries for the gas supply at Nabucco Pipeline. But the question addressed, does Egypt have sufficient gas reserves?

In order to avoid this critical question, we should attract more companies to explore for more gas in the country as well as diversify the energy means to include new ones such as the wind and solar energies. Such energies have been considered as a state of energy security for any country, especially with the threat of oil price fluctuation.

When tackling the issue of reserves count, there is a huge conflict in the newspapers about the exact figures; some are using tones as the measure unit while other use meters and numbers are not consistent. What matters the most is to have the promising figures that lay the road for more investments in the country and enrich the business environment.

The petroleum sector is known to be one of the toughest sectors; carries lots of risks and requires a number of guarantees to undermine the threats of market instability. Also, the sector requires more cooperation and incentives from banks to finance more mega projects and expand the scale of the petroleum operations.

Finally, I believe that the petroleum sector should pay attention to the human calibers capable to carry on the development plans set by the ministry and cope with the advancements taking place worldwide. For 10 years now, Eng. Fahmy has been focusing on strengthening the technical skills and expertise of the sector's personnel to better develop the Egyptian petroleum sector. Personally, I think that there are four main ministers who has brought remarkable achievements and positive effects to the sector, which are Eng. Ahmed Helal, Eng. Abdel Hady Kandil, Eng. Hamdy El Banby and Eng. Sameh Fahmy.

Eng. Hamed El Ahmady  
General Consultant of SeaHearvest and  
former president of Suez Oil Co

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Cairo International Stadium, Cairo-Egypt

3<sup>rd</sup> - 12<sup>th</sup> September 2009



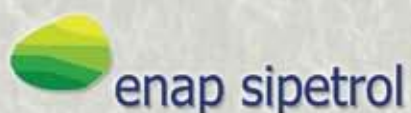
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## ELNG, GE complete the H&S partnership program

Egyptian Liquefied Natural Gas (ELNG), Egypt's largest liquefied natural gas partnership sponsored by the Egyptian Natural Gas Co. (EGAS), Egyptian General Petroleum Corporation (EGPC), BG Group, Petronas and Gaz de France, announced the completion of the first ever Health and Safety (H&S) Partnership Program delivered with GE Oil & Gas Global Services.

Built on ELNG and GE's strong record of health and safety performance, the H&S program has been delivered as a pilot, the first ever such project to be delivered by GE Oil & Gas at a customer site.

The H&S Partnership Program was established in June 2007 between ELNG and GE Oil & Gas to help consolidate health and safety management at ELNG's Idku LNG plant, east of Alexandria. The announcement indicates the completion of the generation one, two-year phase of this unique H&S Partnership Program.

The program goals were to develop solid synergy between ELNG and GE Oil & Gas health and safety management systems, deliver measureable performance improvements and, ultimately, drive a 'no injury, no accident, H&S excellence' mantra throughout ELNG's culture and operating systems.

An initial baseline on health and safety performance status was conducted and an action plan agreed across nine structural framework's elements. Following implementation, the pilot resulted in improvements across all nine framework's elements, including top five-star grading for nine categories measured, resulting in an improved H&S site policy, enhanced levels of employee ownership, ongoing hazard analysis and regulatory compliance monitoring, improved personal protective equipment storage and use at site, stringent motor vehicle safety sys-



tems and the implementation of an extensive health and safety inspection and training regime.

"We are delighted with the outcomes of this highly successful Health and Safety Partnership Program for ELNG. The impact has been a significant step-change improvement, embedding the new program right

across our business," said Adnan Zein Abidin, ELNG CEO. "The success is due to the strong relationship we have developed with GE Oil & Gas over several years. We're now working to consolidate the results obtained and I'm confident that this phase will also deliver great results," he further added.

## Dana Gas' production at Sondos exceeds expectations

Dana Gas announced that production from the discovered Sondos gas field has delivered outstanding results.

The Sondos field, found in the West El Manzala concession in Egypt's Nile Delta region, was discovered in February 2009, with estimated gas reserves of 20 billion cubic feet, and was tested at 11.1 million standard cubic feet per day (mmscfd) of dry gas. It currently has two producing wells, "Sondos-1" and "Sondos-2", delivering at an average daily rate of 12 mmscfd.

Commenting on the occasion, Dana Gas Chief Executive Officer, Ahmed Al Arbeed said, "We are delighted with the new discovery, which is a new addition to the series of discoveries achieved by the company in 2008 and 2009 as a result of Dana Gas' aggressive drilling campaign in Egypt. The drilling campaign achieved excellent results so far, promising to add momentum to the company's 2009 production in Egypt".

Al Arbeed added "The discovery of the Sondos gas field was particularly significant for Dana Gas, as it is set to push the company's production rate beyond 37,000 barrels of oil equivalent per day (boepd) – its peak production rate for the first half of 2009 – compared to the 31,650 boepd on which the company's Egyptian op-

erations ended in 2008".

The Sondos Field project's schedule was fast-tracked, which took less than a month to complete. This

was carried out by tying the two wells into the existing gas pipeline, to deliver the gas to the company's South El Manzala Plant.

Dr. Hany El-Sharkawi, President of Dana Gas Egypt said, "The discovery of the Sondos Field was an exciting one for us, and serves as proof of the effectiveness of Dana Gas' aggressive drilling campaign in Egypt. We are delighted with the results achieved in a short period, which exceeded all expectations. These promising results will continue to boost the company's production."

In addition to its activities at the Sondos Field, Dana Gas has also increased gas production at its El Basant Field, following the successful completion of the "El Basant-3" development well in June 2009.



## Gas reserves on the rise

Egypt's proven natural gas reserves rose to around 77.2 trillion cubic feet in the 2008 to 2009 fiscal year, a report by the Egyptian Ministry of Petroleum said, up 1.2 trillion cubic feet from the previous year's reported figure.

Egypt said last year its reserves stood at 76 trillion cubic feet for fiscal 2007 to 2008, wrote Reuters.

The country's reserves of crude oil and condensates rose from 220 million barrels to 4.4 billion barrels in the fiscal year, which ended 30 June, the report said.

Egypt is a major natural gas exporter but the most populous Arab country said last year it would not sign any new gas export contracts until 2010 in order to meet rising local demand.





# A 14 percent increase in Egypt oil demand by 2013

Oil demand in Egypt is expected to rise 14 percent by 2013 from an estimated 671,000 barrels per day (bpd) in 2008 to 771,000 bpd, according to a report.

The latest Egypt Oil & Gas report forecasts that the country will account for 18.90 percent of Africa's oil demand by 2013, while providing 6.03 percent of the supply.

"Oil exports are growing steadily in Africa because demand growth is lagging the pace of supply expansion," partially affected by the global financial crisis, the report said.

"the predicted 14 percent is not a drastic increase for oil demand in Egypt over the course of five years. In the past, growth of demand reached 7 to 8 percent," Magdy Sobhy, expert at Al-Ahram Center for Political and Strategic Studies told the *Daily News Egypt*.

"Even when the demand reaches the estimated 771,000 bpd level, Egypt will still be on the safe side on a few conditions," Sobhy said, "Egypt needs to substitute oil with natural gas and expand the natural gas supply nationwide."

On the regional level, Africa was exporting an average of 4.86 million bpd in 2001. This total rose to an estimated 6.54 million bpd in 2008 and is expected to reach 7.70 million bpd by 2013, according to the report.

Sobhy said meeting the growing demand and cutting the subsidies for oil and gas products "is not an easy [task], therefore an alternative strategy by the government is needed."

Mohamed Aboul Enein, Chairman of the People's Assembly's industry and energy committee told the Daily News Egypt "Recently Egypt found promising oil exca-

vations particularly in the Western Desert, so the growing demand will be met by growing production."

The report also expected the demand for natural gas in Africa to rise to 177 billion cubic meters (bcm) in 2013 from an estimated 107 bcm in 2008.

According to the report, Egypt consumed an estimated 30.28 percent of the region's gas in 2008, and its market share is expected to be 23.46 percent by 2013. While it contributed an estimated 26.03 percent to regional gas production in 2008, by 2013 it is expected to account for 23.87 percent of supply.

Egypt has recently signed 60 contracts for oil and gas excavations, said Aboul Enein, even more positive than the figure is the potential production of these excavations.

"The government allowed the contracted [foreign] companies to drill to deeper levels, where the probability of findings is higher," he said, "this will reflect on the foreign partners' share of the revenue."

Regarding OPEC's crude oil, the average price in Q1 2009 was an estimated \$45.78/bbl, down 13 percent from the \$52.51/bbl recorded during the previous three months, the report shows.

During the second quarter, there has been little change to the view of oil market developments. The report is forecasting an average OPEC basket price of \$51/bbl, with the March gains being retained in April, before further recovery to a possible \$57/bbl is seen by June. For 2009, the report is still assuming an average OPEC basket price of \$52/bbl (-45 percent year-on-year).

## Edison weighs Abu Qir sale

Italian company Edison plans to sell a 25 percent stake in the Abu Qir field in Egypt by early next year, Company CEO Umberto Quadrino told reporters.

"We aim for the end of this year or early next year... We hope to sell it at a profit," Reuters quoted him as saying on the sidelines of a forum.

Quadrino had said in January that Edison might sell a 25 percent stake in the field and that a 10 percent stake could be sold "in the near future".

He has also said French utility EDF was among parties that might be interested and last December said a decision should be made in the first quarter of this year.

Edison agreed to buy the Abu Qir field in 2008 for \$1.405 billion. It has reserves of about 70 billion cubic meters of gas equivalent of which Edison is entitled to about 40 percent.


Quadrino also said today that he was satisfied with Edison's first-half results.

Drilling Fluids Technology

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Down Hole Digital Services

Pumping & Stimulation Services



# PICO ENERGY

## Petroleum Integrated Services

**Drilling Fluids Technology – DFT** was founded by PICO Energy in 2007. DFT provides its customers with reliable customized and high quality engineering services implementing the best drilling fluids practices using the full fledge of OBM & WBM Chemicals and drill-in fluids. DFT team congregates the most experienced personnel within the Egyptian Market in the field of drilling fluids. The team collaborated for Managing & Operating DFT have rich local and international experience with many Operators in Egypt utilizing varieties of mud systems that led to a successful start in the Gulf of Suez of Egypt. DFT success is a function of performance and improving well integrity as well as enhancing the learning curve which adds to our reputation further diversity.

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# Egypt shares in signing Nabucco transit agreement

Egypt is currently exerting great efforts to be a regional center for energy, said the Egyptian Minister of Petroleum Eng. Sameh Fahmy, underlining that the country is qualified to play a key role in securing part of the global energy supplies.

Speaking at a signing ceremony of an intergovernmental agreement to build the Nabucco gas pipeline, Fahmy declared that Egypt enjoys political stability, strategic geographic location and sufficient reserve of natural gas.

The signing ceremony was also attended by the prime ministers of the transit countries that the pipeline will cross - Turkey, Bulgaria, Hungary, Romania and Austria, in addition to the US Special Envoy for Eurasian Energy Richard Morningstar.

Following the signing ceremony of the intergovernmental agreement on Europe's flagship Nabucco gas pipeline, the Egyptian Minister said that inviting Egypt to participate in the Nabucco summit reflects trust in oil and gas materials in the country.

The proposed Nabucco pipeline is described as the project of the 21st century. Its construction is expected to start in 2010 and be operational in 2014.

The Nabucco project costs nearly 8 billion Euros. Some 2,000 kilometers of the 3,300-kilometer Nabucco pipeline will run through Turkish territories.

## Active operations by Melrose

Melrose Resources plc, the Oil and Gas Exploration, Development and Production Company, announced its operations update on its activities in Egypt, specifically in the Damas Field.

The field, which was discovered in the South East Mansoura Concession in 2008, has been successfully tied back to the South Mansoura production facilities using a 19 kilometer, 6 inch pipeline and was brought on stream on 7 July 2009.

Damas is the fifth new Melrose field to be brought on stream in Egypt over the past seven months and follows the South Zarqa, North East Abu Zahra, East Abu Khadra and North Dikirnis developments. The remaining development activity planned for 2009 will include completion of the West Dikirnis field Liquefied Petroleum Gas plant and gas reinjection facilities in the third quarter and the tie back of the recent South Khilala discovery for production in the fourth quarter.

As a result of the recent field development activity, Melrose's Egyptian production has reached a new record of 261 MMcfpd of gas equivalent (on a working interest basis), comprising 198 MMcfpd of gas and 10570 bpd of oil and condensate.

## PTTEP abandons well in Sidi Abdel Rahman

PTTEP Sidi Abd El Rahman Company Limited, a subsidiary of PTT Exploration and Production Public Company Limited (PTTEP) reported the latest drilling results of an exploration well, SAER Offshore-1X, in the Eastern part of Sidi Abd El Rahman Offshore Block, spudded on March 29.

The well was drilled to a total depth of 4,059 meters at the end of June and encountered some petroleum show, but non-commercially. The well will be written off within the accounting period of the second quarter 2009, with an approximate total cost of 340 Million Baht.

Sidi Abd El Rahman Offshore Block still has petroleum potential in the western part, where PTTEP has acquired 3D seismic and identified more prospects. PTTEP will conduct an additional study and evaluate the petroleum potential for further exploration in the block.

PTEP holds 30 percent participation interest in Sidi Abd El Rahman Offshore Block, while the other joint venture partners consist of Edison (Operator) and Sipetrol with 40 percent and 30 percent participation interests respectively.

## RENEWABLE ENERGY

### Formal opening of the largest onshore wind farm in England

The Rt Hon Ed Miliband MP, Secretary of State for Energy and Climate Change, opened Little Cheyne Court, the largest onshore wind farm in the South of England. The Secretary of State welcomed the construction of the 26-turbine wind farm, developed and operated by RWE npower renewables on Romney Marsh near the Kent/Sussex border.

More than 100 invited guests were present to hear Mr Miliband highlight the important contribution Little Cheyne Court Wind Farm will make to a greener future. The wind farm will generate enough clean electricity to meet the average annual needs of some 33,000 homes – equivalent to about three quarters of the homes in the Shepway District Council area.

