50th issue Celebration

EGYPT OIL&GAS NEWSPAPER

50th issue Celebration

Much has been done... much remains to be done

When we first thought about Egypt Oil & Gas, we looked into serving the industry with timely, accurate information that would assist decision makers in building up their decisions, and keep them up to date of the market. Then we thought of how our services and products can be customized in the most proper format to reach the highest customer satisfaction.

On the occasion of celebrating our 50th issue of the EOG Newspaper, I would like to express my heartfelt congratulations to all our readers who we believe are partners of this great success and accomplishments achieved. This time of celebration evokes many different responses inside of us: We have great joy of being able to look back over 50 issues of dedication, we feel tremendous thankful for being given this unique opportunity, as we are truly humbled by knowing we were able to serve the market in a valuable manner.

I believe over the past four years, we have made a vital input to the industry, and were able to highlight few of the essential issues facing the industry such as optimizing production from our brown fields.

The publication's successes over the past 50 issues came from the innovation, energy and perseverance of Egypt Oil & Gas team. In our colorful history, we undertook ventures and initiatives at a rapid, unrelenting pace that we believe have made the difference and reflected in a positive manner to all our industry readers. 50 issues we were able to mark the importance of Egypt Oil & Gas and what we can do as a publication. We are very satisfied in what we have accomplished so far, but we believe this is just the beginning of a vision full of prosperity.

Our vision is to become every company's information partner. In 2009, we have been working hard to achieve this goal by adding new information tools our customers will enjoy and depend on, such as concession map handbooks, industry supplements, reports, and more...

Celebrating our 50th issue, I am pleased to announce the birth of Egypt's first private oil & gas research and analysis entity.

We have achieved a lot, and have a lot to achieve yet!,

Mohamed Fouad

President & Publisher
Egypt Oil & Gas

50th issue Celebration

One Team ... One Dream

Yomna Bassiouni — Editor In Chief

I can still remember when we were preparing for our zero issue in December 2006. With just three editorial members, a new publication has found its way into the Egyptian petroleum sector. Young, motivated and fresh graduates shared a common belief "we can make the difference". Now, I believe we have engraved our name as the only Egypt-focused credible information provider. Wow! Honestly I would not ask for more, but the progress we have made and the positive feedback we have been receiving make me feel that this was just a part of a big dream. The best is yet to come. Happy 50th issue!

Tamer Abdel Aziz — Editorial Director

When I was asked to express my gratitude on the occasion of the ceremonial 50th issue, I felt that I'm one of who made the history of the newspaper although I joined them in its mid-way two years and nearly three months ago. Meanwhile, my position made me proud though I was planning to leave after 3 months of joining them. For now, I became one of the family members, which initially dryly welcomed me without knowing why so far. Nevertheless, I became a close friend for each one of them because of the team-spirit wishing that it could last till celebrating together the 1000th issue.

Ahmed Morsy — Senior Staff Writer

In each issue, we try our best to develop and improve the content's quality. Something we always took pride in was the fact that our newspaper was the first and only monthly publication wrapping up all aspects of the Egyptian petroleum sector.
On the whole, our staff, of which the only fitting description is "diverse youth", have bonded and our relationship has become closer. At the beginning of 2010, I was an ex-EOG, nonetheless, I have come back and been welcomed into the fold once more. With all our ups and downs we can pride ourselves on being one big happy family.

Sama Ezz Eldin — Staff Writer

I remember when I first started working in Egypt Oil and Gas newspaper, not knowing my way in the petroleum field, but my editor in chief believed in me. The day came where I'm celebrating the 50th issue, a year passed since I started working and it took me less than a month to feel that I'm part of the big family.
Yes sometimes we have our disagreements trying to do our best to make the newspaper reach superiority. Our future is bright, we expect more, and we are eager for much more.

Laila Solaiman — Business Development Manager

I joined the Egypt Oil and Gas team three years ago, today I can see how the company has been growing and has been influential in the oil and gas sector. I am proud to be one of the people taking part in the progress of EOG. It makes me happy to celebrate our 50 issues of success.

Nourallah Khaled — Business Development Officer

Although I have not been in Egypt Oil and Gas for a long time, but I have been attached to the people there and I can see how it is growing day by day. I am glad and motivated to be part of this growth along with the EOG team.

Passant Fadl — Customer Service Coordinator

Reference to my job as a Customer Service coordinator, I receives lots of feedback upon Egypt Oil and Gas and what services it provides to the industry. I believe EOG has been a breakthrough in the petroleum field and became the main link between all the oil and gas companies, so I feel so proud that I belong to such a successful team

Abdallah Elgohary — Financial Manager

I joined the EOG team four years ago. From the first day, I learned how the spirit of one team could make a dream come true. I am happy to celebrate the 50th issue and looking forward to the 100th issue celebration.

Mahmoud Khalil — Accountant

A friendly and professional work environment is a key factor for creativity and unique ideas and this is the case in EOG. The input of each member is effective in a complete-work cycle, which contributes to the achievement of our vision. I am glad to be part of this union

Basma Naguib — Administrative Assistant

Being a member of EOG team, I feel how proud we should be as a group of young people succeeded to found a credible publication in such a dynamic sector. Wish all EOG team more unique and informative 50 issues to come.

Omar Ghazal — Senior Designer

Although I joined EOG team from a short period of time, I realized how one small-organized team, characterized by this motivated spirit, could be as productive as a large team. The dedication and responsibility of each one of us has led to the success we are celebrating now.

EOG Initiatives: Brownfield Development, Production Optimization and Horizontal well design

Since the foundation of Egypt Oil & Gas, we have always believed that we should exceed the limit of being just a newspaper. Hence, as an information provider, we have taken the initiative to intensify the importance of various issues in the petroleum industry, such as the Brownfield Development and Horizontal Well Design. This began in 2006 with a well-organized workshop with the attendance of more than 100 industry professionals. The campaign went on through our monthly publication until we undertook the organization of a conference, held under the patronage of the Ministry of Petroleum, discussing the factors and ways ahead to increase Egypt overall production from mature fields. In 2006, Egypt's crude oil production averaged 658,000 bbl/d; a startling 40 percent decrease in production since its peak more than a decade prior. Estimates place the country's proven oil reserves at 3.7 billion barrels, which is approximately 0.3 percent of world reserves, while its more recent above-mentioned daily production average equates to less than 1 percent of world production.

Thus, it was Egypt Oil & Gas initial campaign that forced the industry into looking to the future of its production and considering other means of technology that could assist in the optimization of its oil field production. Going deeper into the technicalities of drilling a well, Egypt Oil and Gas with its experienced members were able to analyze the importance of drilling wells horizontally and the success factors it can achieve in higher production, lower cost, and a more prolonged reservoir commercial life.

Although few operators were applying the technique, others didn't due to the lack of information they have on how the technique would be more reliable than the normal ways of drilling.

A must-do social role

Away from the informative services, Egypt Oil & Gas (EOG) has always believed in the importance of social and athletic activities. Not only within the petroleum sector itself but EOG also exceeded that limit and exerted its best to reach outer goals. Since 2007, EOG has organized four successive Ramadan Petroleum Soccer Tournaments each year.

The tournament, which is widely grown each year, became one of the main features of Ramadan for the Egyptian petroleum sector. For instance, in 4th Ramadan Petroleum Soccer Tournament, 43 petroleum companies from the public and private sector took part in the tournament after they

were 36 teams in 2009, 16 in 2008 and only eight in 2007. Hence, the yearly growth of the total number of the participating teams reflects the success of the tournament and expresses the motivation of the petroleum companies for participating in such a challengeable tournament.

As for the outer objectives, EOG seized the occasion of the Holy Month of Ramadan to combine this athletic activity with a social drive. In 2009, EOG held the tournament draw ceremony at the headquarter of the 57357 Hospital, Children's Cancer Hospital. While in 2010's tournament, EOG turned its focus to the National Cancer Institute. Some of the tournament's revenues were given to both institutions as an attempt to be part of such great humanitarian projects.

To conclude, awing to the over-busy life of the officials and engineers as well as employees within the petroleum sector, EOG considered the essentiality to let them have the opportunity to contribute in such social life, which might be difficult for the vast majority to do so without EOG's role.

Ahead of all in Media Sponsorship

Major petroleum conferences and events in Egypt used to be covered and sponsored by foreign media. This was the case until 2007, when EOG Newspaper was selected by the organizers of Intergas Conference to be the official media and daily newsletter sponsor. Despite the hectic work of covering all aspects of such a huge event, write and design a complete informative newsletter at high-quality standards that meet the value and vitality of Intergas, we did prove that our capabilities did exceed the expectations. According to the feedback we received later on, no one believed that a small team of young Egyptian journalists could do the job. Ironically, some thought that it was a foreign media sponsor as they were used to.

Thanks God, we were able to seize this opportunity that opened the door for more media sponsorship granted for Egyptians for the first time. Fortunately, we were the official newsletter sponsor for the Mediterranean Offshore Conference (MOC), held in Alexandria, for two terms, specifically in 2008 and 2010. This appointment imposed more responsibilities on our shoulders to ameliorate the work quality we are providing and brainstorm more creative ideas to match the volume of such events.

Over the years, EOG Newspaper had its prints in the sector's two major conferences, Intergas and MOC and we are looking forward to becoming a pioneer leaders in more events.

50th issue Celebration

EGYPT OIL&GAS NEWSPAPER

snap shots

Drilling through service pricing combat

After suffering from the brutal challenge between service companies by competitors' system of lowering prices, fears began to emerge for monopolizing the market through lowering prices

More exclamation marks!

Egyptian Appeals Court overturns November ruling cancelling gas export deal between Israel and Egypt

BG's 20-year journey in Egypt

Seizing the occasion of celebrating 20-year partnership in Egypt, BG Egypt President Tim Blackford takes us to the company's long and outstanding journey, throughout which this leading British-based company has been crowned as one of the biggest investors in the country and an indispensable partner of success

By Yomna Bassiouni

Vegas booms on the exploration route

Since the end of last year, Vegas Oil & Gas has been impressing the petroleum sector with its exploration hits in the North West Gemsa, which are the first of their kind in this area. The series of successful achievements over a short period of time have grabbed the attention towards the Greek company. Mr. Adam Vavourakis, General Manager of Vegas Oil & Gas shares his views and plans with *Egypt Oil & Gas*

By Yomna Bassiouni

Rig workers... The hands that extract black gold live in misery

By Rasha Azab

Far removed from the routine jobs that we all know and the normal picture of life and far from the over-populated city, we visited the area of the Gulf of Suez to see for ourselves a unique form of employment that requires workers as unique as the job. The journey took hours for us, but as for the workers this journey lasts years, thwarting them from the deep blue sea to dry desert shores. The stories of these workers are an endless tale, as soon as one ends another...

When the forgotten becomes the lead

Abu Qir, a new guaranteed challenge for Edison

In pursuit of energy independence

Corruption and the fall of an Empire

With recent high profile cases of corruption emerging in the Egyptian oil and gas industry; the idea of how corruption and its varying symptoms, including a lack of transparency, can ...t the growth of this sector is something which ...ubtedly needs to be tackled

BG names Egypt's first LNG ship

RWE Dea celebrates 25 years' crude oil production from Ras Budran

For 25 years now, RWE Dea has been producing crude oil from...

> "We are aware that the challenges are great and need extraordinary efforts in order to overcome them. However, I believe we are ready for the challenge"

Breakthrough Years 1999-2010

New economic perspective for the Egyptian petroleum industry

Gulf investments stand behind the wave of oil mergers

Since the end of last year, Vegas Oil & Gas has been impressing the petroleum sector with its exploration hits in the North West Gemsa, which are the first of their kind in this area. The series of successful achievements over a short period of time hav... grabbed ... ...rds the Greek company. ...

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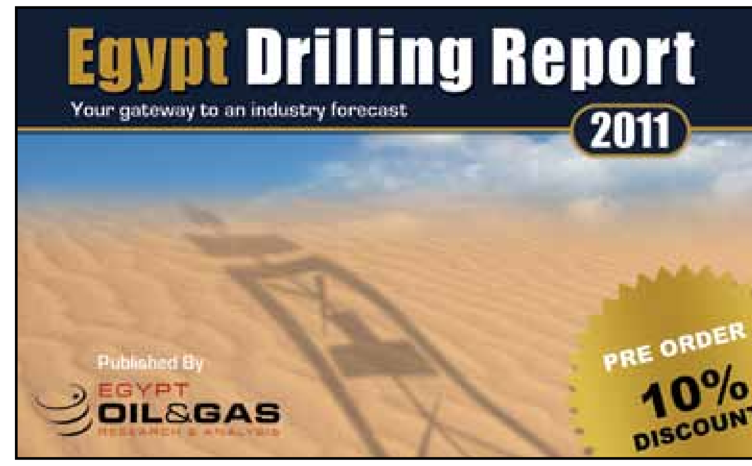


IN EGYPT OIL & GAS FIRST ROUND TABLE

P19

Industry pioneers discuss challenges facing field development

EGAS adds two new Jack-ups in the Mediterranean

Abu Qir Petroleum Company finalized the installation of a new gas compressor with a capacity of 350 million cubic feet per day.

This comes within the current fiscal plan of 2010-2011 to boost the company's natural gas production rate.

Recently, Abu Qir conducted a technical study to address some of its exploratory and development wells in the Mediterranean fields owned by the company.

Egypt Oil and Gas Newspaper learned that Abu Qir is aiming at installing the new gas compressor in the fields of Abu Qir and North Delta in the company's accusation area in the Mediterranean. The operation is conducted according to the production arrangement of the present fiscal plan.