Energy and Climate Change Secretary Ed Miliband said, "Little Cheyne Court shows us that the UK's transition to low carbon is well under way... I am impressed with the scale of this wind farm; one of England's largest, and it's great to know that another 33,000 homes are now powered by clean green, energy."

The expansion of wind energy, alongside other renewables, new nuclear power and clean coal, is vital for the UK's low carbon energy mix, and brings with it massive opportunity in terms of jobs and economic growth.

"The Government will publish the UK Low Carbon Transition Plan for decarbonizing the UK and maximizing the economic benefits presented by low carbon industries such as wind energy," said Kevin McCullough, Chief Operating Officer at RWE Innogy. "Little Cheyne Court is a landmark renewable energy project for the South East of England and shows the region is playing an important part in the global battle against climate change."

The wind farm will prevent the release of thousands of tones of carbon dioxide every year while also contributing to the UK's energy security. "A great deal of hard work has gone into this project since we first announced our plans to build a wind farm here in 2002 and I am delighted Little Cheyne Court is now generating electricity."

Little Cheyne Court Wind Farm started exporting electricity to the National Grid in November 2008. All major work on site is complete, and the wind turbines, which measure 115 meters tall to the highest point of the blade and can each produce 2.3MW of electricity, are currently undergoing final operational testing before the wind farm goes fully on stream. The opening of the wind farm will be attended by local and national stakeholders, RWE npower renewables staff and contractors who had worked on site.

RWE npower renewables is the UK subsidiary of RWE Innogy and is one of the UK's leading renewable energy developers and operators, committed to developing and operating wind farms and hydro plant to produce sustainable electricity. The company operates 17 hydroelectric power projects and 23 wind farms in the UK, including the country's first major offshore wind farm, North Hoyle. RWE npower renewables is also working with marine energy technology partners to deliver new wave and tidal stream power projects in the UK. RWE Innogy pools the renewable energy expertise and generating plant of the RWE Group. The company plans, builds and operates renewable power generation facilities, and aims to vigorously grow its renewable energy capacity in the UK and Continental Europe. The expansion of onshore and offshore wind power capacities will remain the driver for RWE Innogy's growth in the future; however, biomass and hydroelectric power will also be vigorously expanded. The company will also pursue opportunities in solar and geothermal energy, as well as wave and tidal power. Innovation is another key focus area for RWE Innogy, not only pursuing classical research and development, but also investing in selected emerging technology companies. RWE npower renewables is a sister company to RWE npower, a leading integrated UK energy company with around 6.8 million customer accounts. RWE npower also owns and operates a flexible portfolio of conventional power stations as well as a portfolio of cogeneration plant producing more than 10% of the electricity used in England and Wales.



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## Seeking buyer for Hassi Ba Hamou Permit in Algeria

Gulf Keystone announced that it is currently seeking a buyer for its interest in the Hassi Ba Hamou Permit in central Algeria. A sale of Gulf Keystone's interest in the Permit is subject to approvals from the Algerian Government and the Company's partners, Sonatrach and BG North Sea Holdings Limited.

Following appraisal and exploration successes on the HBH Gas Project the partners in June 2008 elected to go into Phase 2 of the exploration contract with an additional three well and 2D seismic commitment. Planning for the development and commercialization of the project has also begun but revenues are not expected to commence until 2014.

Given the significant near-term upside potential of Gulf Keystone's interests in Kurdistan, it is the company's considered view that shareholders' interests would be best

served by the Company focusing its resources entirely on its Kurdistan operations. Gulf Keystone has therefore suspended further investment in the Permit and, as a consequence, has opted not to pay certain due cash calls in respect of the Permit. BG, which acts as Operator of the Permit, has certain rights under the terms of the Joint Operating Agreement (JOA) which could, subject to certain Permit conditions, lead to Gulf Keystone's withdrawal from the JOA and the Permit.

"Kurdistan offers our shareholders significant near-term upside potential and it is therefore strategically compelling that Gulf Keystone should focus all its cash resources and efforts on maintaining the fast pace of exploration drilling in the country. With the commencement of oil exports from Kurdistan any success from our current and planned well operations could lead to oil production revenues in a



relatively short timeframe. This also means that we must take advantage of opportunities to realize value from assets where the returns are less compelling," said Todd Kozel, Executive Chairman of Gulf Keystone.

## Nabucco supply plans boosted

Iraq's Prime Minister Nuri al-Maliki said Europe can receive 15 billion cubic meters of Iraqi gas via Turkey.

Maliki made his announcement at the sideline of a gathering of EU and regional leaders in Turkey to sign the planned Nabucco pipeline project, but it was not immediately clear if the sale of 15 billion cubic meters of Iraqi gas was for Nabucco.

Maliki's comments were unexpected as it came a day after Iraqi government spokesman Ali al-Dabbagh said Iraq does not have any surplus gas to sell via US-backed Nabucco pipeline now.

On the other side, Egypt's Minister of Petroleum Eng. Sameh Fahmy told the gathering that a planned Arab gas pipeline could be a potential source of gas for Nabucco.

Iraq was not the only country that expressed its intentions to supply gas to Nabucco, the U.S Special Energy Envoy Richard Morningstar highlight that Russia would supply gas to the project if Nabucco's participating countries accept Russia as a partner.

However, the EU has supported the project as a way of reducing its reliance on Russian gas, with possible suppliers for the \$11 billion project to include Iraq, Egypt, Iran, Azerbaijan, Russia and Turkmenistan.

"My understanding of the agreement is that 50 percent of the gas that will go into Nabucco is open for competi-

tion among any suppliers and Russia is certainly free to participate in that way to supply part of that 50 percent," Morningstar told a panel interview.

Turkey's Energy Minister Taner Yildiz told Reuters late on Saturday that Russia can join Nabucco if it sees it as profitable.

The Nabucco project has been unable to find sufficient throughput for the 31 billion cubic meter pipeline, which is competing with the rival Russian-backed South Stream project to feed growing European gas consumption.

Morningstar reiterated US opposition to using Iranian gas a week after Turkish authorities mentioned the country as a possible supplier.

"With respect to Iran, our position is very clear. We do not think that Iran should participate at this point," he said.



Iran has the world's second largest gas reserves, almost 16 percent of the world's total, but has no major net exports, partly because US and UN sanctions have deterred investments by Western companies.

## Petrofac Awarded Gas Compression Project in Oman

Petrofac has been awarded a \$350-million contract for the Kauther gas-field depletion-compression project. The contract was awarded on behalf of the Government of Oman by Petroleum Development Oman (PDO), which has been developing the Sultanate's gas fields on behalf of the Government since 1978.

According to the terms of agreement, Petrofac will undertake the engineering, procurement and construction (EPC) of the gas compression system, and associated facilities at the Kauther gas plant, in addition to undertaking the commissioning and six months of initial operations.

"We are delighted to have successfully secured the Kauther gas depletion compression project. This award serves to further reinforce Petrofac's commitment to the Omani market, gives us continuity of business in the Sultanate and again highlights Petrofac's continued competitiveness in the Middle East," said Maroun Semaan, Group Chief Operating Officer of Petrofac



The project follows the successful completion of the Kauther gas plant in 2007, which Petrofac built on an EPC basis for PDO, including commissioning and operations. In early 2008, the company was asked to carry out the front-end engineering and design (FEED) for the gas depletion-compression project and then invited to submit a commercial proposal for the EPC on a negotiated basis.

## Jubail refinery deals lure \$9.6 billion

Saudi Aramco and France's Total signed 13 agreements with contractors to build a \$9.6 billion joint-venture refinery in the kingdom.

The two companies awarded the contracts for the 400 thousands barrels per day (bpd) refinery last June. Spain's Tecnicas Reunidas and France's Technip won three of the biggest contracts offered.

The contract award was delayed by several months as Aramco and Total forced bidders to price in lower commodity and contracting prices in their bids. The final contracts awarded came in some \$2.4 billion below the highest estimate for the refinery cost of \$12 billion.



## Dea awarded license in Turkmenistan

RWE Dea has been awarded a concession to explore and develop License Block 23 in the Caspian Sea in Turkmenistan. An agreement was signed by Jürgen Großmann, CEO of RWE AG, and Georg Schöning, CEO of RWE Dea AG, with the Turkmenian State President Gurbanguly Berdimuhamedow in Turkmenbashi.

Jürgen Großmann said, "Turkmenistan plays an important role in securing Europe's energy supply. RWE and Turkmenistan have been cooperating closely for some time, and we are pleased to be able to further extend our long-term energy partnership." In April this year, Yagshigeldy Kakayev, Chairman of the State Agency for the Management and Use of Hydrocarbon Resources of Turkmenistan, and Jürgen Großmann had signed a framework agreement to that effect.

"With our commitment in Turkmenistan, we plan to make a further contribution towards realizing our growth targets, especially with regard to gas production," Georg Schöning explained. License Block 23 is located in the southeastern region of the Caspian Sea, immediately off the Turkmenian coast. The license area comprises about 940 square kilometers. In the initial exploration phase, first of all an environmental study is planned to be carried out. Taking account of 2D material already available, a 3D seismic test is then to be conducted across an area 400 square kilometers in size. In the process, RWE Dea will rely on its extensive experience in the field of shallow-water development. The company has been operating the Mittelplate drilling and Production Island in Schleswig-Holstein's Wattenmeer tidelands, a nature reserve, incident-free for almost 22 years now. In addition, an exploration well is to be drilled once the seismic testing has been completed.

## Abu Dhabi GAS awards \$1 billion contract of IGD

Abu Dhabi Gas Liquefaction Company Ltd. (ADGAS) awarded the contract of the Integrated Gas Development (IGD) project to Hyundai Heavy Industries Co.

The \$1 billion IGD project will produce 1 Billion Standard Cubic Feet Per day (BMSCFD) from the Umm Shaif offshore gas fields of ADMA-OPCO. The gas will then be pumped through a sea pipeline to GASCO's Habshan plant.

The project, which includes three units to process high-pressure gas, aims at enabling ADMA to raise its crude oil output and supplying it with largest quantities of gas to be used in other industries.

The project is scheduled for completion by the third quarter of 2013.

## Libya: \$7 billion foreign spending by 2015

"In our assessment it is expected that international oil companies will invest in the exploration activities between 2005-2015 over \$7 billion. That is a very conservative number," said the Libyan General Manager of Explorations Fituri El-Haj during an African oil conference, held in Cape Town.

Libya's National Oil Corporation expects to find further 100 billion barrels of oil through their own exploration projects, he added.

"This is the potential that we think is there. We believe that 1,445 billion barrels has been generated, 893 (billion barrels) expelled, we discovered 144 (billion barrels) and we look to finding 100 billion barrels more," El-Haj told *Reuters*.

## Bidding for onshore Bahrain

On behalf of the National Oil & Gas Authority (NOGA), Bahrain Petroleum Co. (Bapco) evaluates two bids for a deep gas exploration and production-sharing contract under tender for onshore Bahrain.

"The company received two bids, but the tender still has not been awarded yet," said Adel Khalil Almoayyed, Bapco's Acting Deputy Chief Executive for Exploration and Production.

According to the Bahrain Tender Board, the two companies that submitted technical and financial proposals at the end of last June are Occidental Middle East Development Co., the regional subsidiary of Occidental Petroleum Corp and Canadian Natural Resources Ltd. Both offers are still under evaluation.

"Price shall be the principal criterion in case of fulfillment of technical and other criteria, this means that the lowest price bidder is not necessarily awarded the tender," the

Bahrain Tender Board said in a statement.

The contract is being tendered as part of a bidding round launched last October by Bahrain aimed at developing gas reservoirs at depths of up to 20,000 feet below its onshore Awali field.

Last February, NOGA, which will eventually award the contract, said 18 companies had initially registered to acquire data for the country's deep gas exploration round.



## Gulf Keystone awarded two "key" Kurdistan Blocks

The Kurdistan Regional Government of Iraq awarded Gulf Keystone's subsidiary Gulf Keystone Petroleum International Limited (GKPI) significant interests in two Production Sharing Contracts (PSCs) for the exploration, development and production of hydrocarbon resources in the Sheikh Adi and Ber Bahr blocks of the Kurdistan Region of Northern Iraq.

The first block is Sheikh Adi block, situated north east of Dihok and lies to the west and on trend with the Shaikan structure. The block covers an area of 180 square kilometers. GKPI will operate and have an 80 percent interest in the Sheikh Adi PSC, which has an initial three-year exploration phase commencing in July 2009. The Company believes that the block has hydrocarbon potential at multiple levels from Cretaceous, Jurassic, Triassic and Permian levels and has a mapped defined undrilled surface anticline covering approximately 32 square kilometers covered by modern seismic data.

The second block, Ber Bahr block, covers an area of 350 square kilometers and lies to the north of Dihok and on trend with the Shaikan and Sheikh Adi blocks. The Ber Bahr PSC is operated by Genel Energy International Limited and has an initial two-year exploration phase, which commenced in March 2009. Gulf Keystone has a 40 percent interest in the Ber Bahr PSC. The Company believes that the block has hydrocarbon potential at Jurassic, Triassic and Permian levels. The block has a mapped undrilled surface anticline covering an area of approximately 45 square kilometers in two lobes and is covered by a modern 2D seismic grid.

The work programs for both blocks include the drilling

of one exploratory well on each block using current, existing and to be acquired data. Both PSCs are subject to a 20 percent KRG carry and no third party back in rights.

Gulf Keystone's technical team anticipates that the potential combined prospective resources of both blocks will be in excess of a billion barrels of oil in place. GKPI will be working towards an accelerated drilling program with a possible well spud in 2010.

These two new PSCs are in addition to GKPI's existing PSCs, Shaikan (75 percent interest, operated by Gulf Keystone and on which exploration well Shaikan-1 is currently drilling) and Akri Bijel (20 percent interest, operated by MOL).

As part of the planned expansion of Gulf Keystone's exploration portfolio in Kurdistan, and consistent with the Company's stated intention to mitigate the risks of its exploration activity, the Company began negotiations with prospective strategic investment partners earlier this year.

Gulf Keystone reached an agreement with ETAMIC to become the Company's new strategic investment partner for the Kurdistan region. ETAMIC is a private investment fund based in the Middle East. ETAMIC successfully negotiated for the award of the new Sheikh Adi PSC and the assignment of an interest in the Ber Bahr PSC. GKPI proposed and it was agreed that ETAMIC merge these interests with GKPI's existing interests in exchange for the issue of new shares in GKPI conferring ETAMIC a 50 percent equity interest in GKPI.

ETAMIC will fund 50 percent of the costs to be incurred by GKPI on Sheikh Adi and Ber Bahr following the current drilling campaign on the two existing PSCs.

This represents a major step forward in the execution of Gulf Keystone's strategy of increasing exposure to moderate risk, high reward exploration opportunities and ongoing repositioning of the portfolio, while continuing to search for low risk, brown field opportunities with the capability of delivering sufficient oil or gas production revenue to finance overheads and opportunity evaluation costs.

Todd Kozel, Executive Chairman of Gulf Keystone, commented, "I am delighted that Gulf Keystone has been able to gain further exposure to Kurdistan, one of the few remaining highly prospective hydrocarbon regions in the world. Our close relationship with the KRG, the fast pace of exploration programs on our existing blocks and the support of our new strategic investment partner, ETAMIC, were all key factors in our being awarded these new PSCs."

The agreement with ETAMIC to become our strategic partner in Kurdistan is just one more successful outcome of our stated strategy of mitigating shareholder risk and attracting funding to accelerate our ambitious exploration programs. We look forward to a long and successful working relationship with ETAMIC.

"The potential of Kurdistan continues to be demonstrated by our fellow operators announcing discoveries, positive reserve updates and export of production from structures which have significant similarities to our own assets. Indeed, I am encouraged by the early results of our own Shaikan-1 well, which recently identified a shallow live oil show. I eagerly await further results from this well as we drill down to our primary targets."



## 80,000 fans welcome Ronaldo

**Cristiano Ronaldo was presented to a near-capacity crowd at the Bernabeu after completing the formalities of his £80 million world record move to Real Madrid**

The former Manchester United winger, 24, passed his medical check before greeting almost 80,000 Real fans.

In his first public address to his new supporters, he said his transfer had "made my childhood dream a reality".

However, he was forced to make a hasty retreat at the end of the ceremony when some fans tried to invade the stage.

"I never imagined that fans would have such a feeling for me," said Ronaldo before his premature exit. "It was impressive. A special moment for me today."

"If we win only the Champions League I'm happy. We need to take it step by step and later we can think about winning the treble," he stated.

Since signing for Manchester United from Sporting Lisbon as an 18-year old in 2003, the Madeira-born forward has developed into one of the best players in the world and is the current holder of the Ballon d'Or award as European Footballer of the Year.

He claimed he is still on good terms with his former club, despite his determination to leave Old Trafford.

"I have to say thank you to all supporters, my boss, my friends and my team-mates because I'd been there six years and I had a good relationship with all people there," he insisted.

"But the people understand my decision and the people respect that. Of course it is a great challenge now and the people know my dream is to play in Madrid.



"I am going to miss many things in Manchester but this is the life, this is my new house, my new club and I'm going to give 100 percent for this club."

He has selected the number 9 jersey as he paraded in front of journalists for the first time as a Real Madrid player. The atmosphere inside the stadium was electric as the former CR7 was revealed as "RONALDO 9" for the 2009/10 campaign, replacing Javier Saviola who occupied the role last season.



## Federer breaks Sampras record

**Roger Federer, the greatest player in Grand Slam history, beat Andy Roddick in five dramatic sets for a sixth Wimbledon and 15th major title**

The Swiss won 5-7 7-6 (8-6) 7-6 (7-5) 3-6 16-14 to surpass Pete Sampras's 14 Grand Slam wins and regain the title he lost to Rafael Nadal last year.

Sampras was back at Wimbledon for the first time since 2002 to watch from the Royal Box as Federer made history.

Federer, 27, will now return to the top of the world rankings ahead of Nadal.

But he had to dig deep against an in-form Roddick, who had four points for a two-set lead and then battled back to force an epic fifth set as the match became the longest men's singles final ever in terms of games played.

Federer lost 9-7 in the fifth to Nadal, a year ago, but

this year's final set alone lasted 95 minutes and with 30 games was considerably longer than the previous Grand Slam record of 11-9 in the fifth set at the 1927 French Open.

As he had promised, Sampras made his first visit to Wimbledon since 2002 to watch Federer break the mark he had only set in 2003.

"Roger's a friend, he is a great player, he is a good guy," stated the American, who won seven Wimbledon titles, one more than Federer's current tally.

"He can get 17 or 18 majors. If he just keeps it going and stays healthy, he could go to 18, 19, actually. The guy is a legend and now he is an icon. He is a credit to the game."

Sampras made his entrance after the third game of the final and received a round of applause from the crowd as he took his seat alongside fellow tennis legends Bjorn Borg and Rod Laver.

Federer looked up from his chair and even greeted the American but admitted that Sampras's presence had made him nervous.

On the other hand, Serena Williams ended her sister's recent dominance at Wimbledon with a straight-sets victory over Venus that gave her a third Wimbledon title.

The 27-year-old won 7-6 (7-3) 6-2 to regain the title she won in 2002 and 2003, and end five-time champion Venus' hopes of a third straight win.

It was the fourth time the sisters had met in a Wimbledon final.

Serena has now won 11 Grand Slam titles and holds the Wimbledon, Australian and US Open crowns.

## Egypt comes eighth in the Mediterranean Games

**The XVI Mediterranean Games in Pescara are over but not before several athletes decided not to back home**



Egyptian weightlifters El-Sayed Hassouna and Gaber Mohamed both chose not to return to Egypt after winning medals in the Mediterranean Games, which ended in Pescara in Italy.

The president of the Egyptian Weightlifting Federation Mahmoud Shoukri said the Egyptian Olympic Committee and the Egyptian Weightlifting Federation "will take the necessary measures in co-ordination with the Egyptian Ministry of Foreign Affairs to report on the escapees." President of the Egyptian National Sports Council Hassan Sakr has asked for a detailed report on the matter.

Hassouna 85 kg, won a silver medal in the clean and jerk and Mohamed, 94 kg, silver in the snatch and one bronze in the clean and jerk.

Egyptian athletes were not the only ones seeking some sort of asylum. Four Tunisian athletes also sought to stay in Italy following their arrival in the Italian city. Weightlifter Hamdi Dghaman, 85 kg and 22 years old, fled upon his arrival at Pescara Airport before the Games even began, hoping to immigrate to Italy.

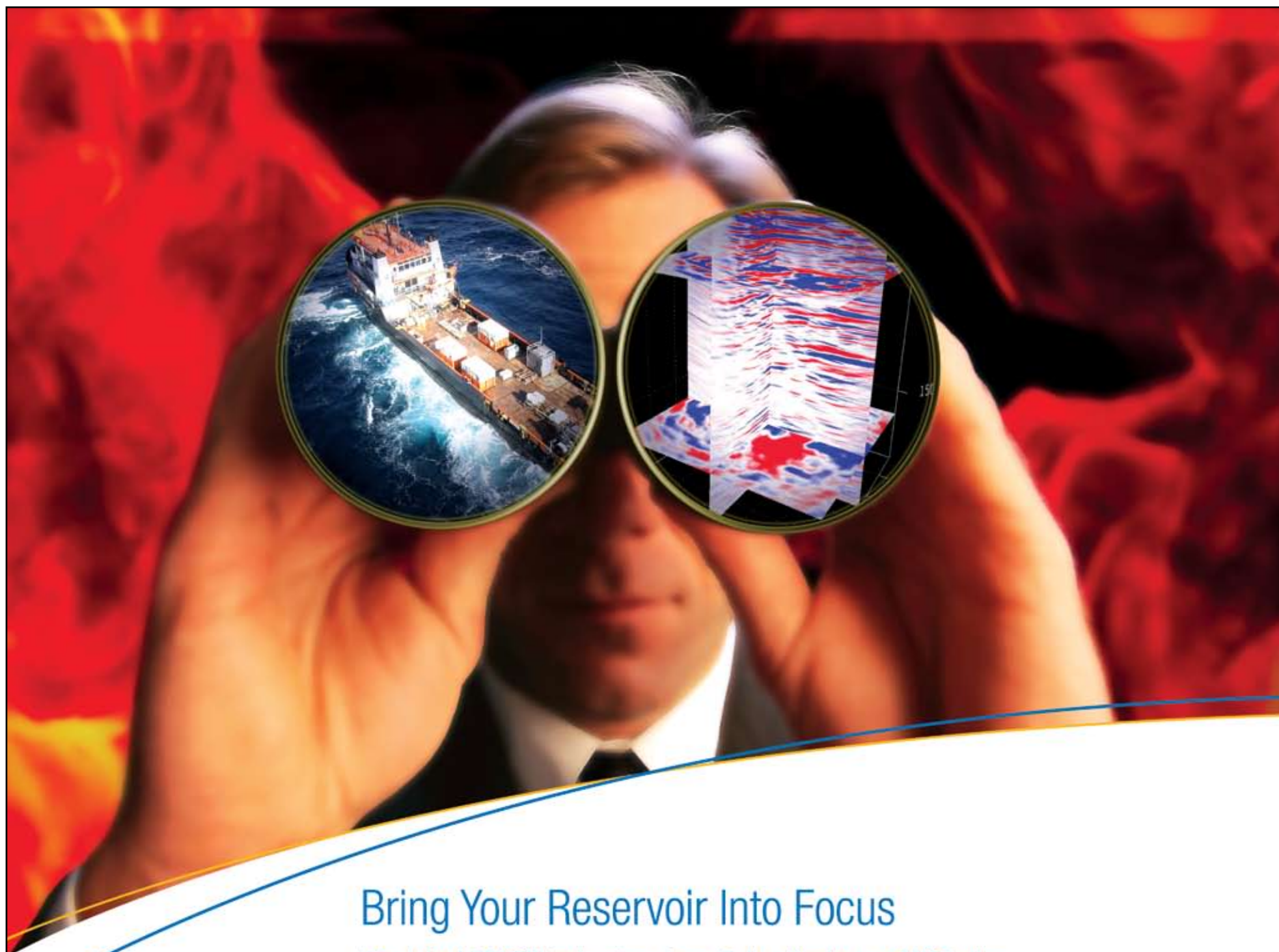
Dghaman won two bronze medals in the world Youth Championship in 2007.

Tunisian cyclist Hassan ben Nasr, who was supposed to race on Friday, suddenly disappeared from view. Then, Tunisian Greco-Roman wrestler Hamza Al-Lawati, 66 kg, and sprinter Ramzi Al-Abbasi in the 800 meters vanished, too.

The asylum seekers did not hamper the results. In the medals table, Italy came out on the top with 64 gold, 49 silver and 63 bronze medals for 176 medals. France was second with 48 gold, 53 silver and 39 bronze, Spain finished third with 28 gold, 21 silver and 34 bronze and Turkey ended up fourth with 20 gold, 19 silver and 26 bronze. Greece was fifth with 19 gold, 14 silver and 31 bronze. Tunisia came sixth with 13 gold, 11 silver and 13 bronze. Serbia managed seventh with nine gold, 13 silver and 13 bronze. Egypt was eighth with 11 gold, 10 silver and 13 bronze for 34 medals.

The closing ceremony was its all-white affair, held in the main streets of Pescara; those who attended dressed in white. The closing ceremony was directed by world renowned artist Marco Balich who also supervised the impressive opening ceremony. The head of the Pescara organizing committee, Mario Pescante, said the closing ceremony emphasized the elements of culture, tradition and sport.





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## Fluctuating rig market

**Before analyzing the fluctuating rigs market in the shadow of the current price drops, a full picture of the market conditions over the last two years should be presented in order to make an evaluation of the present situation. As a matter of fact, the year of 2007 is considered as a base-year for upsurge of commitments and construction of rigs, and the first six months of 2008**

By Mostafa Mabrouk  
Economic Specialist, Ganope

### Comments From PPL Officials

Many officials in Singapore stated that the construction cost of jack ups rose about 30 percent over two years (2005 and 2006) to average \$180-190million per rig. These prices were expected to even exceed \$200 million in 2008 due to the strong demand for new units.

The prices of jack ups designed for 375 feet water depth capable of drilling high-pressure and high temperature wells were in the average of \$180 and \$ 190 million (T.K. Ong Managing Director of PPL shipyard). A 300-350 feet water depth rig, with similar design, would cost \$180million according to an official at KEPPEL FELS. The reason behind cost increases was mostly due to tighter supply of equipment and steel in addition to an issue of limited yard space. The yards were moving toward option contracts that give the rig owners a margin to renegotiate a price. The advantage of the option contract is that it provides potential savings to rig owners and gives the yards a firm order. PPL scheduled to deliver four jack ups in 2007, five in 2008 and two in 2009.

### Why Ensco Expects Cost Reduction

The average day rate for Ensco's 43 rig jack up fleet for the 1st Q of 2009 increased by 18 percent, totaling \$168200, compared to \$142800 in the same Q, year ago. But, the utilization of its jack up fleet was 80 percent in the 1st Q of 2009 compared to 95 percent in the 1st Q of 2008. The Chairman of Ensco stated that some of their jack up rigs would be without contracts for some portion of the year and expect cost reduction initiatives to offset some of the negative financial impact from the softening jack up market. This lower rate of jack up utilization caused by a reduction of activity in the Asia Pacific and North, South America regions. That is why the company is expanding its deepwater fleet in order to get an efficient cost structure and strong balance sheet, which make Ensco "well positioned" despite the current market conditions. The company also added two 8500 series deepwater rigs, which were added into operation line in 2007.