It is worth mentioning that the Abu Qir Petroleum Company is a joint venture company between the Egyptian General Petroleum Corporation (EGPC) and Italian Edison.

EGYPT OIL & GAS NEWSPAPER Expects latent crisis in the rigs market

As a result of the analysis which were done by "Egypt Oil and Gas", some of the market indicators showed and proved the existence of a crisis in the rigs' market especially the onshore rigs. The aspects of the crisis began to appear in the current days and were represented in some joint-venture companies that held tenders for the renting rigs, however, none of the owners of these rigs have entered such bids especially the 1500hp and 2000hp rigs.

The indicators showed that North Bahariya Petroleum Co. (NORPETCO) was not able to rent to the EDC#1 rig because Apache acquires it in its fields for one year which is subjected to be renewed.

Hence, the solution of such crisis is in the hands of Tanmia Petroleum Company through its contract with the factory, which was established in Egypt to manufacture onshore rigs. As the company is on its track to buy 'Mubarak 6' rig, which will start drilling this month and will be operated by Sino Tharwa on behalf of Tanmia.

Moreover, the analysis shows that if decision makers did not act quickly, the prices of onshore rigs will rise by at least 30% of current prices. In addition, it is expected that rental rates for the 1500hp rigs will range from $16,500 to $18,500 per day.

As for the 2000hp rigs, they will exceed $20,000 per day. Thus, the rates are going to reach the levels before the economic crisis that rocked the world in the fourth quarter of 2008.

INSIDE THIS ISSUE

2011: the petroleum kick-off year

Though many believes that the year of 2010 brought some kind of relief to the petroleum industry worldwide, but the concerns now revolves about the new year of 2011 and what would it bring to the Egyptian sector? P 26

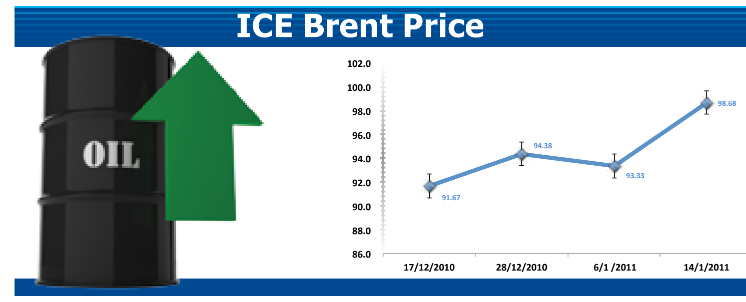
Fostering investments In a fiery country

Is it time to invest in the Egyptian market, or will the current local and international political and social instability hinder more investments to come? P30

More than A 100-year journey

The year of 1886 was the landmark in the Egyptian petroleum history, when oil was found for the first time ever. Since then, a long journey of attainments and failures shaped today's history of the Egyptian petroleum sector P34

ICE Brent Price



Time to hear the revolution voices!

Excuse me this time! I will not dedicate this space to tackle an issue related to our petroleum sector as usual, but I will use my right as an Egyptian citizen to express my opinion and comment on the riots that took place last month.

Until the printing of this issue, demonstrations that covered various corners of Egypt entered its third day, with no presidential or governmental response to people's demands. God only knows what will happen next as the social anger is getting more tense and thousands of citizens are joining the protests.

Without getting into detailed observation of the unprecedented protests in the Egyptian modern history, I believe we should weigh the different aspects and outcomes. I believe that the peaceful marches should be respected by the government and people's demands should be obeyed because simply that is the reason why the ministerial board was elected (to serve our demands). It is not a crime that we are finally asking for our simple rights of better living conditions, higher wages and more freedom. The current emergency law should be used to protect citizens, not to be manipulated in a way to arrest them under the name of keeping social order.

Yet, I am against the so-called Egyptian political and social activists who are fueling the people's anger with their fake patriotism, while in fact they are keeping their eyes on the president chair. Unfortunately, the majority of this category is manipulating our feelings to their personal interest.

I do not know what the coming days would bring, but please remember that we are defending our beloved country "Egypt", do not follow the fake slogans and keep the bond between all of us.

Yomna Bassiouni
Editor-in-Chief

Guest Column

Why is oil and gas exploration in Egypt of interest to investors?

As one of the experts who witnessed lots of Egypt's exploration and development activities throughout the last four decades and how oil and gas reserves increased remarkably in spite of the increasing domestic consumption over the years, I would like to share with the readers my comments. It was worthwhile to study and understand why Egypt was still a target for oil and gas exploration investors; although, its production is not as comparable to the nearby Middle Eastern hydrocarbon producing countries.

Since the first discovery of oil in Egypt in 1886, major international oil companies started oil exploration, followed by gas, until the eighties of the twentieth century. More interests were expressed by medium and smaller sized exploration companies trying to take part as well in such operations, followed by Arab and Egyptian investors. There were definitely certain aspects for this success story, which can be summarized as follows: the political stability in Egypt throughout long periods of time, the role played by the successive oil ministers to build up bridges of confidence with investors and the fulfillment of fulfilling contractual commitments and obligations. Besides, other factors of success include the appointment of well-experienced personnel in the key decision-making positions.

Nevertheless, the encouraging results of oil and gas discoveries by multinational companies in the Gulf of Suez, Western Desert, Sinai and Nile Delta, eventually lead to a number of successful established Joint venture companies. This grants the Egyptian National staff more experience and exposure to the latest technology. Applying recent technologies and concepts in the hydrocarbon exploration business like 3D, 4D seismic acquisition, processing, applying hydraulic fracs… etc. also contributed in this success.

Moreover, the feasibility of the existing infrastructures of pipelines and production facilities had also a positive impact to encourage investors to explore in Egypt as this lowers the cost and time and maximizes the rate of return of the dollar. Giant projects like oil and gas exploration in the Deep offshore Mediterranean water (3000 meters), gas facilities and liquefaction plants for exportation were built showing the strong interest of companies to invest large sums of money.

Remarkably, the strategic position of Egypt, being in the heart of the Middle East and in the triple junction of Asia (Sinai), Africa and the back yard of Europe, made it act as a hub and conduit for oil and Gas investment to exist.

Personally, I believe that Egypt has been and will remain a target for foreign and local exploration and development investments, not only in the oil and gas business, but also in lots of renewable energy resources and other businesses as well.

Aziz M. Effat, Ex Assistant Chairman for Exploration and Board Member, Agiba Petroleum Co and Deputy GM. PetroSA Egypt

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SUCO to drill a $3-million development well

Suez Oil Company prepares for the drilling of a new development well in its concession area in the Gulf of Suez, after receiving the formal approval of the Egyptian General Petroleum Corporation (EGPC).

The total investment of this new well counts for $3 million, which is an extra budget added to the 2010-2011 fiscal year.

Recent technical studies showed quantities of crude oil in many layers of the company's producing wells.

The current daily production of SUCO is 20 thousand barrels of oil.

... and another development well for AMAPETCO

Al Amal Petroleum Company (AMAPETCO) will drill an exploratory well in its concession area in the Gulf of Suez, with a total investment of $20 million.

The new exploratory well will be drilled in the Amal-20 Field, based on the positive results of latest technical studies.

AMAPETCO is a joint venture company between the Egyptian General Petroleum Corporation (EGPC) and PICO.

Rashpetco reveals new development investments

The Egyptian Minister of Petroleum, Eng. Sameh Fahmy received a report from Eng. Rafaat El-Beltagy, Chairman of Rashid Petroleum Company (Rashpetco), which highlighted that BG allocated $850 million for drilling seven developmental wells in the deep water of the Mediterranean Sea.

The action comes as an attempt to increase the production volume from the fields of Rashpetco.

Moreover, at the beginning of the current year, the company's production is estimated to increase by 100 million cubic feet to reach up to 2144 million cubic meters of gas from 2044 as a result of running the developmental wells. This production level is to reach 2400 million cubic meters of gas by the year of 2013.

The report also pointed out that it is now being prepared for drilling a number of wells at great depths ranging between 1100 and 1800 meters under the sea surface by conducting the 3D and 4D studies in order to increase the production by approaching new reservoirs also to preserve the production rates.

As known, the company's share of the total production of natural gas ranges from 38% to 40% as it produces 410 million cubic meters of gas from Rashid field and 1560 million from the Burullus field as well as 8000 barrels of petroleum condensates extracted from depths ranging from 500 to 1100 meters.

Waspetco to commence a $1.7 million drilling plan

Wadi El Sahl Petroleum Company (WASPETCO) prepares for the implementation of the 2011-2012 drilling program in its concession area, in South Hurghada, by inducting a new installation unit.

Waspetco is investing approximately $1.7 million for its drilling program that include the drilling of a new exploratory well "Estabrak".

The 2011-2012 drilling program aims at increasing the company's production rates, which currently stands at 500 barrels of oil per day.

The company performed repair operations for a large number of its wells, based on several technical studies that cost $60 thousand for each well.

PetroAmir to invest $12 million in the GoS

Petro Amir prepares for the beginning of its water injection project, in the North West Gemsa Concession, the Gulf of Suez.

The implementation of this $12 million project is part of the company's new plan for the fiscal year of 2010-2011.

"The company aims at increasing the production rates of crude oil and natural gas from the NW Gemsa," a top official told Egypt Oil & Gas.

"Currently, the average oil production rate counts for nine thousand barrels per day, from the Korayem layers in the Amir and Geyad fields. Moreover, a total of 2.6bmillion barrels of crude oil were produced at the end of last fiscal year 2009-2010."

The company conducted several studies that showed the possibility to double the volume of crude oil reserves and increase the current production rates.

PetroAmir is the Joint venture company between the Egyptian General Petroleum Corporation and the Greek Vegas Oil & Gas.

PetroGulf approves Gebel Elzeit drilling budget

PetroGulf decided to invest $9 million for the drilling of an exploratory well in the concession area of Gebel Elzeit.

This investment serves the new drilling plan approved recently by the company, for the new fiscal year of 2010-2011.

""We have already started the installations phase and also conducted many technical studies that showed last amounts of crude oil in our exploratory and development wells in the concession of Gebel Elzeit," said an official source.

Currently, the company produces 6000 barrels of crude oil per day.

PetroGulf has not chosen yet a contractor to execute the new drilling program.

PetroShahd awaits fiscal budget confirmation

Egypt Oil and Gas Newspaper (EOG) learned that PetroShahd Company is waiting for the confirmation of the fiscal budget from the company's administration board.

PetroShahd aims at implementing a new production plan, which is due to start in the last quarter of the 2010-1011 fiscal year, covering the company's fields in its concession within the Western Desert. The plan focuses on boosting the production rates of the crude oil.

EOG acknowledged that PetroShahd is working on increasing the reserves of crude oil to reach 6520 bpd at the end of 2011. Meanwhile, the company's production volume is 3250 bpd from its concession in the Western Desert.

It's worth mentioning that PetroShahd is joint venture company between EGPC and the Chilean firm Sipetrol.

West Delta Deep Marine Phase 7 enters operations

BG Egypt announced the start of incremental gas production through the first part of Phase 7 of the West Delta Deep Marine (WDDM) Concession (BG Group 50%, PETRONAS 50%). This represents another successful milestone in the phased development of WDDM.

Managed by the Joint Operating Company (JOC) Burullus Gas Company S.A.E. (EGPC 50%, BG Group 25%, PETRONAS 25%), Phase 7 comprises a new 68 km, 36 inch offshore pipeline with associated onshore gas receiving facilities, a slug-catcher, adjacent to the two existing WDDM pipelines, and five new compressors. This latest phase is designed to help maintain plateau gas production from the Concession. The initial incremental production is through the new pipeline, with the compression plant expected to start-up later this year.

Three innovative offshore subsea hot-taps with duplex stainless steel were installed to tie the new pipeline into the existing pipeline. These operations were delivered without shutting down the existing pipeline, and as such did not interfere with production. The project was executed safely in an area with existing onshore and offshore activities.

Commenting on the project, BG Egypt President Arshad Sufi said, "We are very pleased with the latest field development phase, which has been delivered under budget and ahead of schedule. The delivery of the first part of Phase 7 marks yet another success realized through the commitment of

BG Egypt and its partners to the sustained development of the Concessions to ensure continued gas supply."

EGPC affiliate companies performed key roles across the project. ENPPI were responsible for the design and procurement of onshore facilities; Petrojet performed the construction work, in addition to the supply and fabrication of the slug-catcher; Petroleum Marine Services (PMS) executed the offshore shallow water pipe lay and beach approach; Allseas carried out the deep-water pipe lay; and, Technip executed the hot-taps tie-in and the commissioning of the offshore pipeline. During peak activity, the project generated employment for 1,500 people.

Burullus Gas Company S.A.E. managed the work with minimal environmental impact allowing continuous beach access to local fishermen, and restoring it to its original status immediately after work was concluded.

EGAS opens new areas for gas exploration

The Egyptian Natural Gas Holding Company (EGAS) announced that it would issue an international bid for gas exploration in 19 different areas this year.

Eng. Mahmoud Latif, EGAS Chairman clarified that the new areas, expected to be released during 2011, includes locations in the Mediterranean and two in the Nile Delta region.

EGAS expects domestic consumption to reach 35.5 million tons in 2010-2011, according to the company report. Over the past 10 years, Egypt's proven reserves jumped from 1.22 trillion cubic meters to 2.19 trillion cubic meters at the end of 2009, compared with only 0.35 trillion in 1989, according to a BP report on world energy.