Deepwater semisubmersible Ensco 7500 recently commenced its contract in Australia for Chevron at rate of \$550 thousand per day; the effective day rate to be recognized for Ensco is \$687 thousand inclusive of deferred day rate mobilization revenue that will be amortized over the expected 17-month contract period. The first of the company's seven new Ensco 8500 ultra deepwater semisubmersibles were scheduled to start operations in the Gulf of Mexico for Eni and Anadarko in June 2009 after final testing.

Ensco recently celebrated the second 8501 rig, which is presently undergoing acceptance testing in Singapore prior to commencement of a term drilling contract for Nexen & Noble Energy in the Gulf of Mexico in the third Q of 2009, the remaining five 8500 series rigs are expected to be delivered over the next three and a half years.

### Expand Rig Construction Program

Rowan Companies Inc has entered into contracts with KEPPEL AmFELS Inc for constructing four rigs Super 116 E class jack ups. The delivery schedule will be four-month intervals beginning in the second Q of 2010, with total cost of each rig round \$175 million, more than one-third of that amount at-

tributable to the cost value of: the design, kit components and drilling equipment. It will build two additional 240C class jack ups for delivery in the 3rd Q of 2010 and 2011 with total cost of \$400 million, while the first two 240 C class rigs were currently under construction with delivery expected in the 3rd Q of 2008 and 2009.

From the above discussion, it appears that the year 2007 was congested with rig constructions, at the same time crude oil prices were soaring. For instance, the count of global offshore rigs in January 2007 was 364 rigs, and average oil price was \$51/ bpd, while the count at the end of the same year was 355 rigs, and average oil price was \$90/bpd. The peak number was achieved in June 2008 reaching 388 rigs, oil price also hiked to \$132/bpd. By the beginning of July 2008, oil prices rose to a record of \$147,27/bpd, however, impact of economic crisis caused oil prices decline by more than \$20 over the following two weeks of July, selling price was around \$125/bpd, then followed a dramatic collapse of prices leading to a decline of demand and looming glimpses of recession that drew gloomy image.

### Situation of Rig Builders

Kepple Corp, one of the world's biggest builder of offshore oilrigs, had two contracts under review were cancelled, while the third deal had been negotiated. Company officials agreed with Bermuda-based oil rigs operator Scorpion Offshore to terminate \$405 million oil rig contract on mutually acceptable terms. Also, Kepple agreed with Seadrill jack ups ltd to continue building two jack-ups rigs worth \$420million on revised terms.

Moreover, Sembcorp Marine (Singapore-based rig maker, its subsidiary yards: PPL Shipyard, Jurong shipyard, Sembawang shipyard) had agreed with Seadrill jack ups Ltd to revise terms on two jack up rigs ordered in June 2008 to be built at PPL yard. The contract value of the two rigs is worth \$430 million.

In a research conducted by the Australian Macquarie University, it indicated that oil drilling companies are deferring fresh orders in anticipation that prices of oil rigs would fall due to a sharp drop in raw materials used in making the structure where steel can account for approximately 25-30 percent of the total cost of a deepwater project. Therefore, they wait until prices drop, which may prolong from six to ten months.

### Rig Market Flexibility

In fact the downturn in the global financial markets is having an effect on every aspect of business around the world. Being interested in the oil industry, when oil price was over \$100/ barrel, oil companies rushed to increase exploration and production budgets and to drill more wells, at the same time increased expenditure thrilled demand for rigs. Drilling contractors seized the opportunity to charge higher rates and to build a number of rigs on speculation. When oil price plummeted below \$ 40/barrel, operators and contractors were forced to re-evaluate their plans. According to ODS-Petrodata, 86 rigs out of nearly 180 rigs under construction in the world do not have contracts. Jack ups are facing challenges as 54 of the 76 units under construction are without contracts, while deepwater attract more jobs for floating rigs. Only 12 of the 55 semisubmersibles under construction are without contracts. According

to current oil price, the demand for all types of offshore rigs will remain flat, according to ODS-Petrodata's latest research. Currently, worldwide offshore rig utilization stands at 87,6 percent.

### Prevailing Day Rates

It is noticeable that day rates differ from one region to another. Jack ups are now earning between \$120-\$220 thousand a day, while semisubmersibles capable of operating in 5000 ft to 7500 ft are in the average of \$540-\$605 thousand a day. In Latin America, day rates for jack ups around \$200 thousand a day, while semisubmersibles around \$400 thousand a day. In North Sea, jack ups cost \$405 thousand a day, while semisubmersibles between \$410-\$530,820 thousand a day. In West Africa, jack ups cost averages between \$148-\$244 thousand a day, and due to remarkable increase in exploration activity in West Africa, day rates for semisubmersibles (5000 ft) are earning from \$365-\$495 thousand a day. In the Middle East, excluding Egypt, 96 of 104 mobile offshore rigs under contract. The region's offshore rig fleet utilization rate is 92 percent. Due to the shallow waters throughout the Middle East, all the 104 rigs are jack ups; the highest jack up day rate is around \$161 thousand a day. The day rate differs from one region to another based on depth of water, exploration activities and how far the oil producing countries can mainly depend on oil as a source of cash inflows.

The fluctuation of oil price from a month to another is due to some key factors that affect determining the crude oil price. For instance, oil price rose sharply to above \$70/barrel on June 25, on renewed rebel attacks against oil facilities in Nigeria, also the statements of oil experts and their optimistic image indirectly affect oil price market. In addition, the dollar decrease has its own effect on purchasing power and also increasing demand of crude oil. By the beginning of last month, oil price was puzzling and tend to fall, this may continue to slide through December with waning seasonal demand. The picture is not clear, if the dollar continues to increase till end of December, or rush increase of production by oil producing countries specially, Latin America and West Africa.

### Offshore rigs wait for bright future

Currently, the number of floating rigs available in the market does not cope with demand. But that trend expected to improve as the goes on and come into next summer. According to data compiled for ODS-Petrodata's World Rig forecast-short term trends, demand will continue to be close to supply in the coming months, and it is not expected to surpass it until late next year, if ever. At its worst, the surplus will climb over 30 rigs, but will be reduced to less than 10 rigs by next year. Increasing exploration and production and floating rig utilization will soar again and less capable rigs would find difficulty to operate.

In conclusion, the prediction of oil price and its effect on relevant service activity could not be accurate, but specialists and experts trying to analyze and deduce the available information presented to them just to relieve the shock of frustration to both readers and involved persons in oil industry. In fact, such information sometimes become misleading since current events affect them severely, anyhow we have to watch and wait what is going to happen.



# BG achieves world-class records in avoiding Lost Time Injury

Tim Blackford, BG Egypt President, sheds light on the strategies and policies of HSE applied by the BG Group, in Egypt and worldwide

**1. How well does your company perform on environmental issues? (How does the environmental conditions affect the company's operations in Egypt? can you state any examples)**

At BG Egypt, we are committed to making a positive contribution to the protection of the environment. We go beyond compliance with local environmental regulation to meet internationally accepted best practice, and we reduce to the minimum practicable any adverse effects of our operations on the environment.

Here in Egypt, we work closely with the Egyptian Environmental Affairs Agency (EEAA), and we conduct approved EEAA Environmental Impact Assessment (EIA) studies before starting major projects. We also set ourselves targets for environmental improvements like reducing Greenhouse Gas (GHG) emissions, which we are successfully pursuing.

**2. What are your company's environmental and safety risk areas? How do you solve/overcome them?**

We believe Road Traffic Accidents (RTA) are the biggest risk to our operations in Egypt. According to the Egyptian cabinet's Information and Decision Support Center (IDSC), road traffic accidents in Egypt result in over 5,000 deaths per year, and cost the economy over LE 4 billion every year.

In order to be better prepared for this risk, we offer all our staff at BG Egypt courses in Defensive Driver Training. We also have in-vehicle monitoring systems to monitor the driving performance of our staff and drivers. This has resulted in improved driving standards.

We also build environmental assessment and management into all of our activities whether exploration projects or production operations.

**3. Operating in various countries, how different/difficult to apply your QHSE programs in Egypt compared to other countries?**

We have been working with our industry partners and international oil and gas companies through Egypt's Oil and Gas Forum. BG took the lead two years ago in producing Egypt-specific contractor management documents that can be used for all tendering and contracting in Egypt. These documents have set high HSE standards, and have been adopted by the EGPC and EGAS in April and were rolled out to affiliate companies.

**4. Do you provide any HSE training programs to your employees? How frequent?**

We have dedicated HSE teams who do ongoing training in all areas, such as risk assessment training, incident investigation training and Behavior Based Safety training. We have recently launched Leading with Safety, focused on the management's responsibility to set an example to other staff.

**5. What type of safety incidences have you encountered? How major were they? Can you state any examples?**

Unfortunately, we have encountered a number of minor road traffic accidents in the past few weeks. We take those very seriously. BG Group has a goal of zero injuries, and as such is committed to eliminate road traffic accidents involving employees and to influence contractors in doing the same.

As a world leader in its field, BG Group believes that safety is simply good business. Through our operations here in Egypt, we have achieved 11 million man-hours without a Lost Time Injury (LTI) in Rashpetco, a Joint Operating Company, and 10 million man-hours without an LTI in Egyptian LNG. Both are world-class records in this industry.

**6. How do you control the quality management system in your company?**

BG Group continues to work towards full ISO 14001 International Environmental Management Standard certification at the major assets operated by BG Group. At the end of 2008, most of our major operated assets had been certified. Both Rashpetco and ELNG are holders of the ISO 14001.

Here at BG Egypt our dedicated HSE teams do ongoing training in each joint venture and at ELNG to ensure the highest level of HSE performance. The level of compliance in our joint ventures and in ELNG is industry leading in Egypt.

**7. What are your recommendations to raise the QHSE awareness level in Egypt?**

As previously mentioned, the Egypt Oil and Gas Forum provides a discussion platform through which BG Group HSE best practice is shared with companies and the government, to ensure that all parties work together towards the goal of raising HSE standards. Through continued focus on contractor management, we are constantly achieving performance improvement.



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## A 10-year Journey

**Throughout the last ten years, the Egyptian petroleum sector has witnessed a series of successful achievements under the chairmanship of Eng. Sameh Fahmy**

By Tamer Abdel Aziz



Although being responsible for an entire ministry is an honor in itself for its minister, but it is a heavy load, especially if it is similar to the size of the Ministry of Petroleum, followed and monitored by almost every citizen. Hence, it requires a person with unique capabilities who is able to achieve successes whenever the pressure increases.

According to the number of achievements and successes that took place during the last years, Eng. Fahmy has proved his distinguished capabilities to manage such gigantic sector.

In 1999, President Hosny Mubarak issued a verdict for appointing Fahmy as the Minister of Petroleum and being promoted from his previous position as the head of the Middle East Refineries "MIDOR". Since then, Fahmy has attracted the President's attention for oil in his mind for the reason that it was and still considered as a national project to achieve a breakthrough in this field.

One of the areas where Fahmy succeeded to turn into an oil and gas hub is the Governorate of Suez. Being a member in the Shura Council for this governorate, Fahmy's most important services was setting up a shipment of petroleum products for rail and lorries outside the city in the area of Agroud, which is a subsidiary for the Oil Pipelines Company.

He also established a station for loading the butane-gas pipes in Agroud and another for the same purpose in El-Ain El-Sokhna. The minister also succeeded to protect the environment from any possible pollution resulting from the production lines; all the oil and gas pipelines were raised from ground to

15 meters above the surface in addition to developing oil platforms by lifting lines from the surface so as not to spill the petroleum products in the waters of the Gulf of Suez.

Moreover, he ordered to develop the oil tankers of oil companies operating the port of Zaitayah which are Co-operation Petroleum Company, Esso and Mobil and Caltex, in addition to developing the oil platform of Suez Oil company for producing oil to receive crude oil and the development of the port of Sadat's oil pipeline in the Gulf of Suez and Sadat. Besides, he connected the lines of SUMED oil refineries in the Sokhna, Suez with Cairo and Assiut at a cost of about 200 million by Mitap Oil Company.

He also established the Ruhrpumpin Company for manufacturing pumps in the area of Nasr Petroleum Company in collaboration with a German company and another company, the Egyptian Petroleum HH for Rig Manufacture (EPHH), for the manufacture and maintenance of the drilling rigs in the Gulf of Suez.

Regarding his achievements in the oil sector, we find that the minister has signed several agreements for oil exploration in Egypt and has brought the world's largest oil and gas companies to the country, which have helped to achieve many discoveries in the past ten years as well as to increase national production of crude oil.

He also developed ambitious plans for the oil sector, which contributed significantly to the sector to avoid effects of the financial crisis that has befallen other sectors; Fahmy also opened new markets and many new branches of foreign trade in the oil sector, particularly gas, which earned Egypt many of the hard currency.

The minister also successfully amended some of the exporting gas contracts regarding the previous agreements with foreign companies and introduced the amendment in both Shura Council and the People's Assembly of Egypt, which returned to the state treasury nearly six billion pounds. He also delivered the natural gas for the South Valley and consequently reached Aswan in March 18, 2003.

The last years also witnessed the establishment of the Egyptian Natural Gas Holding Company (EGAS) and the Egyptian Chemicals Holding Company and

Ganoub El Wadi Petroleum Company (GANOPE) in addition to the General Petroleum Corporation (GPC) to raise the efficiency of the sector's performance and support it positively after it was a monopoly to the EGPC.

He also made amendments to the gas export agreements with importing countries to raise the price of natural gas, which led them to save about 20 billion pounds of the price increase.

### **Fahmy's activities during the last three months**

Last May, Fahmy signed an initiative for joint co-operation in the areas of research, exploration and development fields in Sinai and the Mediterranean Sea in addition to the field of personnel training with the Italian Minister of Petroleum, in which he said that Italian investments have become an important pillar of the Egyptian economy.

The minister said the signing of the initiative comes within the framework of the Italian Eni Compny sought to strengthen its presence in the Egyptian oil sector, under the direction of more investment in research, exploration and development, on the basis of the company's confidence in the volume of Egypt's oil and gas reserves gas, which have not been discovered yet.