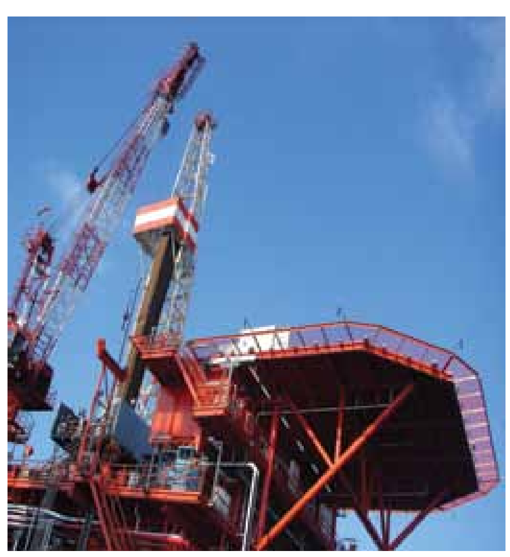
Hess plans $5.6 billion in 2011 capital projects

Hess Corp., the New York-based oil company, said it plans to invest $5.64 billion this year, 98 percent of it on exploration and production.

More than half the spending, $3 billion, will be in the U.S., including North Dakota oil fields purchased last year for about $1.42 billion, Hess said today in a statement. The budget is roughly the same as last year's, when the company expected to spend $5.5 billion, Chief Executive Officer John Hess said in a July 28 earnings call.

Production projects of $3.1 billion include accelerating drilling in the Bakken deposit in North Dakota with 15 rigs. Hess also plans to complete wells in Equatorial Guinea, and drill production wells in the Gulf of Mexico, and offshore of Norway.

Exploration plans of $900 million include wells in Egypt, Ghana, Indonesia and Brunei. So-called unconventional drilling, which involves boring horizontally through dense rock and fracturing to release oil and gas, is planned in the Eagle Ford deposit of Texas and in the Paris basin in France.



First International Shale Gas Forum in Egypt

Eng.Sameh Fahmy, Minister of Petroleum, confirmed the importance of having unconventional alternatives to increase crude oil and natural gas reserves and production, noting that the extraction of natural gas from Shale layers is new significant element appeared on the world's energy arena in recent years and is increasingly important to contribute to achieving balance in the natural gas market and the future of world energy.

This came in the opening address of the Minister of Petroleum during the first International Shale Gas Forum in Egypt, on 18 Jan. , 2011, organized by the International Halliburton co., with the participation of representatives and experts from more than 60 specialized international companies.

Eng. Fahmy pointed out to the significance of holding such forums and conferences, that discuss the challenges facing the domain of Shale Gas, whether , economic, technical or environmental challenges helping to exchange information and experiences between the parties involved in the industry and encourage the transfer of advanced technologies in this promising field among experts of oil industry , explaining the importance of continued studies and discussions to assess the process of extracting natural gas from shale in Egypt and how to achieve the optimum exploitation.

Eng. Mahmoud Latif, Chairman of EGAS, clarified that the Petroleum Sector is greatly interested in the field of natural gas extraction from shale in order to diversify energy sources in Egypt. He pointed that a working group of experts in the Natural Gas Holding Company, the Egyptian General Petroleum Corporation, Ganoub El Wadi Petroleum Holding Company and the Egyptian Mineral Resources Authority was formed to study this issue technically and practically to reach a comprehensive vision to determine potentials of extracting natural gas from shale in Egypt.

For his part, Eng. Hisham Ismail, Head of Halliburton Egypt, clarified the importance of holding this forum to achieve the best exploitation of shale gas, noting that Egypt is one of the countries of global interest in this domain and that Halliburton, is intensifying studies and researches about potentials of shale gas in Egypt.

Energean Oil & Gas spuds WKO-1X well in West Kom Omb

Energean Oil & Gas announced that it has spudded the WKO-1X well in the West Kom Ombo Field Concession, the first of two committed exploration wells for the Second Exploration Period in the concession.

Energean Oil & Gas holds a 80% working interest and is the operator of the block, while Groundstar Resources Limited holds a 10% carried interest through the exploration drilling stage.

The West Kom Ombo Field Concession, located in Upper Egypt, covers a total area of 31,521 km2.

The WKO-1X will explore the interpreted Prospect-A1 with the primary objective being the Lower Cretaceous Six Hills F & E sandstones.

The well is expected to reach a total depth of approximately 2,370 meters in about 30 days, with the land rig "ST-2" from Sino Tharwa Drilling Company. According to plans, the second well will be drilled in Prospect-B1 to evaluate the exploration potential of the SW side of the block and to determine the thickness of the sedimentary section. The strategic objective of these two exploratory wells is to fulfill the work commitments of the second exploration phase by September 16th of 2011.

After seven months of the acquisition of the West Kom Ombo Concession the Company has accomplished the completion of 25 km of access road from the Luxor-Kharga highway to the Prospect-A1 drilling location, furthermore 95 Km of road completed from Prospect-A1 to Prospect-B1, additionally the setting of all infrastructure and equipment and the rig mobilization to spud the first well on schedule.

"We are very excited for the beginning of our first drilling operations internationally specially in the promising WKO Block. The drilling program commenced on time and we look forward with anticipation to the results, as we seek to advance exploring the area and enrich our portfolio of assets in Egypt," Mathios Rigas, Chief Executive Officer of Energean Oil & Gas.

Energean Oil & Gas through its subsidiaries is a private international oil and gas exploration and production group of companies with a Mediterranean and North African Region focus with oil and gas assets currently operated in Greece and Egypt. Aegean Energy (Egypt) Limited – a subsidiary of Energean Oil & Gas – operates also the offshore East Magawish concession in the Gulf of Suez.

Dana Gas: 20% increase in Nile Delta production West Kom Omb

Dana Gas announced that its annual production rate for 2010 from its Nile Delta Concessions is an estimated 42,000 barrels of oil equivalent per day (boepd), an increase of 20% on 2009, with production commencing from seven new fields.

Throughout last year, Dana Gas achieved seven new field discoveries in the Nile Delta from eleven exploration wells drilled.

Considering these continued operational successes particularly the discovery of the South Abu El Naga and Salma Delta North fields in September, the Board of Dana Gas decided to retain its 100% interest in its Nile Delta Concessions and to continue operating them to maximize ultimate benefit for its shareholders rather than proceeding with the proposed farmout.

"Our ongoing excellent exploration performance, with sixteen discoveries in the Nile Delta over the past three years, combined with our year on year production increase of 20% reinforces our view of the remaining potential of this first class acreage and thus confirms to us that retention of our 100% interest will deliver the maximum value to our shareholders. Our production continues to increase, with current production in the Nile Delta at 246 mmscfpd of gas plus 7350 barrels per day of condensate and LPG, a total of 48,000 barrels of oil equivalent per day. We are targeting similar annual increases in production during 2011 and 2012," said Ahmed Al Arbeed, Dana Gas CEO.

The company has now embarked on a new phase of production growth, upgrading existing plants and building new capacity to bring these new fields online as quickly as possible. The planned new gas processing plant to the East of the Nile River will be designed to process 120 million standard cubic feet per day (mmscfpd), a considerable increase compared to the original planned design of 50 mmscfpd, which will contribute significant value as the South Abu El Naga and Salma North discoveries have high liquid content. This, along with an ongoing increase in capacity at its El Wastani Plant, will bring Dana Gas total production to some 400 mmscfpd (67,000 boepd excluding liquids) in mid 2012.

The company is also continuing its aggressive exploration campaign with a 14 well program for 2011; the drilling of first well, Sanabel-1, has commenced targeting the deeper high potential Sidi Salim formation.

On the Komombo Concession in Upper Egypt, Dana Gas along with 50% joint operator Sea Dragon Energy Inc, has produced oil during the year at an average gross production rate of 620 barrels of oil per day (bopd) and is currently producing at approximately 800 bopd. Work is ongoing to increase the productivity of the Abu Ballas formation by fracturing with two fractured wells due to be placed on production during January 2011. During 2010, 480 kilometers of 2D seismic was acquired and processed, and the first exploration well, Memphis-1, commenced drilling in December.

"Our team in Upper Egypt continues to work hard to enhance production from the Al Baraka Field with further development drilling planned in 2011, alongside our exploration program to test the vast potential of the Komombo Concession," added Al Arbeed.

RWE Dea hits a new find in North El Amriya concession

RWE Dea Egypt achieved a new gas discovery in its own operated North El Amriya concession. The tests of the reservoir showed hope for further future discoveries in the license.

The NEA 3x discovery is located in the offshore North El Amriya concession, some 40 kilometers North of Alexandria. The well was drilled to a total depth of 3,055 meters and encountered gas in lower Plicene sand in the Kafr El Sheik formation. The well was sidetracked to a total depth of 2,642 meters where a conventional gas filled sand channel was encountered with an additional unconventional reservoir above. A drill stem test was carried out successfully on the unconventional reservoir with flow rates of up to 14 mmscf/d with the objective to prove the productivity in this kind of reservoir.

"The successful testing of the unconventional reservoir gives RWE Dea the opportunity to expand its activities in this concession on a new play with chances for future discoveries." said Ralf to Baben, Chief Operating Officer of RWE Dea AG. The North El Amriya concession is operated by RWE Dea with a 100% working interest.

Currently, RWE Dea holds a total of 13 onshore and offshore concessions in Egypt, covering a net acreage of about 13,300 square kilometers.

Abu Qir: a new compressor for more production

Abu Qir Petroleum Company finalized the installation of a new gas compressor with a capacity of 350 million cubic feet per day.

This comes within the current fiscal plan of 2010-2011 to boost the company's natural gas production rate.

Recently, Abu Qir conducted a technical study to address some of its exploratory and development wells in the Mediterranean fields owned by the company.

Egypt Oil and Gas Newspaper learned that Abu Qir is aiming at installing the new gas compressor in the fields of Abu Qir and North Delta in the company's accusation area in the Mediterranean. The operation is conducted according to the production arrangement of the present fiscal plan.

It is worth mentioning that the Abu Qir Petroleum Company is a joint venture company between the Egyptian General Petroleum Corporation (EGPC) and Italian Edison.

Circle Oil Drills Ahead at NW Gemsa Development

Circle Oil provided the following operational update for the Al-Amir SE-7 well which is being drilled in the N W Gemsa Development Lease, Egypt (Circle: 40% Working Interest).

The well Al- Amir SE-7X, intended to be a Kareem sands water injector, has been drilled to a depth of 9,580 ft and the 9 5/8" casing has been run and cemented into the top of the Kareem Formation shales. Preliminary analysis of open hole logging of this upper part of the well, indicates potential for hydrocarbons in the South Gharib Formation in the order of 6 ft in thickness. This interval is similar to that encountered in the Al Amir SE-6X and Al Ola-1X wells, but the interval has not been tested and, as planned, is now cased off. Drilling is ongoing to the Kareem sands target and to the deeper Lower Rudeis Formation with a prognosed TD of 16,750ft. Further announcements will be made in due course.

The current production rate from the NW Gemsa fields of Geyad and Al Amir SE is between 8,000 and 8,500 bopd (gross). Fluid offtake from the Geyad and Al Amir SE fields will continue to be managed in the light of good oil field practice as the waterflood is initiated and becomes operational and proven effective to maximize recovery. Gross production from start up in February 2009 through to end December 2010 was 4 MMBO.

Mubarak inaugurates the Upper Egypt Gas Pipeline in Aswan

Egyptian President Mohamed Hosni Mubarak inaugurated the Gas Complex during his multifarious tour within Aswan governorate today, Thursday.

Moreover, Mubarak also initiated a number of services and development projects, which aims to promote the public services and improve the living conditions of citizens and increase employment opportunities for the young generations and graduates.

Mubarak stared his tour by the opening of the Gas Complex pipelines in Upper Egypt on the West bank of the River Nile in Aswan. The Upper Egypt Gas Pipeline connects homes and businesses in Aswan to the natural gas system for the first time.

The 1,200 km pipeline was constructed in five stages by Egyptian company Petrojet on behalf of the Nile Valley Gas Company (NVGC). Under the first phase of the project, NVGC took over a pipeline built by the government from Cairo to a power station located near Beni Suef. Stage two involved the construction of 150 km of pipeline extending from Beni Suef to Abu Qurqas. Stage three saw 136 km of 32 inch diameter pipeline laid from the governorate of Minya to Assiut at a cost of $US75 million while Stage four involved the laying of 100 km of 30 inch diameter pipeline from Assiut to Sohag.

The final stage involved the laying of 408 km of 30 inch diameter pipeline from Sohag to Aswan and was commissioned in late November. Earlier, Egyptian Petroleum Minister Sameh Fahmy attended a ceremony in Aswan to celebrate the completion of the Upper Egypt Gas Pipeline project and commended the companies for completing and implementing the pipeline in "record time".

The pipeline was worth approximately $US9.3 billion in investments and formed part of a broader development plan designed to accelerate reconstruction and economic development within the Upper Egyptian region by providing energy resources to entice industrial projects.

On the other hand, during his visit to Aswan, Mubarak was greeted upon his arrival to the location of the project by Dr. Ahmed Nazif, the Prime Minister, Fahmy the Minister of Petroleum and the Electricity Minister Hassan Younis.

The tour comes within the framework of President Mubarak's keenness to watch the implementation of the development projects in the various provinces and follow up the execution of his presidential program.

Egypt to offer new oil concessions

Egypt is aiming to attract $2.5 billion worth of new investments in its oil sector with with as many as 18 oil concessions to be offered on bidding.

Egypt is looking to boost oil and condensates production to 720,000 barrels per day and will seek to drill about 350 new exploration wells, the state-run Ahram newspaper quoted Oil Minister Sameh Fahmy as saying.

Fahmy said the Oil Ministry planned to issue new concessions in as many as 18 locations in the Gulf of Suez, Sinai, and Egypt's Western and Eastern deserts.

The state news agency reported in August last year that the country's proven oil & gas reserves rose to 18.3 billion barrels of oil equivalent in the year to 31 June 2010 and Egypt expects to boost them to 20 billion barrels over the next two years.

Egypt and S. Korea seek cooperation in nuke power, oil

South Korea will beef up cooperation with Egypt in oil, nuclear power plants and many other areas as part of efforts to enhance its economic ties with the fast-growing African country, Seoul's top economic policymaker said Thursday.

The remarks were made by Finance Minister Yoon Jeung-hyun in his meeting with his Egyptian counterpart Boutros Ghali in Cairo. The visit is part of his first overseas tour, which also brought him to India earlier this week.

His travel to Egypt comes as the African country is fast emerging as a key business partner for Korea. Trade between the two countries reached a record high of US$2.85 billion during the January-November period last year.

"South Korea will work more closely with Egypt in infrastructure, finance, industrial complex construction, nuclear power plants, oil field development and fisheries," Yoon said.

South Korea also seeks to expand free trade agreements (FTAs), and Egypt will be one of countries that Seoul pays close attention to in that regard given its competitive labor costs and many other advantages, he said.

"South Korea pays attention to the spirit of Egypt, which has concluded many free trade agreements. We have also been expanding FTAs with leading economies such as the U.S., EU and India," the minister said.

"Egypt has attracted our attention with its stable politics, geographical advantage and competitive labor costs compared to other African countries," he noted.

He praised Egypt for its efforts to build a business-friendly environment and other reform drives despite the global financial and economic turmoil.

"South Korea applauds Egypt's reform efforts. Egypt is building a business-friendly environment to attract greater foreign capital and countries to foster its manufacturing sector," Yoon said.

"In addition, it is invigorating its tourism and agriculture industries, expanding exports and diversifying industries," the minster added.

Quotes

"The Ministry would not sign any new gas export agreements given recent jumps in domestic demand. Fahmy said that the suspension of gas export deals could serve to discourage foreign companies from investing in research and exploration in Egypt"

-Globes quoting Eng. Sameh Fahmy, Minister of Petroleum about Egypt considers claim in stake of Israeli gas fields

"Since my arrival in February 2010, I never witnessed a Zionist presence in the South, despite the circulation of some rumors about a secret Israeli consulate in Juba. We cannot prevent the new government from establishing relations with Israel. We are here to protect Egyptian interests, and South Sudan decision to establish relations with Israel does not by any means contradict Egypt's interests"

-Sadiq Al-Mahdi, Member of Sudan's opposition, on Israel ties with South Sudan

"We expect that the increase in production capacity should benefit the company's bottom line. Currently, the country relies mostly on the import of the products, with Sidi covering only 20% of local demand"

-Rehan Hamza, analyst at Okaz Brokerage in Cairo, on the 30% boost of Sidi Kerir Petrochemicals Co's shares

"Maridive's fleet is increasing in size, and decreasing in age, adding weight to revenues and increasing margins … The DLB 1600 barge will be the largest and most highly technological barge in the region, and it will broaden Maridive scope of business, as it will allow the company to undertake bigger construction projects, including platform installations"

-Beltone Financial reports, Maridive receives two new units and six more to follow

Energy firm to drill for oil in North Sea off the North Sea

Tullow Oil UK, Africa's leading independent oil firm, is looking for oil, more than 180km off Flamborough Head.

The international oil company has applied for permission to drill an exploration well 13,000ft deep in Dogger Bank.

The drilling North Sea spot is also set to be home to the world's largest wind farm.

"Once planning permission is granted, drilling will start in April. The rig will be on location for up to 82 days. If no oil is found, the well will be plugged and abandoned," revealed the Tullow Oil spokesman.

Somali region extends contract with Africa Oil

Africa Oil said the government of Somalia's semiautonomous northern region of Puntland has extended their oil drilling agreement for a year.

The announcement came in a statement revealing that the agreement has been extended until Jan. 17, 2012.

The agreement includes that the joint venture between Africa Oil, Range Resources Ltd. and Lion Energy Corp. to drill one well by July 27 and another by next Jan. 17.

It also stated that a new partner, Red Emperor, has joined the venture.

"I believe Puntland could hold similar oil reserves to Yemen," a state made by Africa Oil chief executive Keith Hill.

It is known that Yemen has more than six billion barrels of discovered reserves.

It is also worth mentioning that Puntland has a functioning government and is considered relatively stable compared with southern and central Somalia.

Angola set to announce pre-salt winners

Sonangol, Angola's state-owned oil company mentioned that it would announce the winners of a tender to explore in the country's ultra deep-water pre-salt blocks.

It is known that the tender was never officially declared.

It was reported that Angola, which rivals Nigeria as the top oil producer in Africa, suspended its last offshore bidding round in 2008 before the country's first post-war general elections, but said last year it was keen to develop its pre-salt blocks.

Angola expects that the move could render huge profits for it.

Both the Brazilian state-run oil company Petrobras and Norway's StatoilHydro have expressed an interest in exploring for oil in Angola's ultra deep-waters, although the cost of drilling so deep into the ocean can become extremely expensive.

Technip Awarded Umbilical Contracts in Angola

Technip announced that a consortium comprising two of its subsidiaries, Angoflex Ltda (owned jointly with Sonangol) and DUCO Ltd., has been awarded by Acergy Angola S.A. and Acergy West Africa S.A.S. major umbilical contracts for the CLOV field development. This field is located in Block 17 offshore Angola in water depths down to 1,410 meters. The development operator is Total E&P Angola.

The contracts cover the supply of 76 kilometers of dynamic and static production and water injection umbilicals, which will be manufactured at the Angoflex facility in Lobito, Angola. The umbilicals are scheduled for delivery in 2013 and will be the first to be delivered following the expansion of the plant capacity.

The expansion includes the installation of two large manufacturing carousels, an upgrade to the existing helical lay-up machine and the installation of a load-out path. This expansion will allow Angoflex Ltda to fabricate 100% of the CLOV umbilical workscope in its Lobito manufacturing plant. It constitutes a significant milestone in Angoflex shareholders' objective to maximize Angolan content.

The award of the contracts continues Angoflex's proven track record in the supply of umbilicals for deepwater Block 17 in Angola, including Dalia & Pazflor projects.

ENI, Petrochina in tie-up, focus on Africa

Italy's ENI, the Italian gas and oil giant signed an agreement with its Chinese peer PetroChina covering China and international prospects focusing on Africa.

"ENI signed a memorandum of understanding with CNPC/Petrochina (covering) a large range of possible opportunities in China and on the international level," the Italian company said.

"We will study in particular opportunities to jointly develop their operations in conventional and non-conventional hydrocarbons in Africa."

"Petrochina will also consider the potential acquisition of a stake in certain ENI assets," it added.

The state did not mention any further details.

Petrochina, state-owned and one of China's largest companies, will be offered by ENI in return an access to its experience in developing shale gas deposits in North America to allow it to review similar assets in its home territory.

"This cooperation with Petrochina is part of our strategy of strengthening our presence in the Far East whose booming economies led by China are driving global demand for energy and other resources," said the Italian gas and oil.

It is noted that China been focusing in the recent years on Africa where it has invested huge amounts of money to develop oil.

Viking Moorings docks in West Africa

Viking Moorings announced that it signed an exclusive deal with Ghana's Seaweld Engineering that will give the Norwegian station-keeping specialist an operational presence along the entire coast of West Africa.

"The contract will focus on offshore mooring operations in the oil-rich Gulf of Guinea," a statement made by Viking.

Viking conducted its first services under the new deal in December last year, providing equipment and supervising the installation of a single taut-leg pre-laid mooring system to Kosmos Energy for the drilling rig Atwood Hunter at the Teak prospect, offshore Ghana. The mooring system was designed to allow the rig to skid 400 meters.

Seaweld provided all onshore logistics and equipment management from its Takoradi base.

The deal between Seaweld and Viking will cover the following territories: Benin, Cameroon, Congo (excluding Cabinda), Equatorial Guinea, the Gambia, Gabon, Ghana, Guinea-Bissau, Guinea, Ivory Coast, Liberia, Nigeria, Senegal, Sierra Leone, and Togo.

In addition to the renting of mooring equipment, Seaweld will also act as agents for the sale of mooring equipment components, slings and wire rope, including non-rotating wire rope of up to 175 millimeters diameter.

Ghana Sells its First Crude Oil Exports to ExxonMobil

Ghana, the latest entrant to the club of African oil producers, has sold its first crude oil exports to Exxon Mobil Corp., oil trading sources said.

The U.S. oil company has bought cargoes of Jubilee crude loading on January 1-7 and January 8-18 from trading firms Vitol and Trafigura, the sources said. The price of the trades was not available.

Ghana's Jubilee field produced its first sustained flow of oil at the end of last year. Initial production of around 120,000 barrels per day (bpd) will rank Ghana as sub-Saharan Africa's seventh largest producer.

Jubilee is estimated to hold up to 1.8 billion barrels and have a lifespan of 20 years.

Successful Cormoran-1 Exploration Well in Mauritania

Dana Petroleum, the operator of the Cormoran-1 exploration well in Mauritania, in which Tullow Oil plc (Tullow) is a 16.20% partner, announced that the Cormoran-1 exploration well has been drilled to a total depth of 4,695 meters below sea level and has been plugged and abandoned as a gas discovery. Stabilized gas flow rates of between 22 and 24 million standard cubic feet per day (MMscfpd) were obtained during a test of one of the four separate gas columns encountered by the well.

The Cormoran-1 exploration well is located in Block 7, offshore Mauritania. It lies approximately 2km to the south of the Pelican-1 gas discovery well, which was drilled in late 2003. The well was drilled by Dana Petroleum, as Operator of Block 7, using the Maersk Deliverer deep water semi-submersible drilling rig. Water depth at the well location is approximately 1,630m.

The primary purpose of the Cormoran-1 well was to test the Cormoran prospect, which adjoins but lies at a greater depth than the Pelican discovery. A secondary exploration objective was the Petronia prospect, which lies beneath the Cormoran prospect. A further objective of the well was to provide appraisal information on the Pelican gas discovery.

The Cormoran-1 well encountered generally thin but good quality, gas-bearing, sands within the Pelican Group at depths between 3,376m and 3,711m true vertical depth subsea (TVDSS). This interval comprised two gas columns, one in the Upper Pelican Group (3,376 to 3,420m TVDSS) and one in the Lower Pelican Group (3,691 to 3,711m TVDSS).

Good quality, gas-bearing, sands were also encountered within the Cormoran prospect, in the gross interval from 4,351 to 4,471m TVDSS, and at the top of the Petronia prospect, in the gross interval from 4,660m to 4,695m TVDSS.

Drilling was stopped at a depth of 4,695m TVDSS for operational reasons (elevated pore pressures). The well was still in gas-bearing reservoir section at this depth.

A drill stem test was carried out across a 33m interval in the Lower Pelican Group (3,679 to 3,712 TVDSS). Stabilized flow rates of up to 22 to 24 MMscfpd were obtained on a 32/64" choke, the flow rate being constrained by the need to avoid sand production. Substantially higher flow rates could have been achieved were it not for this operational constraint.

Following the DST, the Cormoran-1 well was plugged and abandoned, this being done in such a way that the well could be re-entered in the future.

Participating interests in Block seven are Dana Petroleum (E&P) Limited (Operator) with a participation interest of 36.00%, EDF SUEZ Exploration Mauritania B.V. with a participation interest of 27.85%, Tullow Petroleum (Mauritania) Pty Ltd with a participation interest of 16.20%, PC Mauritania I Pty Ltd with a participation interest of 15.00%, Roc Oil (Mauritania) Company with a participation interest of 4.95%.

it is worth mentioning that Dana Petroleum is a wholly owned subsidiary of the Korean National Oil Corporation (KNOC).

$3.39 million for exploration costs in Mali and Liberiat

Canadian Company Simba Energy has closed its private placement first announced on December 30 2010. The Company issued 42,322,500 units at $0.08 per unit for total gross proceeds of $3,385,800. Each unit consists of one common share and one-half of one transferable share purchase warrant, each whole warrant exercisable into one additional common share until January 20, 2012, a price of $0.16 per share. All securities issued under the placement are subject to hold periods expiring on May 21 2011.

The Company paid $93,540 in finder's fees in respect of the placement.

The majority of the proceeds will be used for the payment of government fees, preliminary ground work expenses and office setup fees in Mali, as well as licensing and survey costs and general overhead costs in Liberia for the next several months. The Company will also use general working capital funds to continue its pursuit of Production Sharing Agreements in Ghana and will continue to pay down outstanding payables and other liabilities as required.

The Company also announces that Casey Forward has resigned as director and Chief Financial Officer of the Company. The Company thanks Mr. Forward for his years of service. Mr. Keith Margetson C.A. has been appointed Chief Financial Officer of the Company effective immediately. Mr. Margetson qualified as a Chartered Accountant in 1975 and has operated his own accounting firm since 1992. He has 15 years experience with public companies both as an auditor and in providing other professional services.