The month of May was the month of the signing agreements since two new agreements were signed with two German and Polish companies.

He shed light during the signing of these two agreements on the ability and the success of the petroleum sector to attract new investments in oil and gas to major international oil companies with advanced expertise of various nationalities, including companies that work for the first time in Egypt, despite the current global crisis and credit crunch.

the two contracts which were signed between EGPC and the Polish and German companies were in the areas of Western Desert and the Mediterranean Sea, North of Edko in a total area of about 4712 square kilometers and total commitment to spend \$726 million.

Furthermore, during the same month, Fahmy declared that the gold reserves located in the Egyptian mines covering are due to cover a period from 15 to 20 years, which would have a significant impact on the Egyptian national income.

Fahmy also discussed the means of cooperation with Iraq in support of the oil cooperation between the two countries when he met his Iraqi counterpart,





Hussain Al-Shahristani in Iraq and signed an agreement to support the initiative of strategic cooperation, which includes the areas of research, exploration and production and allows the oil companies operating in the two countries to negotiate and direct the progress to the open bidding to search for oil and gas and development of existing fields and the participation of Egyptian companies in the tenders and the establishment of units of refineries and production, gas processing, transportation, distribution, manufacturing and marketing of equipment used in oil and gas industry.

He finished the month of May by participating in the meeting of energy ministers, held in Rome, Italy, which included the energy ministers set of eight industrialized nations and he was invited as a representative for Egypt, being one of the influential countries in the energy sector, which reflects Egypt's role in the decisions affecting the global energy and in which he stressed the need to balance the access to energy and the environmental protection and the importance of reconciliation between the interests of all parties in the energy markets, both consumers and producers or transit countries.

As for June, he started the month by signing a cooperation protocol between the Ministry of Petroleum and the Social Fund for Development to finance the project to divert the cars to use natural gas instead of gasoline to prove what he said in the conference in Rome in which he stressed the need for a balance between access to energy and the environmental protection and also enhance the tendency of the Egyptian government to transfer 37 thousand cars to work with natural gas.

He received in the same month the approval of the Ministers Council on the 17 new oil agreements with minimum investments in each by about \$3.5 billion for an English, Italian, Indian, Malaysian, Dutch, French as well as U.S. and UAE companies. In addition to that, four agreements were signed with German, Italian and Polish oil companies during the same period with investments of approximately \$1.6 billion.

He also announced in June the delivery of natural gas project to Upper Egypt as a strategic economic sector, confirms the ability to implement national projects under the program of President Mubarak to improve and develop the level of services to citizens and the need to accelerate the delivery of natural gas to the cities of Aswan, Upper Egypt, even to achieve a civilized development and a large comprehensive



development in all fields of social and economic level in various provinces. He said that 2009 would be a year of completing the level of natural gas.

Fahmy met in the middle of the month the Lebanese Minister of Energy to discuss delivering the gas to Lebanon in the month of August.

On the sideline of the celebration of Environment Day held by the Bibliotheca of Alexandria, The Minister of Petroleum said in his speech that the synchronization between energy, development and environment has become a challenge for the petroleum industry, which requires intensive efforts to protect the environment and human beings from the pollution threats.

During the same month, Fahmy visited the sites of Khalda Petroleum Co in Salam area, in the Western Desert. The area, which he believes, is one of the main promising spots for the enrichment of the petroleum industry in the country.

Last July was one of the most energetic months for the Ministry, Fahmy met with his Azerbaijani counterpart Nateq Alif, who discussed the progress of implementing natural gas pipelines projects, including the one crossing the Caspian Sea to Turkemistan and Azeribijan in addition to the Nabucco Project. This latter was expected to receive the main gas supply from Shah Diniz offshore field in Azerbaijan. The two ministers tackled in their meeting the challenges facing the implementation of these projects, which enjoy a special contribution form the European Union (EU). Egypt is currently playing a key role in the European continent, as considered the promising gas

provider for this area. That is the reason behind the Egyptian participation in several European summits held in Hungary, Bulgaria and the Republic of Czech and in the G8 Summit held in Italy.

At the end of the same month, the Minister headed the Egyptian delegation in the 8th Ministerial Conference of Gas Exporting Countries in Qatar, where he shed light on the vitality of strengthening the coop-

eration and mutual interests between gas exporting countries and the need for studying the right tools for gas pricing and for luring more investments required to develop the gas industry. Fahmy further added that there should be an exchange of expertise and latest technologies among countries.

After the second quarter of this year, Fahmy intensified his efforts to expand the ties with more countries. At the beginning of July, he met with his Uganda counterpart Hillary Onek to discuss the possible mutual cooperation between the two countries and identify the different sectors in which both countries can exchange expertise.

Fahmy's meeting reflected his strategy to expand into the African market through the support and cooperation between the African nations, especially that they symbolize a promising market to be the base for a booming African activities worldwide.

#### **Social Contribution and Athletic Support**

The wheel of activities led by the active minister has never been limited to the segments of exploration, discoveries, production and agreements only; however, Fahmy has never ignored the manpower behind this wheel. He has directed great attention to the services and medical insurance granted to the industry workforce. Along with the Minister of Health Dr. Hatem El-Gabaly, Fahmy follows up the implementation of a number of service projects, such as an international hospital, which will serve a large segment of the petroleum employees and their family in addition to the citizens of Suez, Sinai and Red Sea.

While in the social field, the Minister to lift the cooperative housing loan to all the workers in the oil sector of the thirty thousand to sixty thousand pounds interest-free and made another social amounted by five thousand pounds, without benefits for the marriage for the sons of workers and employees.

Moreover, Fahmy has always supported the athletic skills of the employees and adopted the gifted sporty worker. This year, the Minister celebrated the sports achievements of the petroleum employees in a celebration attended by the Minister of Manpower Aisha Abdel Hadi.

Fahmy also supported the Suez football team by more than one million pounds in addition to continuing support for the petroleum sector clubs in the national league and first division, led by Enppi and Petrojet and Asyut Petroleum and GASCO.





- **The volume of foreign investments increased in the fiscal year of 2007-2008 from \$3.7 billion to \$7 billion**
- **Throughout 2008, the Minister had an intensified agenda; he attended the summits held in Sophia, Prague, G8, OPEC and Jeddah Energy Conference**
- **One of the Minister's prime goals is to strengthen the Arab ties through the Arab Gas Pipeline and the Liquefied Natural Gas (LNG) projects in addition to expand the operations of the Egyptian companies in the Arab world**

#### What they say...

Eng. Emad Hamdy, CEO of Al-Waha Petroleum Company (WAPCO) said that the strategies of the Ministry of Petroleum led by Eng. Sameh Fahmy are based on four main factors:

1. The increase of foreign investments by encouraging the foreign exploration companies and offering full support and incentives in order to boost the oil and gas reserves in the country. At the same time, the ministry has adopted the self-sufficiency policy and supports the local manufacture of tools and equipments, such as the onshore and offshore rigs, which have reduced the production costs.

2. Setting detailed plans and time plans to implement the production and development projects top the list of priorities of the Minister. This is shown in the regular meetings and visits of Fahmy with the top officials and heads of companies to ensure the smoothness of work flow in the scheduled time frame and study any drawbacks or obstacles that might negatively affect the execution phase.

3. The amendment of oil and gas agreements is another important factor that has contributed to ameliorating the national revenue and decreasing the costs of production.

4. Last, but not least, solving the problems facing the industry employees has led to more efficiency at work and hence, better implementation of projects to achieve the ministry goals.

"WAPCO has a distinguished list of achievements; under the leadership of Eng. Fahmy... it succeeded to increase the daily production from 520 barrels to 850 barrels by putting old fields once back on the operation line through the utilization of advanced techniques in artificial lifting. Moreover, the company generates 40 million cubic feet of gas per month, transported to GUPCO," said Hamdy. "We aim at reaching a net production level of 1300 barrels per day."

Similarly, Eng. Medhat Badawy, CEO of North Bahariya Petroleum Company (NORPETCO) highlighted that "over the last 10 years, there was a considerable increase of exploration agreements and discoveries in the Western Desert, which is now competing with other areas such as the Gulf of Suez and Delta, known by their high E&P potentials."

"Exploring new areas such as the Eastern Desert, which witnessed the first crude oil production, attracts more international companies to invest in the country," said Badawy.

He further added, "NORPETCO and Petro Shahd succeeded to double their daily production from 4000 barrels to 8000 barrels and it is planned to increase this amount to 12000 barrels by the end of this year."

It is worth mentioning that two discoveries were attained this year in the Southeast Shahd and Al-Zahraa area, which contributed to increase the volume of reserves to four million barrels, in the East Ras Qattara, Western Desert. Moreover, the construction of a new station for production facilities in Southeast Shahd was completed.

Badawy suggested increasing the construction of production facilities stations in the Western Desert in order to accommodate the new discoveries and put them on production line in a short period of time.

One of the significant landmarks of the Minister is the establishment of Joint Ventures. "Lots of JVs were established since the beginning of Fahmy's leadership. Our company is one of these JVs, which was established in the second quarter of 2002, jointly between the Egyptian Natural Gas Holding Company and Canadian Centurion," said Mohamed Moenes Shahat, President of Al-Wastani Petroleum Company.

He further added that the actual production of the company started on March 31, 2002 from the Al-Wastani field at the rate of 12 million cubic feet of gas per day and 400 barrels of condensate.

Eng. Magdy Abdallah, CEO of Gemsa Petroleum Company (GEMPETCO) established in April 1989 said, "Under the leadership of Eng. Fahmy,



GEMPETCO has implemented several projects and achieved many accomplishments, such as the renovation of electric deep plumbs to ensure production increase, fixation of wells at Gemsa Field and water injection, utilization of secondary production techniques in old fields to re-generate production, maintenance and operation of Zaafarana petroleum tanker, extending the Gemsa offshore platform to accommodate larger number of wells (instead of constructing new platforms to save costs) and finally, the utilization of GEMPETCO's extra production facilities by Fanar Petroleum Company in the Southwest Gabal El-Zeit field to help decrease the production costs."

Abdallah clarified that the human resources development has been on the list of top priorities for the company, which is one of Fahmy's strategies aiming at strengthening the skills and expertise of the Egyptian manpower that would by their turn develop the sector.

#### List of some Joint Arab Projects

1. Sharara/Melita Pipelines, Libya (Petrojet and Enppi)
2. Serir/Tabrak Pipeline, Libya
3. \$10-million Pipeline for Oil Exportation to Sudan (Petrojet and Enppi)
4. Water feeding grid and drainage network in Yemen, worth 10 million Euros investment (Petrojet)
5. Infrastructure project for gas liquefaction in Yemen (Petrojet)
6. Construction of crude oil treatment station in Yemen, worth \$152 million (Petrojet and Enppi)
7. Complete technical services and supervision for the construction of Euphrates Company, Syria (Enppi)
8. Development Project to raise the efficiency of production at the fields of Thuban/Gronof, Azrak/Maleh, Syria (Enppi)
9. Construction of two units for the recovery of gases generated in the stores of raw, Syria (Enppi)
10. Preparation of basic engineering studies for the fields of Gehar Area, Syria (Enppi)
11. Completion of the pilot project conducted by Car Gas to convert vehicles to run by natural gas, Syria
12. Feeding line for the Errachidia factory, Jordan (Petrojet)
13. Implementation of 42 storage tanks, Jordan

(Petrojet)

14. Construction of Potash Production Unit, Jordan (Petrojet)

15. Projects of compressed natural gas stations and centers to convert vehicles to run by natural gas in a number of Arab and African countries

16. Transportation, marketing and delivery projects in Syria and Jordan

17. Expansion of the Egyptian Drilling Company (EDC) activities in Saudi Arabia, Syria and Libya

18. Installation and manufacture loading platform for petroleum products in Dabaa, Saudi Arabia (Petrojet, Marine Petroleum Services and Sianco)

19. Expansion of gas stations in Yanbu, Saudi Arabia (Petrojet and Enppi)

20. Construction of liquefied gas storage reservoirs in Yanbu (Petrojet and Enppi)

21. Rehabilitation project for the fields of Svania, Berry, Morgan, worth \$107 million, Saudi Arabia

22. Field development project for the Khafegy field, Arabian Gulf, 1st phase, \$722 million

23. Petroleum Air Services Company won the international bid round of the Libyan Oil Aviation Company

24. Al-Hamra/Skikda pipeline projects, Algeria

25. Construction of two oil exporting pipelines, worth 30 million LE, Algeria (Petrojet)





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## Intensive European tour by Mubarak

**Egyptian President Hosni Mubarak called for Europe to improve cooperation with the southern Mediterranean states in order to confront the global economic crisis**

By Ahmed Morsy

President Mubarak opened last month the Mediterranean Economic and Financial Forum in Milan, Italy, with the Italian Prime Minister Silvio Berlusconi before a diverse delegation of ministers and industry leaders from nations of the Union for the Mediterranean (UPM).

Europe is Egypt's important trade partner given that the volume of the European investments reached the level of that of the U.S. Within the last ten days, a major obstacle would have been removed before the Egyptian agricultural products to Europe as Egypt and the European Union (EU) are expected to sign an agreement to remove all obstacles before Egypt's agricultural exports.

Mubarak delivered a keynote speech before the Economic and Financial Forum. Mubarak said the current economic crisis represented a "new challenge for us and for the world". Poor countries risked "paying a high price" by losing competitiveness and becoming less attractive for foreign direct investment, he warned in his inaugural speech to the forum.

Wealthy European countries in the Mediterranean region should move to manage the recession "so that corrections do not negatively impact on developing countries," Mubarak stated.

He also urged greater dialogue between rich and poor nations and more cooperation among Mediterranean countries.

During the forum, which focused on infrastructure, energy and smaller-sized enterprises, Mubarak advocated for

financial and technological cooperation as a main tool to ensure security in the region, and touched on the goal of a Mediterranean free-trade zone.

He said that Egypt was holding its commitment to achieve 20 percent renewable energy use.

Six Egyptian ministers, including the minister of electricity, of petroleum and of transportation, accompanied the president to Milan.

And with the UPM approaching its first anniversary, the heads of state, including co-chairmen Mubarak and the French counterpart Nicolas Sarkozy, will build a framework for its future.

The UPM was inaugurated last year as a cooperative organization spearheaded by French President Sarkozy to bring together the nations of the Mediterranean. It incorporates 43 nations, including all members of the European Union, and holds summit meetings every two years.

Mubarak was named co-chairman of the UPM with Sarkozy at its inception.

Part of his short European tour that includes visits with the Italian prime minister and French President, Mubarak convened with Sarkozy in Paris to discuss means of activating the Union for the Mediterranean. In fact, Sarkozy appreciates President Mubarak for his immense role in securing the stability of the Middle East. Moreover, Paris shares strategic partnerships with three countries of emerging economies: India, Brazil and Egypt.

"As a result of its informal nature and the ample attendance of representatives from economic spheres," said the Italian Foreign Ministry in a press release, "the Forum is meant to become a significant annual event within the institutional and political context of the Union for the Mediterranean."

Egyptian Minister for Foreign Affairs Ahmed Aboul Gheit stated that Milan Forum mainly stresses the economic aspects, targeting to achieve communication between businessmen, as well as representatives of banking bodies and institutions, within the Mediterranean framework. The forum will also focus on supporting economic and investment relations between the Mediterranean banks, while the upcoming session will tackle three issues, energy, the infrastructure and means to support small and medium projects as well as their funding sources. The Ministers of Transportation, Trade, Industry, Energy and Petroleum will participate at the Forum in addition to a number of Egyptian businessmen.

President Mubarak's deliberations with Italian and French Presidents discuss the outcomes of the last L'Aquila G8 Summit, in which President Mubarak participated and discussed the proposed ideas to enlarge the G8 to be G14, and involve Egypt. Berlusconi and Sarkozy were informed of the outcomes of the recent NAM Summit in Sharm el-Sheikh, and outline the Egyptian visions regarding the movement countries' actions during the upcoming stage, under the current unprecedented events on the global arena.

## China's race into the oil market is in trouble

**Will the deadly riots and clashes erupted in China affect the stability of the world's most populous country and the second largest oil consumer?**

The growing unrest in China's northwest Xinjiang region that prompted President Hu Jintao to leave the G8 summit has brought into startling new focus a deep ethnic divide that the Chinese government is eager to keep in check.

Deadly riots that erupted last month between Muslim Uighurs and Han Chinese civilians and police in Urumqi, Xinjiang's capital city, are said to have been sparked by an Uighur demonstration against the government's handling of a prior clash between Uighur and Han factory workers.

But in spite of Beijing's assertion that it has helped the vast, sparsely populated, oil-rich Xinjiang province prosper economically, the Uighurs have long protested many forms of discrimination and repression under Han Chinese rule. For now, the Chinese government has regarded the Uighur population with deep mistrust, often portraying them as militant separatists who rely on terrorist tactics.

One common source of Uighur discontent is related to demographics. Though the 10 million Turkic-speaking Uighurs make up Xinjiang's ethnic majority, the Han have always governed the region under the Chinese Communist Party. Many Uighurs believe that the Han, China's dominant ethnic group, are trying to tighten their grip by altering the area's population balance.

The majority of Uighurs is Sunni Muslims while the secular China is particularly suspicious of Islam. The

Han government in Xinjiang "permanently monitors all Koranic schools in fear of insurrection.

Many Uighurs are also angry about the Han government's phasing out of Uighur-language instruction in schools.

Beijing contests these grievances, pointing to the rapid economic growth and improved living conditions Xinjiang has seen under Han policies. However, Uighurs said they have been excluded from the region's economic development. And it is known that most Uighurs are "limited to second-class jobs, thus creating a feeling of social frustration."

On the other hand, China insists that other causes are to



blame for the tensions boiling over. Authorities have accused Rebiya Kadeer, a Uighur businesswoman and president of the World Uighur Congress who now lives in the US, of orchestrating the protests that set off the violence.



The death toll from the recent violence in the region had risen to 197. Besides, about 1,000 people, mostly Uighurs, have been detained in the resulting government crackdown.

In recent years, China has been undergoing a process of industrialization and is one of the fastest growing economies in the world. With real gross domestic product growing at a rate of 8-10 percent a year, China's need for energy is projected to increase by 150 percent by 2020. In order to sustain its growth China requires increasing amounts of oil. Its oil consumption grows by 7.5 percent per year, seven times faster than the U.S. China's ability to provide for its own needs is limited by the fact that its proven oil reserves are small in relation to its consumption.

A report by the International Energy Agency predicted that by 2030, Chinese oil imports would equal imports by the U.S. today.

But despite its efforts to diversify its sources, China has become increasingly dependent on Middle East oil. Today, 58 percent of China's oil imports come

from the region. By 2015, the share of Middle East oil will stand on 70 percent. Though historically China has had no long-standing strategic interests in the Middle East, its relationship with the region from where most of its oil comes is becoming increasingly important. Hence, will the relation of China with the Middle East and Islamic countries play a role in changing China's policy with the Muslim Uighurs? Or everything will remain the same and the chaos will deteriorate the conditions in the second largest oil consumer, behind the U.S.



## A necessity for diversifying

**There has been some de-linkage between oil prices and economic growth, as countries try to diversify, but at the end of the day, oil revenues are what drive the economies of the region**

Governments are considered as the biggest employers and biggest spenders. When they are earning more, they are spending more. In the Middle East, the economic activity is directly linked to government spending.

Regarding the fact that oil revenues are what drive the economies of the region, it leads to the current trend to watch closely price of oil more than ever.

A billion dollars a day, that is how much Saudi Arabia was making when oil prices were high, now it is earning just \$700 million.

It might seem like a marginal difference, but for the oil exporting nations of the Middle East, those falling revenues are hitting hard. As demand for oil wanes, in the wake of the global recession, prices have more than halved. And whilst that is good news for consumers, it is not considered as good news for producers.

In a year that has seen prices soar as high as \$150 a barrel and as low as \$40, that volatility has hit both consumers and producers.

Nowadays the general feeling is that prices will not rise again until there is some solid evidence of an economic recovery. In addition, it is no longer

an issue of how high prices can go; instead it is about how low they can go.

And it is that concern that has reignited calls for governments to speed up their diversification.

Countries across the region are planning for a better future after oil or as a parallel path to reduce their reliance on oil revenues, and find alternative sources of income. So if oil prices do continue to fall, they will either spend less or find other ways of making the money.

Saudi Arabia and Kuwait are the most vulnerable countries to fluctuations in the oil price. They derive almost 90 percent of their national income from oil exports. But at the same time, they are also the two countries with the biggest cash reserves. That could see them through the worst of the storm.

The real problem will be presented in countries like Oman and Bahrain. They could suffer the most because they have smaller cash reserves and less oil wealth.

Yet those cash reserves could now become more important than ever.

Just six years ago, Gulf countries could sell oil at \$20 a barrel and still balance their budgets.

But with today's increased public spending, ambitious construction projects and heavy infrastructure development, they now need to sell oil at



around \$50 a barrel. Even at that level, most will just break even.

In the oil exporting countries, oil prices and government spending go hand in hand. That means some projects are being put on hold as the price of oil falls and funds run out. Those nearing completion will still be finished, but many new projects are likely to be delayed or scrapped altogether.

Hence, everyone now recognizes that by diversifying, they are better prepared to deal with oil price volatility. But just as the rest of the world relies on Middle Eastern oil, Middle Eastern governments rely on its income.

Consumers are slowly learning to wean themselves off oil. Now could be the time for producers to do the same.





# Eight exploration bloc

The Egyptian General Petroleum Corporation (EGPC) invites Petroleum Exploration Companies for the International 2009 Bid Round No.1 to explore / exploit for Oil and Gas in Egypt under the Production Sharing Agreement.

The International 2009 Bid Round No. 1 includes eight Exploration Blocks in the Gulf of Suez Sedimentary Basin. Interested companies can submit their offers based on the Procedures, Main Commercial Parameters and the applied Egyptian Production Sharing Model Agreement. Data purchasing and data room will be available in EGPC Geological & Geophysical Information Center, Nasr City, upon request and according to the determined prices. The closing date is on the 1st of November 2009, at 12:00 hrs.

## West Darag Offshore block (1)

There is only one drilled well in this block, which is W 78-1, drilled by DEMINEX, spudded on February 19, 1981 and completed in nearly two months; finalized on April 20. The total depth of the drilling counted for 9,140 feet and its formation reached Paleozoic.

In this block, the successful bidder(s) will be granted an extra area for exploiting by deviated operations that will be directed from the original block, while the surface operations are prohibited in the extra area.

In this extra area, there are five wells that were previously drilled; three of them by Total and the other two by AMOCO.

The three wells drilled by Total are:

1- NDR-3 spudded on 29 November 1985 and completed in approximately three weeks (14 December), at a total depth of 4,849 feet, reaching the Jurassic format and hitting a Miocene Nukhul discovery.

2- NDR-2 spudded on 21 October and completed on 27 November 1985, at a total depth of 5,250 feet, at the Jurassic formation and also hit a Miocene Nukhul discovery.

3- NDR-1 spudded on 24 November 1984 and completed on 19 December, total depth of 5,799 feet, Jurassic formation, achieving a Miocene Nukhul discovery.

The remaining two wells drilled in the extra area are,

1- GS 24-1 spudded on 16 May 1977 and completed on 18 July, at a 9,405 feet-total depth, Jurassic formation.

2- GS 9-1 spudded on 3 February 1977 and completed on 23

April, at a total depth of 8,302 feet, at the basement formation.

The source of rocks in the West Darag Block constitute of Jurassic Sediments, Upper Cretaceous Sediments and Lower Miocene Globagerina Marl. As for the reservoir, it includes Miocene sands of Kareem and Rudeis formations in addition to Pre-Miocene porosities.

As mentioned above, there are three main Nukhul (Miocene) discoveries lying nearby this block; North Darag 1,2 and 3.

## South Darag Block (2)

The second block incorporates even drilled wells; two by BG, two by CONOCO and the remaining three by AMOCO.

The first two wells are Balah-1 (spudded on 28 February 1996, completed on 5 June, 13,397 feet total drilling depth, Nubia formation) and HB 77-3 (spudded on 4 September 1991, completed on 26 October, 7,700 feet depth, cretaceous formation). Both were drilled by BG.

The third and fourth wells were drilled by Conco; C2A-1 (spudded on 16 November 1984, completed on 31 December, total drilling depth of 9,500 feet, Nubia formation) and CLB-1 (spudded on 15 October 1982, completed 24 February 1983, total drilling depth of 12,700 feet, Nubia formation).

As for the remaining three wells, AMOCO was granted the drilling opportunities. The first well is GS 100-1, which was spudded on 8 April 1980, completed in to months, on 12 June, at a 9,398 feet total depth, reaching the lower cretaceous formations and made indications of oil shows in Eocene. The second well is

GS 101-1 that was spudded on 12 February 1979 and completed at the beginning of May 1979, scoring 11,176 feet as total drilling depth in the Nubia formation. Finally, the third well is GS 114-1A, spudded on 12 July 1976 and completed on 15 September, at a total depth of 11,275 feet, at the Nubia formation.

The source rocks of this block formed of multi source rock units, mainly associated with Thebes and Campanian Brown Limestone Fms (different kitchens with different maturity levels). While, the reservoir constitutes of Miocene sands of Kareem and Rudeis formations along with pre-Miocene porosities.

It is worth mentioning that the previous concessionaire was BP.

The list of nearby discoveries includes

the Warda Oilfield, discovered by BG Egypt in 1990. Excellent reservoirs were found in the field, all of the lower Miocene age. (API: 23.5, OOIP: 217.8 MMSTB, Recovery Reserves: 41 MSTB, Porosity: 23-30 percent and Permeability: 430-1200).

## Northwest Abu Zenima Block (3)

A total o five wells were drilled in this area:

1- E.Tanka-5A drilled by AMOCO, spudded on 6 November 1997, completed on 20 January 1998, at the Eocene formation, at a total depth of 13,270 feet

2- HB 80-1 drilled by AGIP, spudded on 27 February 1991, completed on 2 June, at the basement formation, with a total depth of 11,034 feet