Angola: Eni awarded operatorship of Block 35

Eni has been awarded participation and operatorship of Block 35 by the Angolan Juri for the bid round, composed of representatives from the Ministry of Petroleum, Sonangol and the Ministry of Finance. The block is located in deepwater offshore Angola, 150 km off the coast of Luanda. Block 35 covers 4.831 sq km of potential pre-salt acreage.

Eni's election is the outcome of a competitive international tender, providing Eni with control of the operation and a 30% interest, whereas the other partners of the joint venture are Sonangol Pesquisa & Producao 45% and Repsol 25%. The deal involves the drilling of 2 wells and conducting 3D seismic surveys on a 2,500 sq km area, which will be carried out in the first 5 years of exploration.

This award, as proposed by Juri, and subject to the Angolan Minister of Petroleum's decision on any appeal of the Juri's proposal, represents a further step for Eni in strengthening its presence in Angola and reinforces its commitment to deepwater developments. The technological complexity of these frontier projects requires specific skills and expertise which are key factors in the company's success.

Eni's operatorship of the project also allows it to leverage its deepwater experience, gained through its participation in the adjacent Blocks 15 and 14, where it holds a 20% interest and in Block 15/06 where the company successfully completed the first exploration campaign in recent weeks.

Eni has been present in Angola since 1980. Its current equity production is approx. 130,000 barrels of oil equivalent per day. This operation further strengthens Eni's presence in the country and confirms Angola as one of the core countries in Eni's organic production growth strategy.

Angola: Statoil identified for Pre-salt operatorships in Angola

The national oil company Sonangol has publicly announced that the Angolan jury of the bid rounds has elected Statoil for operatorship and participation in several pre-salt blocks offshore Angola. Statoil has submitted its proposal as part of the pre-salt restricted public bid round organised by Sonangol for access to pre-salt acreage in the Kwanza Basin in Angola. Statoil's proposal includes operatorship of Blocks 38 and 39 and participation in Blocks 22, 25 and 40 with a comprehensive work program and a signature bonus for each block.

'The Angolan pre-salt is a frontier play with high potential. This presents Statoil with the opportunity to access several high impact exploration prospects which are believed to be analogous to pre-salt Brazil. Securing a multiple block portfolio early on in the exploration of this new play is a big advantage. Such a strong and influential position gives Statoil exposure to significant upside potential should the play be proven, says executive vice president for Exploration,' Tim Dodson.

Kenya: Centric Energy closes farmout of Kenya Block 10BA to Tullow Oil

Centric Energy has advised that the Company and Tullow Oil have closed the farm-in agreement whereby Tullow is farming-in to a 50 per cent participating interest in Centric Energy's 100 per cent owned Production Sharing Contract covering Block 10BA in north-western Kenya.

Tullow has paid a closing consideration of US$961,000 in respect of estimated historic costs related to acquisition of the PSC and exploration of Block 10BA, subject to a post-closing audit. Tullow will also fund 80 per cent of future joint venture expenditures in the Block until total spending reaches US$30 million, after which Centric Energy will be responsible for its working interest share of future costs.

Pursuant to the farmout, Tullow will also assume operatorship of the Block.

Block 10BA is strategically located within the East African Rift System which is enjoying increasing exploration interest and significant recent success, most notably in the Albertine rift in Uganda, 660 km to the west, which is considered to be the closest geological analogue to the Tertiary basins underlying Block 10BA (source: Gustavson Associates, 'Resource Evaluation Report, Centric Energy Corporation, Kenya Block 10BA', dated January 1, 2010).

Major volumes of hydrocarbons have been discovered by Tullow Oil in the Albertine rift, currently estimated (P50) to be approx. 1000 million barrels of oil as stated in Tullow's half yearly report dated August 2010. The referenced report by Gustavson Associates estimates the P50 unrisked prospective resources of Block 10BA to be 2.2 billion BOE.

Iran offers oil fields to Turkey for development

Iran is reported to have offered Turkey four or five small oil fields which Turkey will offer to the private sector, with each field requiring up to $100-200 million of investment, Energy Minister Taner Yildiz said on Monday.

He added Venezuela had offered Turkey two oil fields in return for construction projects. If Turkey were to invest in Venezuela it would invest $2 billion, he said.

Separately Yildiz said Turkey was discussing the building of a nuclear power plant exclusively with Japan. France had approached Turkey with an offer, he said, but it was impossible to ignore France's resistance to Turkey joining the European Union when considering that offer.

Exxon to invest millions in German natural gas exploration

The western state of North Rhine-Westphalia, once the heart of Germany's coal industry, may soon gain more investment in its natural resources sector as ExxonMobil announces plans for natural gas exploration. ExxonMobil is planning a multi-million-euro investment in the exploration of Germany's natural gas reserves, according to an interview in the German business daily Handelsblatt published on Monday.

The exploration would take place in North Rhine-Westphalia, Germany's most populous state and once home to the German coal industry. The state is thought to have Europe's second largest natural gas reserves with 2.1 trillion cubic meters (74.2 trillion cubic feet).

'We are expecting an amount well into the hundreds of millions during the exploration phase,' ExxonMobil Central Europe chairman Gernot Kalkoffen told Handelsblatt. 'If we're lucky, we could see billions (of euros) flow.' Kalkoffen said the final amount invested would depend on how concentrated the gas is and how efficiently it could be extracted.

The report said a total of nine companies want to explore gas in the state and had secured drilling options in various regions.

Despite the potential economic benefits, gas drilling has several opponents in North Rhine-Westphalia. Citizens' initiatives have sprung up in the area around Münster, fearing environmental damage and expropriations. The regional government decided in mid-January to examine the issue, especially in light of a law passed almost 30 years ago aimed at dismantling the natural resource-based economy, which some view as antiquated.

Gas joy in Morocco for Circle

Uk-based Circle Oil has confirmed a gas discovery at its ADD-1 exploration well at the Sebou Permit in Morocco's Rharb Basin.

But the company will encounter further delays for the re-entering of its KAB-1 well, the first of the drilling campaign it started in September last year.

In an announcement, Circle said it had found a gas reserve of 3.57 million cubic feet per day at the Main Hoot zone of the ADD-1 well and a further 1.89 MMcfd at the Guebbas zone.

The well is now being completed as a potential producer, with a technical evaluation of the results currently underway.

The discovery marks the company's second such discovery in Morocco this month, after finding gas at its KSR-10 well.

Following the discovery, the drilling rig will test well DRJ-6, which was drilled but untested from a previous drilling campaign.

Circle will then drill its fifth and final well in the current campaign, KSR-11.

Further work on the KAB-1 well will be postponed until the company can counter a problem with swelling clay experienced on first drilling.

Circle said it hoped to benefit from a suitable drilling fluid for the well after it was evaluated by a third party.

New Dawn for Japanese Business in Iraq – Nikkei

A Mitsubishi natural gas project will receive the first longer-term trade credit insurance for a venture there in 21 years to mark the start of a full-on Japanese involvement in large-scale resource development in Iraq, according to Nikkei.

The company considered the first Japanese firm to take a part in a long-term Iraqi resources project since the necessary trade credit insurance became unavailable with the Middle Eastern country's 1990 invasion of Kuwait.

Mitsubishi will join a natural gas extraction and processing project in Basra. It will form a local joint venture as early as next month with Shell and a gas company under Iraq's Oil Ministry. The Japanese trading house will take a 5% stake, while Nippon Export and Investment Insurance will underwrite its initial investment of about Y3.5 billion. Shell will own 44% of the venture, with the Iraqi gas company holding a 51% stake.

The venture will collect natural gas released during oil production and refine it for local distribution. Plans call for eventual exports to Japan and elsewhere. Project costs are expected to run from several hundred billion yen to around Y1 trillion, and Mitsubishi may make additional investments.

Competition for contracts to develop Iraq's abundant oil and gas has grown fierce as governments support domestic companies in public-private efforts. With its safety net for investment, Tokyo aims to help Japanese firms get a foothold and to diversify the nation's sources of energy.

Occidental to take 40% Shah stake

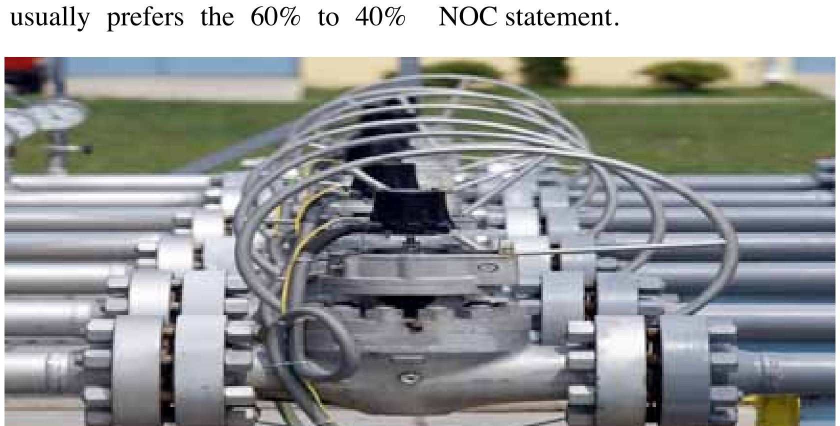
The United Arab Emirates said that Occidental Petroleum will have a 40% share in the Abu Dhabi National Oil Company's (ADNOC) Shah gas project.

The worth $10 billion worth of project is ADNOC chose Occidental for the $10 billion worth of project. This deal could make the US-based company a world leader in high-sulphur gas production.

It was reported that the sources said that Occidental's share could be up to 40%, given that ADNOC usually prefers the 60% to 40% partnership structure.

US major ConocoPhillips pulled out of the big but expensive gas project in April 2010, leaving ADNOC scrambling for a partner to develop the gas field it needs to meet soaring energy demand in the UAE.

"Implementation of the projects would include the treatment of around 1 billion square feet daily of sour gas and that will produce 500 million square feet," the Local news agency WAM quoted an ADNOC statement.



Rumaila Exceeds 10% Improved Production Target

The Rumaila Operating Organization (ROO) has met a major milestone in the re-development of the super-giant field in Southern Iraq by increasing production by more than 10 per cent above the 1.066 million barrels a day (b/d) initial production rate agreed in December 2009.

Meeting this production target, and the approval of the Rumaila rehabilitation plan last year, represents the achievement of two significant contractual requirements of the technical services agreement (TSA) signed between BP, PetroChina, the Oil Marketing Company of Iraq (SOMO) and the South Oil Company in November 2009.

"This production increase is an important step for Iraq and demonstrates the success of the contracts awarded, I am very pleased to see the progress for Rumaila and we wish BP, the South Oil Company, PetroChina and all the companies involved further success over the coming years," AbdulKareem Luaibi the Minister of Oil.

"This is an exciting milestone in the history of Rumaila and is a demonstration of what we can achieve by working in partnership with SOC, BP, PetroChina, and the dedication of our contractors. It is testimony to the efforts of the thousands of people who are working on Rumaila – not just that we have increased production but that we are doing so sustainably and with due regard to safety," said Rumaila Joint General Manager Salah Mohammed.

The pace of activity on Rumaila has built steadily over the past year. A total of 20 new rigs are now mobilized in the field. Over the course of the year, a total of 41 wells have been drilled, 103 workover completed and 122 kilometers of flowlines laid. Some 10,000 people are currently working on Rumaila, over double the number at the beginning of 2010.

After the establishment of the ROO 4,000 staff transferred from the South Oil Company with more than 100 from the lead contractor BP, and from PetroChina. The first phase of a major new headquarters and accommodation complex in south Rumaila has been completed; remnants of war have been cleared from rights of way, well sites and other areas of the field; and an environmental baseline survey has been completed.

Kuwait to invest $15 billion in petrochemical industry

Kuwait plans to invest $15 billion in petrochemical projects in the future, announced Saad Al Ajmi, DMD of financial and administrative affairs of Kuwait based Petrochemicals Industries Company (PIC).

Al Ajmi said in an interview with a local newspaper that his company has already invested $5 billion in the last three years, and he mentioned that his company has gone a long way to achieve its vision through establishing different projects inside and outside the State of Kuwait.

"Kuwait needs to reduce difficulties in the petrochemical industry and provide the necessary feedstock for projects," Al Ajmi said.

He also revealed that his company aims to grow through acquisition and also via organic growth without giving further details.

As per the company's strategy, Al Ajmi said that his company aims to increase the participation of the private sector in the petrochemicals projects, and draw on the lessons from the success of EQUATE.

Saudi Kayan ships first load of Acetone

Saudi Basic Industries Corporation (SABIC) announced that its affiliate, Saudi Kayan Petrochemical Company, shipped its first export production of Acetone, a part of the phenolic chain used to make Methyl Methacrylate (MMA), Polycarbonate (PC), solvents, adhesives and paints.

The initial shipment of some 1,600 metric tons from the Port of Jubail, on Saudi Arabia's Gulf Coast, sets a record also as the first shipment of Acetone from the Middle East. SABIC noted that the shipment is bound for manufacturing customers in the Indian market, and that some of the Acetone produced at the plant will be also used by other units at Saudi Kayan to produce high-value PC.

SABIC's Performance Chemicals Strategic Business Unit (SBU) reports the rated capacity of the Acetone plant at Saudi Kayan at 140,000 metric tons per year. The giant new petrochemical complex at Jubail, will, when completed, have a combined capacity of more than 5.5 million metric tonnes per year of petrochemical products, some of which will feed further downstream business growth in Saudi Arabia.