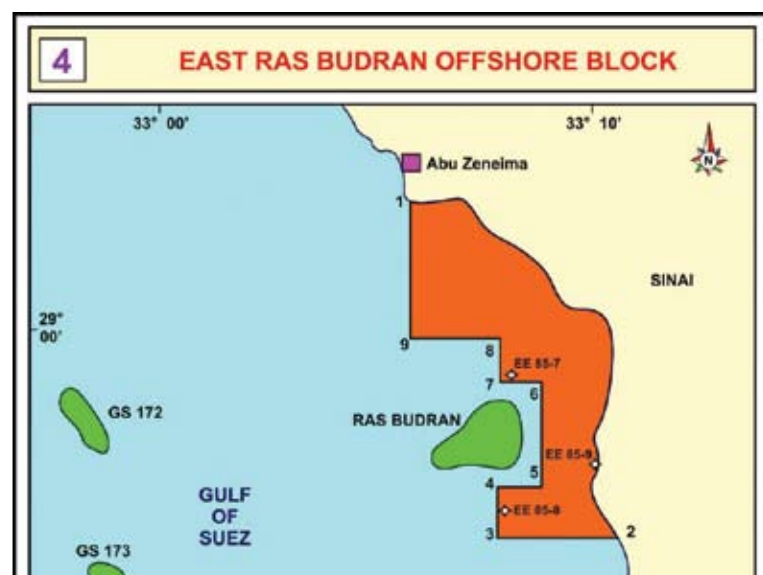
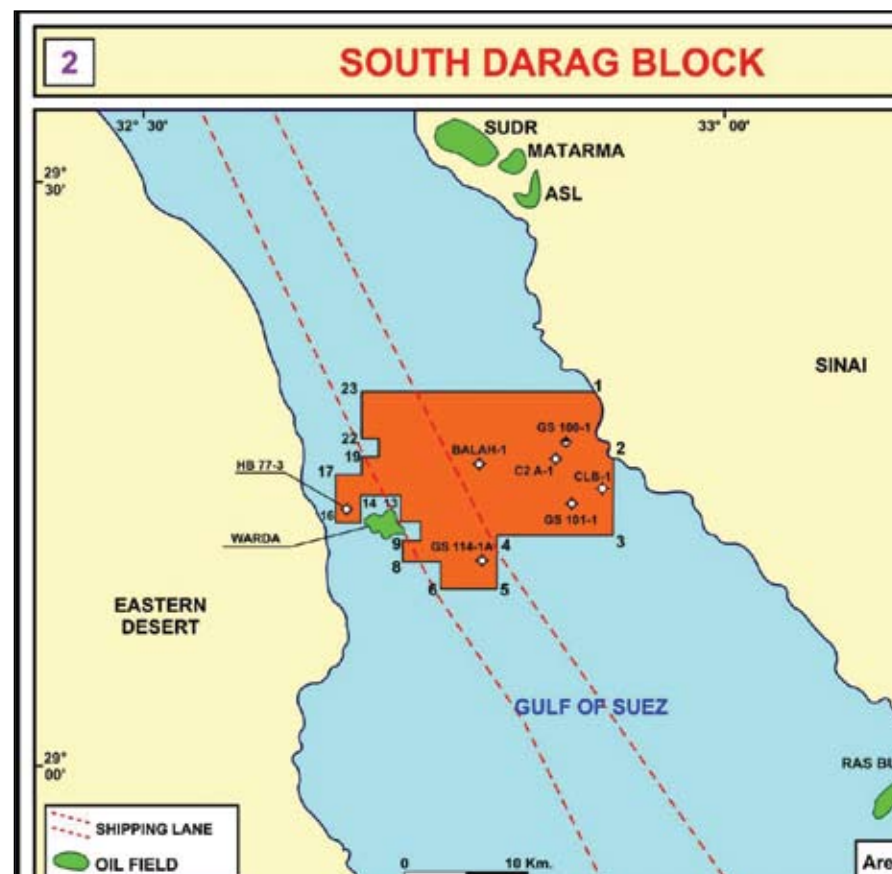
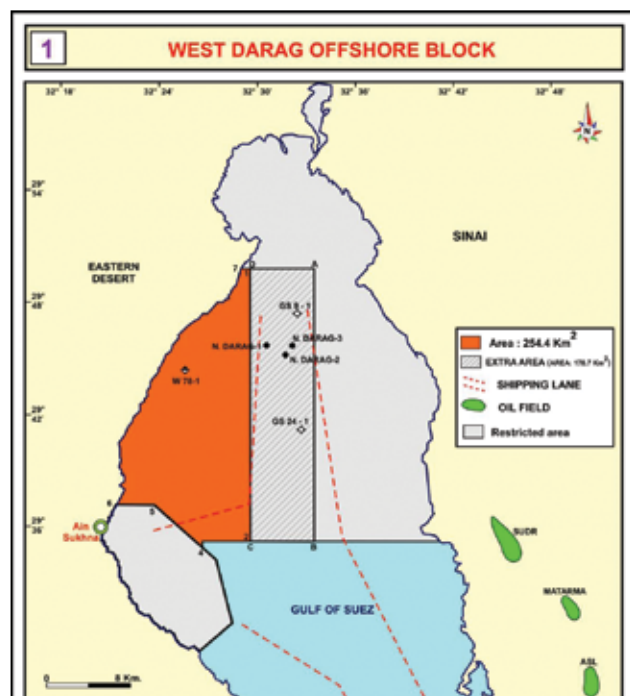
3- C3A-1 drilled by CONOCO, spudded on 10 March 1985, completed on 24 My, at the Eocene formation and at a 13,931 feet total depth

4- DD 84-1 drilled by DEMINEX, spudded on 30 June 1982, completed on 8 September, at the basement formation, a total depth of 10,685 feet

5- GS 138-1B drilled by AMOCO, spudded on 17 July 1979, completed on 2 March 1980, at the lower cretaceous formation, a total depth of 16,800 feet

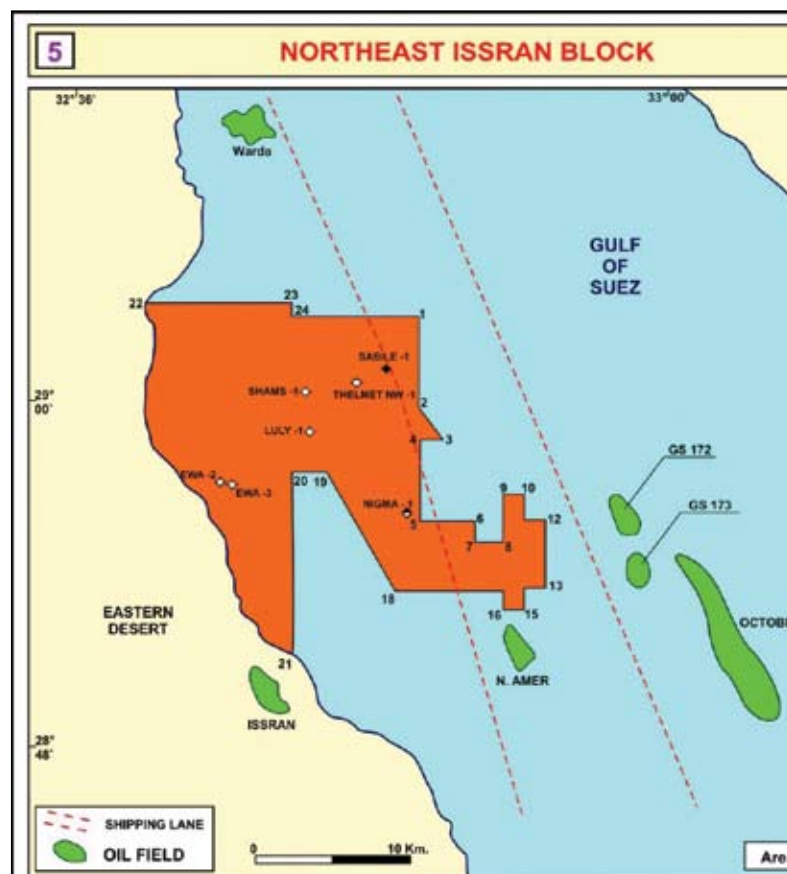
The previous concessionaire was BP.

There are two main nearby discoveries that were achieved; the





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Ras Budran and Warda Oilfields.

The source rocks of this block formed of multi source rock units, mainly associated with Thebes and Brown Limestone Fms (different kitchens with different maturity levels). While, the reservoir constitutes of Kareem, Rudeis and Nukhul sands of Miocene along with pre-Miocene porosities.

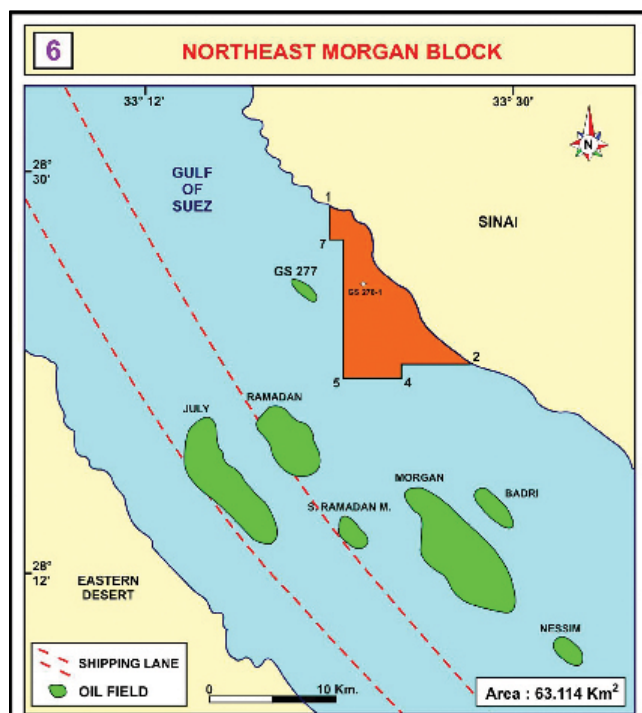
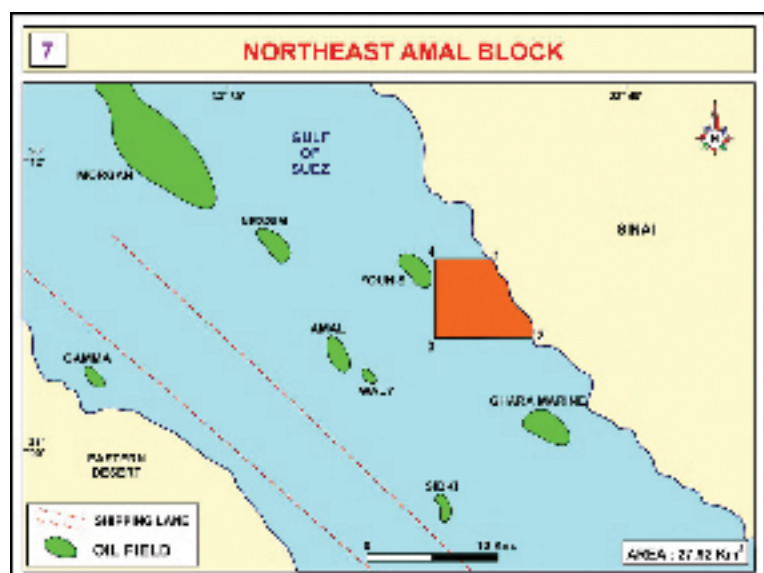
#### East Ras Budran Offshore Block (4)

The fourth block has three drilled wells, all by DEMINEX. The first is EE 85-9, spudded on 7 November 1983, completed on 2 March 1984 at a total drilling depth of 13.560 feet and reached the cretaceous formation. The second one is EE 85-8, spudded on 7 September 1983, completed on 4 December, at a 13.400 feet total depth and reached the Nubia formation. The third and final field is EE 85-7 spudded 25 March 1983, completed on 5 October, at a total depth of 11.510 feet and reached the Nubia formation.

The source rocks of the East Ras Budran Block formed of upper cretaceous and lower Miocene Globogerina Marl. While, the reservoir constitutes of Kareem, Rudeis and Nukhul sands of Miocene in addition to Pre-Miocene porosities.

There are three nearby discoveries to this block, which are Ras Budran, GS 172 and GS 173 oilfields.

#### Northeast Issran Block (5)



The previous concessionaires of this block were Dover and Arabian Oil, where seven wells were drilled.

1- EWA-3, drilled by Dover, spudded on 20 December 2003, completed on 20 January 2004, total depth of 7.310 feet, reached the Nubia formation

2- EWA-2, drilled by Dover, spudded on 3 December 2002, completed on 8 January 2003, total depth of 5.198 feet, reached the Matulla feet

3- Shams-1, drilled by BG, spudded on 2 February 1993, completed on 20 February, total depth of 5.070 feet, reached the Eocene "Thebes" formation

4- NIGMA-1, drilled by BG, spudded on 2 December 1992, completed on 9 January 1993, total depth of 11.600 feet, reached the Lower Cretaceous "Nubia C" and indicated oil shows in Lower Miocene, Eocene and Upper Cretaceous

5- LULY-1, drilled by BG, spudded on 8 September 1990, completed on 15 October, total depth of 7.860 feet, reached the basement formation

6- SABILE-1, drilled by Union, spudded on 5 May 1986, completed on 14 September, total depth of 10.500 feet, reached the Cretaceous "Nubia C" formation, tested oil in the Upper Miocene "Zeit Fm." With an average rate 228 BOPD of 22° API

7- THELMET NW-1, drilled by Union, spudded on 30 July 1981, completed on 26 August, total depth of 9.050 feet, reached the Cretaceous "Nubia" formation

The list of nearby discoveries includes Issran, N.Amer, GS 172, GS 173 and October oilfields.

Focusing on the source rocks, it includes upper cretaceous (Brown Limestone) and lower Eocene. Besides, the reservoir constitutes of lower Miocene sands (Kareem, Rudeis and Nukhul) and Pre-Miocene porosities.

#### Northeast Morgan Block (6)

In this block, there was only one drilled well by AMOCO, which is the GS 278-1. It was spudded on September 19, 1980 and completed on November 3rd, same year. The formation reached the basement level and the total drilling depth counted for 8.165 feet. The previous concessionaires included BP and Agiba. The source rocks are mainly upper cretaceous (brown limestone) and L. Eocene and the reservoir constitutes of L. Miocene sands (Kareem, Rudeis and

Nukhul) and Pre-Miocene porosities.

This block is located near several fields where discoveries were achieved, such as GS 277, Ramadan, Morgan and Badri oilfields.

#### Northeast Amal Block (7)

The previous concessionaires were Agiba and AMOCO. The source rocks are mainly upper cretaceous (brown limestone) and L. Eocene. The reservoir constitutes of L. Miocene sands (Kareem, Rudeis and Nukhul) and Pre-Miocene porosities. The nearby discoveries list includes Younis, Amal, Waly and Gharra Marine oilfields.

#### North Ras El Ush Block (8)

The last block includes seven drilled wells and the previous concessionaires were Devon and AGIP.