SABIC Vice Chairman and CEO Mohamed Al-Mady noted that the company is diversifying its product portfolio in pursuit of long-term profitable and sustainable growth. Al-Mady also said, "The way we are introducing products will not only help SABIC, but also our customers sell products that are sustainable." He also noted that the Performance Chemicals SBU would be one of the main drivers of SABIC's diversification strategy as the company implements its 2020 vision of being the world's preferred leader in chemicals.

Mauritius adopts "ambitious" refinery plan

Mauritius held talks with India for the construction of a $2 billion oil refinery, which could be up, and running by 2015 reported Reuters.

According to the Trade and Industry Minister Shawkutally Soodhun, the Mauritian government is currently holding talks with India's Mangalore Refinery and Petrochemicals Limited and will proceed with a feasibility study costing $60 million, financed by Mauritius and India, according to Muaritian daily, l'Express.

The Minister highlighted that, "this $2 billion dollar oil refinery project may be operational in four years. It would be partly financed by the Mauritian government and Mangalore Refinery".

The refinery would process crude oil from Africa before sending products on to India.

"There is a possibility that India use Mauritius as a hub to refine its oil and we would benefit in terms of cheaper oil prices," Soodhun said.

The import-dependent country currently has no oil production capability.

Reuters quoted Soodhun as saying that India was becoming an increasingly strategic partner for oil producers in Africa and would import greater amounts of crude from there.

Aramco awards service agreement to GL Noble Denton

GL Noble Denton won a Master Service Agreement with Aramco Overseas Company B.V. for vendor inspection services.

According to the terms of agreement, GL Noble Denton will inspect the manufacturing process of all types of oil and gas equipment at the vendor's site. The contract has a validity of three years and covers services to be rendered in all European countries.

Aramco Overseas Company B.V. provides services to Saudi Aramco, the national oil company of the Kingdom of Saudi Arabia. They handle purchasing and logistics, inspection, engineering, research and technology, IT, finance, legal, public relations, HR, international staffing and executive services administered from the AOC headquarters in The Hague and from satellite offices in Italy, Japan, Hong Kong, India, Singapore, China and the United Kingdom.

Vendor Inspection is a measure of quality assurance (QA) and a critical element in any pre-commissioning plans. During the design phase of a project, specifications for equipment to be installed are developed. These specifications are described in detail in the request for bids. GL Noble Denton has performed vendor inspections in many countries. Typically, all types of mechanical, rotating, electrical and electronic equipment for oil and gas plants are inspected.

GL Noble Denton monitors oil & gas projects worldwide and supports all quality-related activity with its global network of surveyors. They monitor and ensure that overall project timelines and budgets are met, that facilities, equipment, products and services meet quality as well as HSE and social responsibility obligations.

GL Noble Denton is a technical advisor to the oil and gas industry. The oil and gas business segment of the GL Group helps to design, build, install and operate oil and gas onshore, maritime and offshore assets to ensure safety, sustainability and superior value.

GL Noble Denton is the merger between Germanischer Lloyd's (GL) Oil & Gas business and Noble Denton, a premier provider of life cycle marine and offshore engineering services. Since January 2010, they offer their services as GL Noble Denton.

Quick Look: Renewable Energy Development in Egypt

Statoil and Siemens signed a technology development cooperation agreement, which will initially embrace wind power, subsea technology, electrical engineering technology and energy efficiency measures.

This cooperation would facilitate the development of future path-breaking technology.

"This is a strategically important agreement for Statoil," said Halfdan Knudsen, Senior Vice President for Process and Refining Technology in Statoil.

Siemens is an important Statoil supplier within several areas, and the two companies already cooperate in the technology development area. An umbrella agreement has therefore now been developed, structuring the framework of the technology partnership within R&D and technology development and facilitating the start-up of new cooperation projects.

Knudsen finds it highly important that the customer and supplier cooperate in the technology development area. "As users, we get to define adequate requirements for functionality and describe the conditions under which the equipment will operate. The supplier often possesses extensive skills within product design, fabrication and commercialising of the specific technology," Knudsen said.

The cooperation agreement contains guidelines for the rights of use of the results. Working closely with the various suppliers regarding technology development is part of Statoil's strategy. Statoil has already signed technology cooperation agreements with five other companies.

Constructs Concentrating Solar Power Plant in Kuraymat Region

Flagsol, a subsidiary company of Solar Millennium, has constructed the first Concentrating Solar Power Plant in the Kuraymat region of Egypt. This 150 MW hybrid power plant will utilize natural gas and concentrated solar power and would be operated continuously.

The solar field contains parabolic trough collectors having a total surface area of 130,000 m². The entire solar field was directed at the sun, and the heat energy absorbed fed into a heat exchanger located in the power block.Flagsol and Essen-based Ferrostaal provided the technology for this project. The solar field was designed and delivered and operated by Flagsol, who also supplied the major components such as absorber pipes and parabolic mirrors. The solar field was constructed and commissioned with the help of Orascom Construction Industries, an Egyptian Company. On the site a number of skilled workers had assembled mirrors for the total surface area. The 6 meter high collectors were later installed in the solar field inside several rows of parabolic trough mirrors, which had a length of several hundreds of meters. Totally 2000 collectors were installed and all of them were oriented towards the sun's position.

This site gets on average about 2400 kW hours of solar irradiation per m² per year and this irradiation is channeled to mirrors, which are parabola shaped and reflect on to absorber pipes, which are located in the collector's focal line. The absorber pipes hold a heat transferring fluid and gets heated up to 300-400˚ by the concentrated sunlight. The liquid is then pumped into the central power block and the thermal energy thus ensued gets converted into electrical energy.

According to Flagsol's Technology Project Manager, Matthias Strub, this power plant can be operated without any interruption and hence could supply power for 24 hours every day for seven days a week. Oliver Blamberger, Solar Millennium's Executive Board Member stated that the Kuraymat Project demonstrates that electricity could be generated from the North African Desert and their technology was proof that the DESERTEC Solar Millennium 2/3 Dec 2010, would become a reality and the co-operation of Europe and Africa in the renewable energy field could be successful.

NREA, the Egyptian energy authority, called for tenders and commissioned this power plant. This plant's total cost was over € 250 million, out of which, the cost of the solar field was 30%. The Global Environment Facility (GEF) provided a USD$50 million grant for the solar field. The commercial operations would begin by 2011 and for two years thereafter both Flagsol and Orascom would operate the plant and then hand it over to the owner.

IN EGYPT OIL & GAS FIRST ROUND TABLE

INDUSTRY PIONEERS DISCUSS

Challenges Facing Field Development

Calling for modifications, asking for more production, warning of energy exploitation, boosting Egypt's reserves…etc are all factors either supporting or threatening the development scheme in Egypt. Egypt Oil & Gas invited the petroleum industry's well-known figures and experts to its first round-table discussion to share views, analyze the development potentials and draw a plan for the future

Moderated by Yomna Bassiouni and Tamer Abdel Aziz

Who said oil & gas are depleting?

The round-table discussion was headed by the former minister of petroleum and Head of the Commission of Electricity and Energy of the Specialized National Councils, Dr. Hamdy El-Banby who stressed at the beginning on the importance of connecting various concepts together, such as petroleum reserves, advanced technologies, human skills…etc, to the main topic of field development as they are all interrelated and lead to our aim.

"The inaccuracy of stating our reserves, whether oil and gas, leads to a state of confusion among citizens that affect the petroleum industry credibility," said El-Banby. "There is a difference between proven reserves and the yet-to-find ones. Therefore, we should not mix them."

The exact volume of Egypt's reserves should be announced once a year, whether at the beginning of each year or at the beginning of the fiscal year of the Ministry of Petroleum that starts in July. There are some factors, such as the availability of advanced technologies and the rate of discoveries put on production line that have direct affect on the volume of reserves. He further added that the field development, which is the theme of this round-table discussion, plays a crucial role in bolstering the country's reserves. "The foreign direct investment, specifically in the petroleum sector, observe closely any country's reserves before choosing where to invest their money. And, gladly, Egypt is a focal center for various investments in the region and we should maintain this distinctive endowment," the former minister highlighted.

El-Banby criticized the voices claiming that the hydrocarbon reserves (oil, gas and coal) are depleting worldwide. "Who said that the hydrocarbon reserves are on the depletion route? Analyzing the data of the volumes of reserves, we will find that in January 1990, the crude oil reserves counted for 1006 billion barrels, jumped in 10-year period to 1086 billion barrels in January 2000. Over the following decade, this number even increased to 1333 billion barrels."

Similarly, the gas reserves have been increasing as well worldwide. "In January 1990, the gas reserves averaged 4322 trillion cubic feet (tcf), went up to 5346 tcf in January 2000 and reached a total of 6621 tcf in 2010."

Consumption vs. Reserves

El-Banby clarified that despite the increasing vigorous consumption rate, it has been met with a steady development and production rate. "There is a balance in the reserves equilibrium worldwide. In other words, countries that are going low in reserves are compensated by other countries, which are intensifying their discoveries and hence increasing their production levels."

According to the recent report "International Energy Outlook 2010", published by the U.S Energy Information Administration (EIA), the total production of equivalent oil is expected to stand at 5.6 billion tons in 2035, which would consist of 30.7% of total energy production during that year. Also, the natural gas production is estimated to reach 4.1 billion tons in 2035. "This means that both equivalent oil and gas production will represent 53% of total energy used worldwide in the year of 2035," explained El-Banby.

Compared to the current production figures, a total of 4.5 billion barrels of equivalent oil and 3.5 billion tons of gas were produced in 2010. "Based on the EIA report, over the coming 25 years, production will be increasing at a rate of 0.6%."

El-Banby believes that societies all across the world should keep an optimistic view about the oil and gas industry, highlighting the previous references as a proof.

Maintaining this same viewpoint to some extent, Dr. Shawky Abdin, General Manager of PICO Oil, stressed on the fact that the oil and gas production nowadays has become much more difficult compared to the past. "We should realize that the production process is no longer simple or uncomplicated as before. Currently, most companies have been conquering new area that were not discovered beforehand in order to initiate their E&P programs, which require high investments."

Challenges facing development

Dr. Abdin added that field development has become a necessity, yet it is considered very costly. However, the present updates technologies sustain these development operations, which should be conduced, disregard the ups and downs of oil prices.

"In 2009, the beginning of a recovery from the global economic crunch was felt. The total upstream investments exceeded the 20% and counted for nearly 350 billion worldwide," said Dr. Abdin.

Eng. Ismail Karara, former first secretary of the Ministry of Petroleum for gas, supported Dr. Abdin's comment about investments and clarified, "the international prices are kind of recovering and have been increasing. This will make it then more attractive and feasible for companies to reset drilling programs".

"Producing gas from deserts used to be very cheap compared to today's production from deep waters, which requires enormous spending and the utilization of sophisticated technologies to produce gas and develop the fields."

"Gas price should be equivalent to the costs of gas exploration and production from deep waters. I believe that there should be no worries from the upcoming period, on the contrary, we expect more gas discoveries to be announced soon."

Karara supported Dr. El-Banbi's optimistic view and confirmed, "The growing number of companies applying for the various bid rounds released by the EGPC or the Holding Companies is a clear evidence that we are on the development route".

Representing one of the major services companies, Eng. Yasser Al-Khazendar, Schlumberger Egypt Country Manager, asserted that there was a clear increase of the number of operating rigs in 2010, compared to 2009, which translates the upsurge of development rates that aim at amplifying production rates and hence augmenting the volume of reserves by its turn.

From an operator point of view, Dr. Hany El-Sharkawi, President of Dana Gas Egypt stated that cash flow was one of the main factors hindering the "development wheel" in Egypt. However, this financial plan has been eased lately.

El-Sharkawi added that the energy demand is increasing from countries where economic development rates have been boosting considerably, such as China, India and East Asia.

Agreeing with Dr. El-Sharkawi, Al-Khazendar highlighted that the OCED countries recorded the largest energy demand. "Surprisingly, the year of 2010 witnessed the highest energy demand ever in the last 30 years."

Being in the kitchen of development expertise, Eng. Abed Ezz Al-Regal, the newly appointed Chairman of the Tanmeya Co. for Field Development, emphasized that field development operations are considered as one of the effective solutions to meet the soaring energy demand.

"The mounting slope of price can be considered a good element for the petroleum industry, yet there should be a balance to keep a stable economy," added Al-Khazendar to Ezz Al-Regal's comment.

On the other side, Geologist Sami Sha-


Dr. Hamdy El Bambi
Former Minister of Petroleum


Dr. Shawki Abdeen
PICO Oil General Manager


Eng. Ismail Karara
Former First Undersecretary for Gas


Dr. Hany El Sharkawi
Chairman of Dana Gas Egypt

"The inaccuracy of stating our reserves, whether oil and gas, leads to a state of confusion"

"We should realize that the production process is no longer simple or uncomplicated as before"

"Bureaucracy and investment laws are the key enemies to the development path"

"The economics of any gas project can be a barrier to further development"

hin, Consultant of Industry and energy Committee of the People's Assembly and former vice president of the EGPC for exploration and agreements had a different opinion. "All previous views are much appreciated, however, I do not think this optimistic view can be generalized on both oil and gas productions."

Shahin pointed out that oil and gas prices were interrelated in the past; when oil prices increased/decreased, gas prices increased/decreased correspondingly. "But, at the present time, we cannot apply the same measures on both oil and gas prices. Observing crude oil prices, as going up does not necessarily lead to an equal gas price lift, although gas fields' development is produced nowadays from the costly deep waters."

"There is a vital need for special incentives to lure more investments into the country to hold development operations, especially amid the acute competition of the neighboring countries."

Answering Shahin's concern, Ezz Al-Regal affirmed that there is a large number of discoveries that needs to "strong-minded" decisions to start their development. Also, Dr. El-Banby replied back, "Egypt, like most of other nations, turns the weak point to an opportunity for its strength."

Asked about means to raise rate of discoveries up, Shahin clarified, "we should first increase our reserves through development activities, which can be attained via strong legislation, modifications of contracts and terms and classification of foreign investors as main partners.

Dr. El-Sharkawi added, the secured and stable environment as the main factor behind the large investments of Dana Gas in the country, which supports the company's future expansion plans. "Yet, the economics of any gas project can be a barrier to further development… some of our discoveries have been suspended due to the instability of oil and gas prices."

The President of the sixth highest natural gas producer in Egypt affirms that once the fund problem eases, the fields' productivity improves as well.

Answering El-Sharkawi's point, Karara referred to the recent modifications of already signed contracts to amend the gas prices agreed upon to cope with the continuous changes of the market.

In addition, Shahin added that flexibility in negotiating the contracts' terms is mandatory to attract investments. "Contracts should support the idea of equal outcomes for the interests of both sides."

The People's Assembly figure warned of the virtually complete dependence on oil and gas as prime means to generate electricity. "For long, 80-85% of electricity is generated by the oil and gas in Egypt, which is against the international trend that limit this percentage to an average of 40-60%. The remaining share of electricity is generated by alternative energies."

Interrupting Shahin's suggestion for an immediate alternative energy plan, Dr. El-Banby clarified that the social aspect is a very influential key when it comes to decision-making. "The Egyptian government, like many others, studies well and takes into consideration the social reaction towards whatever decisions it makes, specially the ones related to energy, such as electricity. For instance, the stations of electricity generation are state owned; therefore, the government is responsible to provide it to citizens at affordable prices, especially for the needy and low class citizens who top the list of priorities. But, since Egypt does not have coal required for electricity generation, the government has to depend on gas that is high-valued compared to Mazot."

"I agree with Shahin; there should be alternative sources for electricity to depend on."

The petroleum geologist enlightened that among the richest alternatives, the country has, is the oil clay. "Latest studies showed that Egypt holds up to six billion barrels of oil clay."

"Energy resources are not limited to oil and natural gas solely. There is a national energy multiplicity plan to create new basis for friendly-environment energies, but we still need to expand the development activities to meet the increasing demands," highlighted Ezz Al-Regal.

Karara had another say concerning the development challenges. "Bureaucracy and investment laws are the key enemies to the development path." The petroleum sector has always been concerned about the adequate investments incentives that boost the development operations and at the same time ensure the fruitful outcomes for both parties (investor and sector).

"We used to have special duty-free and taxes regulations for investors, but if we do not stick to them, the sector would lose its credibility," warned Karara. "Honestly speaking, the petroleum sector made various strategic incentives to encourage

Mr. Yasser Khizindar
Schlumberger Managing Director

Eng. Abed Ezz Elregal
Chairman of Tanmeya

Geol. Samy Shaheen
Former EGPC Vice Chairman

Eng. Mohamed Fouad
President of Egypt Oil & Gas

"There should be a bunch of regulations to enforce the long-term development plans"

"Tanmeya is not a medium between operators and service companies. We are not even competing with service companies"

"There is a vital need for further and special incentives to lure more investments into the country,"

"Lack of information transparency could hinder the cycle of developments within the sector"

more investors to join this dynamic sector, but the problem lies in some bureaucratic legislative bodies that hold back all the positive efforts."

In addition to all the mentioned challenges, the former minister added the inefficient energy consumption to the list of development challenges. Unfortunately, efforts exerted to raise production and reserves levels are confronted by overpopulation and misuse of energy. "El-Banbi added, "The bill of subsidies is another heavy burden on the sector's expenses as it absorbs large share of the ministry's budget and unfortunately, it does fulfill its target to reach the real deprived and poor classes".

This chief hindrance consumed nearly 73 billion Egyptian Pounds last year and is estimated to rise up to 80 billion this year, he declared. "There should be a mechanism to ensure the delivery of subsidized petroleum products to the targeted recipients."

Asked about the role of Gas City project initiated by Dana Gas last year, Dr. El-Sharkawi stated that the aim of this project is to amplify the value of gas instead of being burnt for generating electricity. "This venture serves our calls for development, yet more efforts should be exerted to bring this to fruition."

Modifying Contracts

Karara, being one of the officials who supervised the modification of many agreements, declared that contracts should match the international prices and include terms that cope with the market changes. "Each agreement comprises a main term that allows the price modification at any time based on the market. For instance, when oil prices exceeded the $150 edge, prices agreed upon in signed contracts were revised."

The petroleum expert stated that tenders and bid rounds should be adjusted as well to strengthen the whole development body.

Sheding light on the release and procurement of tenders, Al-Khazendar said that most service companies provide the adequate service needed in each tender, yet this does not necessarily reflect the good quality.

"Though prices can be a factor in any tender, evaluation of offers aims at achieving the best outcomes for the whole society," replied Karara.

The flexibility of agreements led the conversation to another factor, which answers the question of how to expand in the non-developed area? Dr. El-Sharkawi gave a clear example of how an investor can conquer new areas, such as Upper Egypt where the company had unprecedented record.

"The area of Upper Egypt is one of the most difficult ones, which requires large funds. However, the incentives we received from the Ministry were the motive behind our challenge there."

Dana Gas had production records in Kom Ombo concession that holds now a daily production rate of 1100 barrels a day.

"Among the incentives offered to Dana Gas were the early production facilities that did not exist before by law," added Shahin.

Analyzing the development of Upper Egypt, Karara stated that the establishment of Ganope has been "a strategic push" to boost this area. "There is a complete database for the spots where E&P activities can take place in Upper Egypt."

Confusion veils Tanmeya's real mission

The newly appointed Chairman of Tanmeya summarized the vision and mission of the company in detailed points: employing and developing the sector's human resources, conducting focused studies and holding workshops to study the un-developed fields and set plans to develop new areas, being the link between companies seeking reliable studies or searching for trained calibers to join their work force, providing solutions to better utilize the available production facilities in each area…etc.

"There is confusion about the basic mission of Tanmeya. We are not a medium between operators and service companies. We are not even competing with service companies; on the contrary, we act as a consultant industry operators.

"When we conduct a study about the Western Desert, for example to evaluate the operations of existing companies, assess the available facilities in the area, determine the status of fields whether producing or need to be developed, this study will be beneficial for all in general as it opens the door for more activities and suggests new means to better utilize the area's facilities."

Ezz Al-Regal further added that at the beginning of the company's establishment, there was a preparation phase to appoint the right calibers for each segment needed in the petroleum industry, as a part of the company's mission.

"Tanmeya has never been a medium for any company. At the beginning, the idea behind Tanmeya was to magnify the value of skilled personnel and experts who were working in secondary positions. So, we gathered all this expertise to occupy decision-making positions through which they can better develop the sector."

Moreover, Ezz Al-Regal clarified that the company provides the information, studies and database needed for any new investor seeking to join the Egyptian petroleum sector.

"The major role of this company is to alleviate the obstacles challenging the development operations, such as assisting companies to share the present facilities instead of building new ones, which would ease the financial burden especially at the time of the global economic crisis," declared Karara. "Tanmeya would play the role of a medium in this case, which is an exception."

El-Banby contributed to the discussion by referring to EMC and Petromint as holders of similar visions as Tanmeya. "All companies have a complete maintenance department that does not hold maintenance works on daily basis and the capabilities of their teams are not fully employed… that is how the idea of both companies came up; to gather all the skilled teams of the maintenance administration in one or two entities to be responsible for all maintenance operations in all other companies."

"Why do not we acquire a maximum profit from the unexploited skills by assembling them all in one strong entity?" questioned Ezz Al-Regal.

Answering this inquiry, Al-Khazendar believes that Tanmeya would invite back all the Egyptian calibers that left to the Gulf due to the catchy wages and working packages and it would stop the "brain drain".

On the other side, Abdeen had another opinion and suggestion to Tanmeya's Chairman. "The company's mission should not be limited to the previously mentioned tasks. Why does not it expand into exploration sector?" suggested the General Manager of PICO Oil.

Interrogated about the possibility of appointing Tanmeya in Dana Gas upcoming operations, Dr. El-Sharkawi made it clear, "if Tanmeya keeps the high standards that Dana Gas is always sticking to and provide reasonable prices, there will be definitely a cooperation between the two companies". Compared to any other parallel company, I believe that Tanmeya has the privilege of being a holding company that ensures more flexibility in holding operations, added El-Sharkawi.

From his side, Al-Khazendar expects the cooperation between Tanmeya and Schlumberger can be in the form of exchanging expertise. "We are not competitors, on the contrary, this cooperation will be an integration of the know-how between both sides. Exchanging expertise would be fruitful for both sides, taking into consideration that most of the logging knowledge is part of Schlumberger's proficiency."

Drawing all attention to Tanmeya, Ezz Al-Regal said that the company abides by the international quality standards that would never be forgone for any reason.

"The word Tanmeya was mistakenly translated to services at the first glance, which is not the fact. It will not take over the role of Baker or Schlumberger or Halliburton. It is a company that would fill in the human resources gap and field development," stressed Karara. "This is Tanmeya's key role in the petroleum sector."

"Nevertheless, this company can help reducing the cost recovery; having an indepth database would direct companies to utilize the present production facilities instead of spending large sums of money to construct new ones. This would reduce financial cost and speed up the field development operations."

Lack of information transparency

Egypt Oil & Gas, as an information provider, has always been keen on strengthening the effective role of media in such a dynamic sector as the petroleum industry. Hence, this first round-table discussion was a chance to address a vital point, which is the lack of information transparency.

"First of all, we have to agree that some media employees, lack the petroleum knowledge, cause a chaotic status among readers through their inaccurate reports and writings," said El-Banby. "Therefore, to avoid the leak of inexact news and rumors about the petroleum sector, I suggest having a specialized press office to release news and information, assist all media types by providing needed data and be a credible communication channel between the Ministry of Petroleum and media."

Besides, the former minister suggested having an exact schedule to announce the country's counts of reserves, bid rounds and tenders that should be publically broadcasted at a specific date each year. "Making specific dates for these strategic announcements would draw the attention of companies and organizations interested in Egyptian tenders to set their business calendar based on the Ministry's agenda."

"I am calling the press office of the Ministry to face the bias media by providing detailed information on whatever press release it publishes and also intensifying its communications with the media to avoid any misleading piece of news that would threaten the sector's credibility," warned El-Banby. "I deduce that the Ministry is taking a side from the media for a reason or another."

Karara had a different say. "When it comes to announcements about latest discoveries, there is a specialized committee responsible for finalizing the exact volume of findings and expectations of each discovery and then it gives the green light to publicly announce any discovery news. "Unfortunately, some media networks are misleading, seek propaganda on the expenses of the sector's credibility."

Asked about how cooperative is the Ministry of Petroleum in terms of media, Shahin said that some media channels give space to people who claim being petroleum experts, while in fact they have never worked in the field and are not knowledgeable or related to the petroleum industry from any side. "This group of fake experts ruins the image of the petroleum industry in the media through their petroleum ignorance."

"We can attribute this weak connection between media and the petroleum sector to the officials' daily busy agenda. However, there should be a re-organization of the Ministry's official media source to issue information and data, specially that nowadays the opposition presses have been dominating the attention of most citizens and can easily mislead them by false news," cautioned Karara.

Proving that the public opinion can be easily misinformed, El-Banby recalled the example of Agrium project that was condemned by the opposition press as threat being a major source of environmental pollution. "This project was a friendly-environmental project of the first degree, which would not have generated any kind of pollution to the environment!"

"Being dominated by a one voice media has forged the truth and the project was not implemented."

Looking to the other side of the story, Schlumberger General Manager made it clear that the lack of information does not only affect the image of the petroleum industry on the national as well as the international level, but it also weakens the sector's trustworthiness as investors do not have access to required information. "I seize this opportunity to ask for a clear specialized media source that would help boost the development activities."

Visions and Recommendations

At the end of the round-table discussion, some recommendations concluded the outcomes of this gathering and reflected the desire for more development in the dynamic petroleum sector.

"I would recommend adding a new position of an energy supervisor in the administration hierarchy of all organizations and companies, who will be responsible for controlling and observing the energy consumption," said El-Banby.

This position can be added to the crew of the Quality, Health, Safety and Environment (QHSE) department, which would save large amounts of energy waste. "If this entry existed earlier, the Shura Council would not have been burnt last summer! We should all adopt a new concept; Energy for Life."

In a technical framework, Geologist Shahin shed light on the rate of energy consumption in Egypt. "According to data, Egypt is classified as one of the heaviest energy consumers; 147% higher than Turkey, 182% more than Tunisia, 300% beyond Mexico's consumption and 364% higher compared to Greece."

These figures reflect how far the Egyptians waste their energy due to their overconsumption, and the bill will be really expensive in the near future!"

Besides, there is the subsidies bill that keeps on increasing, which is a heavy burden on the Ministry of Petroleum. Moreover, the Ministry would suffer from funds shortage due to the pending unpaid bills of energy used by other sectors. The petroleum industry also bears 42% of the tax-free that is mainly granted to foreign investors with the purpose of luring more FDI into the country.