1- KHUFU-1, drilled by Devon, spudded on 18 November 2005, completed on 23 February 2006, total depth of 11.700 feet, reached the Lower Rudeis

2- GB 85-8, drilled by UNOCAL, spudded on 12 October 1990, completed on 27 December, total depth of 11.900 feet, reached the Lower Cretaceous "Nubia C" formation, tested oil in the Lower Miocene "Nukhul fm." With an average rate 845 BOPD of 29.6 API

3- ESO 344-3, drilled by Quintana, spudded on 22 January 1982, total depth of 12.929 feet, reached Nubia formation, showed oil in Lower Miocene

4- NN 88-1, drilled by DEMINEX, spudded on 5 March 1981, completed on 26 April, total depth of 7.235 feet, reached the basement formation

5- NN 89-1, drilled by DEMINEX, spudded on 6 July 1976, completed on 12 November, total depth of 13.385 feet, reached Rudeis formation, showed oil and gas in Lower Miocene

6- GS 344-2, drilled by AMOCO, spudded on 15 February 1976, completed on 13 May, total depth of 12.430 feet, reached Nubia formation

7- GS 344-1A, drilled by AMOCO, spudded on 20 May 1975, completed on 20 July, total depth of 11.336 feet, reached Nubia formation, showed oil in Cretaceous "Nubia C"

The source rocks of this block are formed of Cretaceous (Campanian Brown Limestone) in addition to Lower Miocene Globogerina Marl. Besides, the reservoir constitutes of Miocene sands of Kareem and Rudeis formations, Pre-Miocene porosities (Matulla Fm and Nubia sands) and fractural basement.

For further information, please contact: Deputy Chief Executive Officer for Agreements & Exploration Telephone: (202) 27035632- 25185027 Fax: (202) 27065207

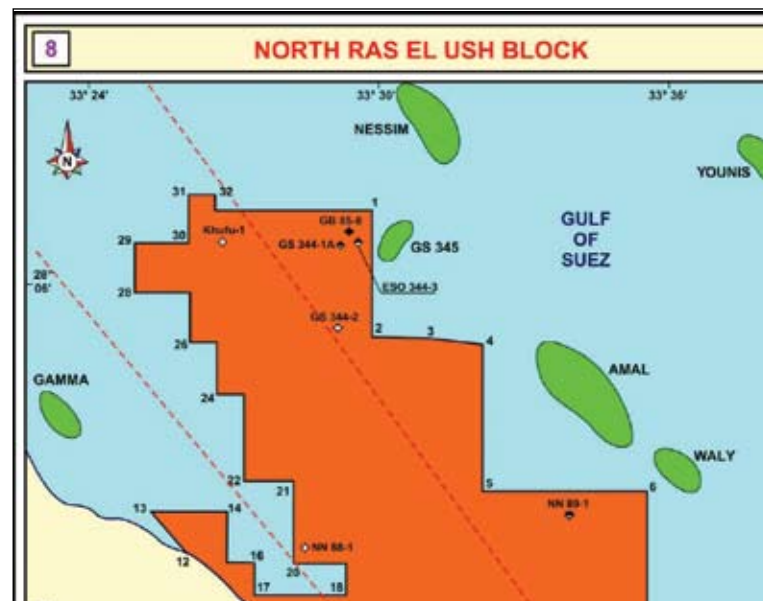
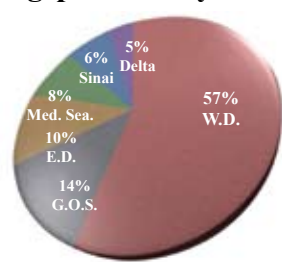




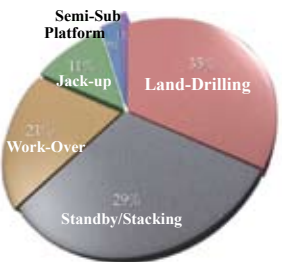
Table 1 Egypt Rig Count per Area -July 2009

RIG COUNT			
Area		Total	Percentage of Total Area
Gulf of Suez		20	14%
Offshore	20		
Land			
Mediterranean sea		11	8%
Offshore	11		
Land			
Western Desert		81	57%
Offshore			
Land	81		
Sinai		6	6%
Offshore			
Land	6		
Eastern Desert		14	10%
Offshore			
Land	14		
Delta		7	5%
Offshore			
Land	7		
Total		142	100%

Rigs per Area July 2009



Rigs per Specification



Source: Egypt Oil & Gas

Table 2 World Oil Supply<sup>1</sup> (Thousand Barrels per Day)

		United States <sup>2</sup>	Persian Gulf <sup>3</sup>	OAPEC <sup>4</sup>	OPEC <sup>5</sup>	World
2008 September		<b>7,081</b>	24,634	25,681	35,888	<b>83,942</b>
October		<b>8,269</b>	24,554	25,603	35,894	<b>85,505</b>
November		<b>8,625</b>	23,876	24,828	35,164	<b>85,392</b>
December		<b>8,483</b>	23,348	24,231	34,420	<b>84,314</b>
2008 Average		<b>8,514</b>	24,386	25,432	35,724	<b>85,492</b>
2009 January	E	8,731	22,338	23,239	33,300	<b>83,266</b>
February	E	8,754	22,519	23,453	33,229	<b>83,714</b>
March	E	8,842	22,541	23,454	33,194	<b>83,699</b>
April	PE	8,879	22,646	23,502	33,356	83,887
2009 4-Month Average	PE	8,802	22,510	23,410	33,270	83,638

<sup>1</sup>«Oil Supply» is defined as the production of crude oil (including lease condensate), natural gas plant liquids, and other liquids, and refinery processing gain (loss).  
<sup>2</sup> U.S. geographic coverage is the 50 States and the District of Columbia. Beginning in 1993, includes fuel ethanol blended into finished motor gasoline and oxygenate production from merchant MTBE plants. For definitions of fuel ethanol, oxygenates, and merchant MTBE plants  
<sup>3</sup> The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.  
<sup>4</sup> OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.  
<sup>5</sup> OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.  
E=Estimated data. RE=Revised estimated data. PE=Preliminary estimated data.  
Revised data are in ***bold italic font***.

Source: EIA

Table 1 World Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Libya	Sudan	Other	World	OPEC <sup>1</sup>	Persian Gulf <sup>2</sup>	North Sea <sup>3</sup>
2008 September	1,745	520	<b>72,759</b>	32,640	22,157	3,755	3,455
October	1,745	520	<b>73,720</b>	32,643	22,077	3,850	3,755
November	1,700	520	<b>73,555</b>	31,895	21,384	3,989	3,850
December	1,650	530	<b>72,778</b>	31,259	20,952	4,007	4,989
2008 Average	1,736	521	<b>73,786</b>	32,483	21,913	3,881	4,007
2009 January	1,650	540	<b>71,753</b>	30,206	20,002	3,913	3,881
February	1,650	550	<b>72,013</b>	30,111	20,111	4,007	3,913
March	1,650	560	<b>71,978</b>	30,051	20,136	<b>3,973</b>	<b>4,007</b>
April	1,650	570	72,040	30,175	20,206	3,667	3,975
2009 4-Month Average	1,650	555	71,944	30,136	20,121	3,889	3,964

<sup>1</sup> OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.  
<sup>2</sup> The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.  
<sup>3</sup> North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.  
Revised data are in ***bold italic font***.

Source: EIA

Table 3 World Natural Gas Liquids Production (Thousand Barrels per Day)

	Algeria	Canada	Mexico	Soudi Arabia	Russia	Former U.S.S.R	United States <sup>1</sup>	Persian Gulf <sup>2</sup>	OAPEC <sup>3</sup>	OPEC <sup>4</sup>	World
2008 September	362	651	357	1,440	426	–	<b>1,514</b>	2,342	2,818	3,095	<b>7,520</b>
October	363	655	362	1,440	424	–	<b>1,749</b>	2,343	2,821	3,100	<b>7,914</b>
November	365	672	349	1,453	421	–	<b>1,740</b>	2,358	2,837	3,117	<b>7,932</b>
December	350	668	364	1,353	420	–	<b>1,607</b>	2,262	2,726	3,010	<b>7,699</b>
2008 Average	357	676	365	1,434	422	–	<b>1,784</b>	2,339	2,808	3,088	<b>7,938</b>
2009 January	350	669	366	1,305	405	–	1,721	2,202	2,668	2,942	<b>7,722</b>
February	341	667	364	1,311	402	–	1,792	2,241	2,697	3,965	<b>7,859</b>
March	338	671	374	1,345	402	–	1,850	2,270	2,722	3,992	<b>7,948</b>
April	338	668	379	1,377	405	–	1,851	2,307	2,756	3,029	7,984
2009 4Month Average	342	669	371	1,335	404	–	1,803	2,255	2,711	2,982	7,878

<sup>1</sup> U.S. geographic coverage is the 50 states and the District of Columbia. Excludes fuel ethanol blended into finished motor gasoline.  
<sup>2</sup> The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.  
<sup>3</sup> OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.  
<sup>4</sup> OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.  
-- = Not applicable. E=Estimated data. PE=Preliminary Estimated data.  
Revised data are in ***bold italic font***.  
Notes: Monthly data are often preliminary and also may not average to the annual totals due to rounding.

Source: EIA



Fig 1



Fig 2

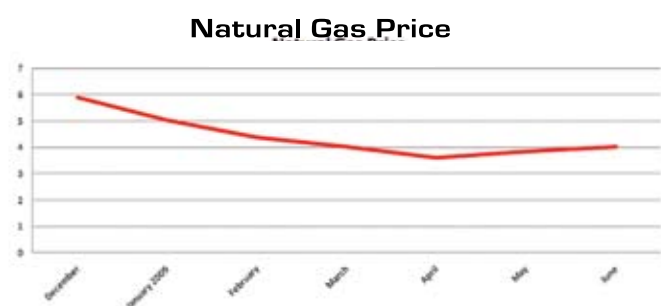
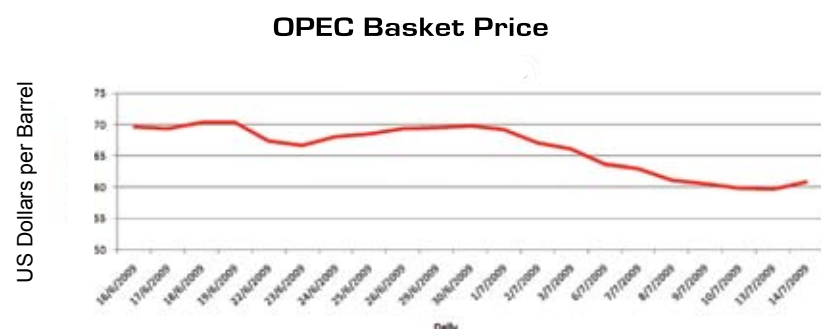


Fig 3



Source: Egypt Oil &amp; Gas

Table 6

International Stock Prices  
Mid-June 2009 - Mid-July 2009

International Stock	High	Low
Schlumberger [SLB] NYSE [US Dollars]	56.97	49.20
Halliburton [HAL] NYSE [US Dollars]	22.51	18.78
Exxon Mobil [XOM] NYSE [US Dollars]	71.63	65.12
Atwood Oceanics [ATW] NYSE [US Dollars]	25.79	22.29
Weatherford [WFT] NYSE [US Dollars]	21.06	17.60
Shell [RDSA] NYSE [US Dollars]	51.90	46.66
Apache [APA] NYSE [US Dollars]	80.41	66.39
Baker Hughes [BHI] NYSE [US Dollars]	39.59	33.41
BJ [BJS] NYSE [US Dollars]	14.62	12.39
Lufkin [LUFK] NYSE [US Dollars]	42.46	38.55
Transocean [RIG] NYSE [US Dollars]	78.76	67.31
Transglobe [TGA] NYSE [US Dollars]	2.75	2.43
BP [BP.] LSE Pence Sterling	503.00	462.60
BP [BG.] LSE Pence Sterling	1081.00	985.00
Dana Gas [Dana] ADMS US Dollars	1.17	0.98
Caltex [CTX] ASX Australian Dollars	13.79	11.69
RWE DWA [RWE AG ST] Deutsche-Borse Euros	57.27	52.81
Lukoil [LKOH] RTS [US Dollars]	50.30	40.20

Source: Egypt Oil &amp; Gas

Table 4 OECD<sup>1</sup> Countries and World Petroleum (Oil) Demand  
(Thousand Barrels per Day)

	France	German	Italy	United Kingdom	OECD Europe <sup>2</sup>	Canada	Japan	South Korea	United States <sup>3</sup>	Other OECD <sup>4</sup>	OECD <sup>1</sup>	World
2008 September	1,994	2,827	<b>1,684</b>	1,721	<b>15,967</b>	2,326	4,290	2,167	17,796	3,399	45,941	NA
October	2,048	2,843	1,679	1,726	15,799	2,360	4,337	2,023	19,643	3,371	47,533	NA
November	1,881	2,606	1,578	1,709	14,892	2,339	4,565	2,059	19,001	3,301	46,158	NA
December	2,086	2,457	<b>1,645</b>	1,709	<b>15,142</b>	<b>2,284</b>	5,108	2,271	19,199	3,566	<b>47,571</b>	NA
2008 Average	1,956	2,555	<b>1,656</b>	1,698	<b>15,217</b>	<b>2,324</b>	4,743	2,153	19,419	3,503	<b>47,358</b>	<b>85,327</b>
2009 January	2,007	2,375	1,544	1,734	<b>14,693</b>	<b>2,489</b>	4,804	2,306	19,125	3,291	<b>46,708</b>	NA
February	2,016	2,598	1,604	1,688	<b>15,001</b>	<b>2,470</b>	4,670	<b>2,465</b>	18,706	<b>3,400</b>	<b>46,712</b>	NA
March	1,937	2,709	1,548	1,730	14,846	2,315	4,569	2,196	18,672	3,356	45,954	NA
2009 3- Month Average	1,986	2,560	1,564	1,718	14,841	2,423	4,681	2,318	18,839	3,347	46,449	NA

<sup>1</sup> OECD: Organization for Economic Cooperation and Development.<sup>2</sup> OECD Europe consists of Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.<sup>3</sup> U.S. geographic coverage is the 50 States and the District of Columbia.<sup>4</sup> Other OECD consists of Australia, Mexico, New Zealand, and the U.S. Territories.

NA=Not available.

Revised data are in **bold italic font**.

Notes: The term Demand is used interchangeably with Consumption and Products Supplied.

Source: EIA

**3<sup>rd</sup> Ramadan Petroleum Soccer Tournament '09**  
Cairo International Stadium, Cairo-Egypt  
3<sup>rd</sup> - 12<sup>th</sup> September 2009

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