"I believe if the Egyptian petroleum sector does carry this long bill, there would be better development opportunities in the country with massive investments," estimated Shahin.

Turning Egypt to an energy hub is another prime vision that we should make it true, declared El-Banby. "This can be achieved by initiating a similar project like the SUMED pipeline but for gas. The shares of SUMED pipeline, through which passes petroleum products from the Gulf to Europe via the Mediterranean Sea, is 50% held by Egypt, 45% held by Kuwait, Saudi Arabia and UAE (15% each) and the remaining 5% are owned by Qatar. This project adds up to $140 million a year to Egypt's treasury as fees for crossing our lands in addition to the job vacancies it brings to the Egyptian youth. As a matter of fact, Egypt secured its right to get whatever quantities of the 30 types of crudes transported through this line, at the international price, excluding the transportation fees. Definitely, this is a good bargain for Egypt since it receives the needed quantities to utilize in its refineries at a lower price. It is worth mentioning that this line is a backup for Egypt's crude oil energy security as more than 120 million tons are transported from Ain Sokhna to Sidi Kerir annually."

Karara and El-Banby supported the idea of constructing a similar line for gas. "We can receive the natural gas from the Asian countries, such as Iraq, UAE and Qatar that will be sent to the gas liquefication stations in Damietta and Rashid and then exported to Europe through the Mediterranean Sea."

Egypt Drilling Report 2011

Egypt Oil & Gas' Drilling Report 20011 provides an in-depth analysis of the drilling market from various perspectives. This year's report responds to many ambiguities that dominated the Rig market at large and affected the domestic market. A five-year analysis is provided, during the period from 2005 to 2010, to evaluate the industry operations flow before the eruption of the global economic recession, throughout the recession and during the recovery stage.

The EOG Drilling Report 2011 differs from any other report by the amount of data and studies provided, which are solely focusing on the Egyptian market. A complete comprehensive overview of the drilling operations held from 2005 to 2010, in terms of total wells drilled (per type, per area, per classification), drilling costs and investments in addition to analysis of drilling operators' activities (drilling activity per company, total wells drilled per company and drilling operators per area). Besides, a special well data section will be added to the report that would help clarifying the ups and downs of the drilling operations during the global economic recession by making an in-depth analysis and comparison between the fiscal year of 2008-2009 and 2009-2010. The points of comparison will include: discovery wells, offshore development wells, onshore development wells, synopsis wells and exploration wells.

Moreover, in addition to the general overview of operators activities throughout the past five years, another section to be added to study the top operators of the market, which are (in alphabetical order) Apache, BG, BP, IEOC and Shell. For each operator, we will shed light on all concessions of each company, give data analysis of wells drilled, production rates, list of discoveries, costs of operations, investments and a five-year production forecast.

The EOG Drilling Report's second section sheds light on the domestic rig market, through a five-year analysis, from 2005 to 2010. Therefore, various analyses are included to show the market's rig count per classification (per type, per area, per operator, per contractor) and the average rig rates (per area, per HP, per contractor). Over and above, it contains the main players in the market, whether offshore or onshore. Besides, there will be a special investigation of the rig market during the fiscal year of 2009-2010, which will tackle a summary of rig count reflecting the market status.

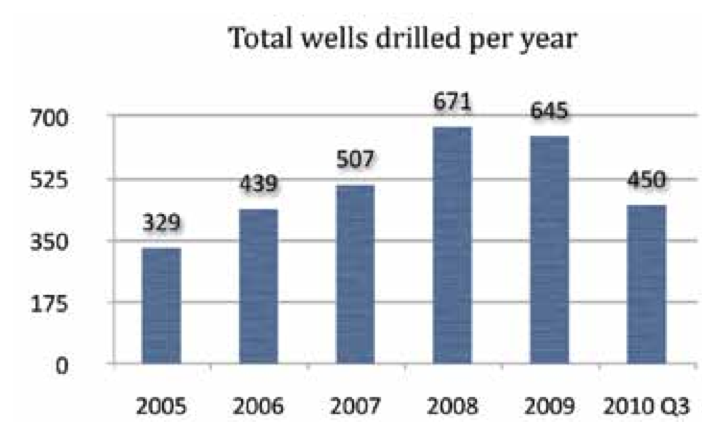
Additionally, the EOG Drilling Report 2011 examines the compatibility between the volume of drilling operations and the rates of production. Hence, the production section provides data about the country's production rates (per area, per year, per operator) in the period from 2005 to 2010.

Nevertheless, forecast of the rig market and production rates over the coming five years are presented in this report as well. This section will as well include the estimations of the country's reserves and investment spending.

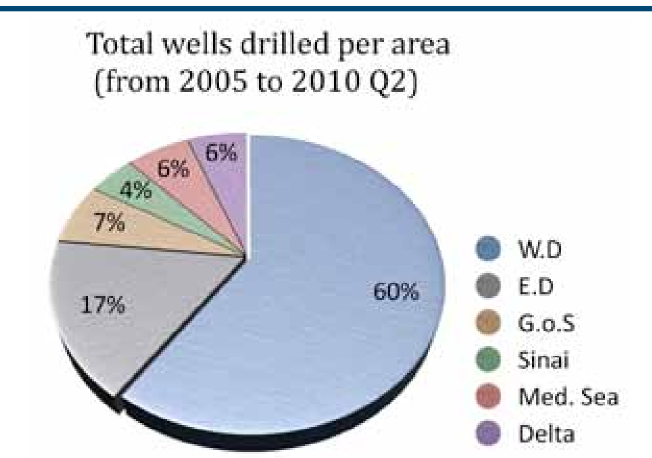
Drilling Activities

Despite the major drawbacks of the global economic crisis, there was a slight decrease in the number of wells drilled in 2009, compared to 2008. The number went down from 671 to 645 wells in 2009.

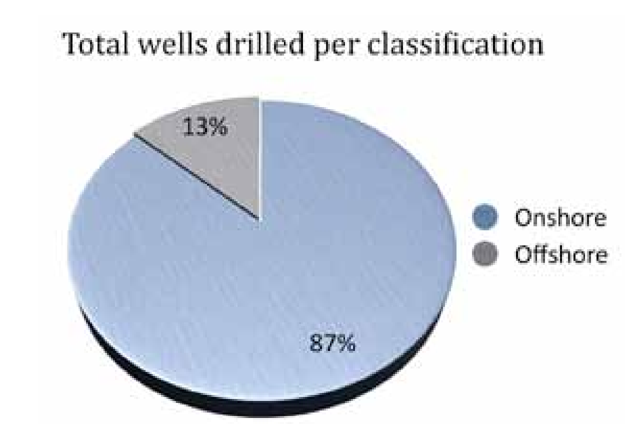
The minor decrease that took place last year is expected to be reversed in 2010, as the total number of wells drilled until the second quarter totaled 450 wells, which is higher than the 325 wells drilled during the same period in 2009.



The total number of wells drilled during the period from 2005 to 2010 Q2 counted for 3013 wells, distributed all over the Egyptian acreage. The Western Desert has always been home for most drilling operations in Egypt's upstream sector. The Western Desert had a 60% share of total wells, followed by the Eastern Desert in the second place with a 17% share and then the Gulf of Suez (7%). The Mediterranean Sea and Delta come in the fourth place, holding 6% each. And, finally the Sinai area holds the remaining 4%.



The year of 2008 witnessed the highest number of wells drilled, whether onshore or offshore. The first counted for 588 wells, while the second totaled 83 wells. In the period from 2005 to 2007, before the peak number, both well classifications reflected a gradual increase rate. The drilling operations for the onshore wells went up from 270 wells in 2005 to 431 wells in 2007. On the other hand, the drilling of offshore well rose from 59 wells to 76 wells in 2005 to 2007.

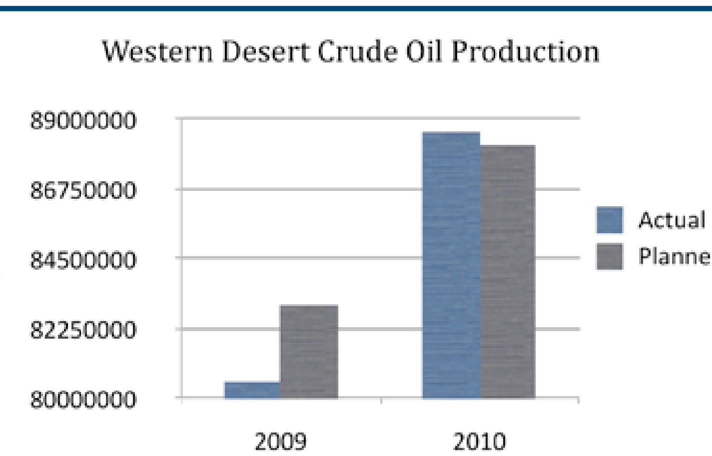


Production

Western Desert

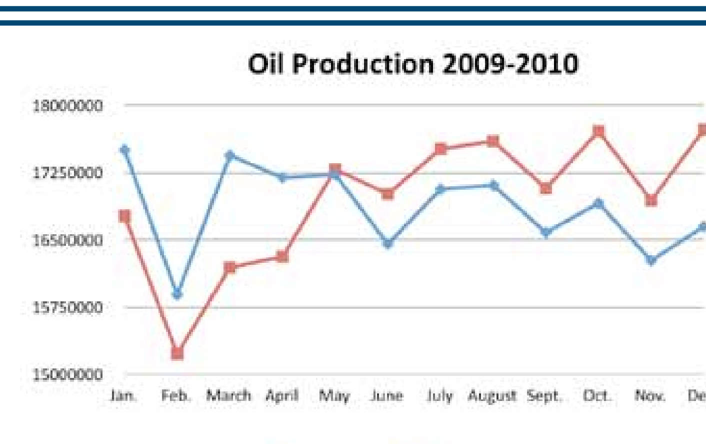
During 2009, 97% of the crude oil production plan was achieved; 81 million barrels instead of 83 million barrels of crude oil. Besides, the performance of condensate production was relatively high, as the total production was 1.8 million barrels, which is 800 thousand barrels higher than the plan.

Last year, the Western Desert maintained high production achievements; it fulfilled more than 100% of both crude oil and condensate production plans, 97% of natural gas production and 88% of the LNG production.



Oil Production

In 2010, the oil production peaked in October and exceeded the 17.7 million barrels. On the other side, the year of 2009 achieved a peak of 17.5 million barrels in January.



2011: the petroleum kick-off year

Though many believes that the year of 2010 brought some kind of relief to the petroleum industry worldwide, but the concerns now revolves about the new year of 2011 and what would it bring to the Egyptian sector?

By Shady Ahmed

The Egyptian oil and gas community saw the year 2010 as the year of successful agreements; it witnessed the signing of many deal between Egypt and many countries, whether Arabian, African, Asian, or European ones. The Ministry of Petroleum paid special attention to rapidly place any discovery, whether oil or gas, on the production line. This strategy serves the Ministry's plan to boost the country's oil and gas production rates.

Asked about his 2011 expectations, Omar Bibars, Chairman and Managing Director of PetroAmir said, "I believe that 2010 was an excellent year for the petroleum sector" and its shadow will continue in 2011. Bibars pointed to the joint venture agreement signed with the Italian company ENI and PetroAmir, which included exploration, production, and the transfer of hydrocarbons.

The terms of this joint venture also comprised the exchange of information and studies between the Egyptian and Italian sides, with the aim of bringing more expertise and up-to-date technologies to the exploration and development projects.

"These kinds of agreements can be considered a backbone to the Egyptian companies, which help to increase the reserves of oil and gas," he added.

"Currently, Egypt should look closely to strengthen ties in the African Continent. Africa should be the future goal and more petroleum deals should be signed. The late agreement signed between Egypt and South Africa is considered the door to many deals to come, especially that the South African agreement included the full cooperation in the various petroleum sectors, whether oil, gas, mineral…etc."

"Petroleum Oil and Gas Corporation of South Africa (PetroSA) was able to win a contract in South East Warda in Gulf of Suez. This is the first company to ever operate in Egypt, and this symbolizes the beginning of more collaboration between the two countries," Bibars noted.

Bibars continued to empress the role of the ministry mentioning the first establishment of a services company in Sinai, "That was a major event in the history of this ministry."

Recently, the Egyptian Minister of Petroleum Eng. Sameh Fahmy issued his orders to found the first ever services company in Sinai. The company will provide all the petroleum services and all that is needed for the oil and gas activities. Fahmy stressed on the fact that 50% of the workers should be Egyptians to maintain the upper hand for the Egyptian workers.

Eng. Abdul Alim Swaf, Operation Manager in Petroshahd and Norpetco, said that the sector witnessed lots of achievements considered mainly in the signing of many important deals, "Signing deals with major companies like British Petroleum (BP) and the German RWE in the areas of North Alexandria and West of the Mediterranean."

He further added, "The deal included the development of reserves valued by 5 trillion cubic feet of gas and 55 million barrels condensates to support the daily local demand of gas starting from October 2014. The amount will be considered by 900 million cubic feet of gas per day and 10,000 barrels of condensates per day."

"The total amount of investments reached $9 million to meet the local demand of natural gas in Egypt to help the local financial system through the development plan of the ministry," said Swaf.

Moreover, Swaf shed light on the fact that such agreements lift a huge load off the ministry as the foreign partner pays most of the operating cost and the investments required for the development plan, "The ministry carried out contracts with the ideal terms that guaranteed it will not have to pay back all the investments made by the foreign partners."

"In addition to that, the ministry alliance with Azerbaijan in the various areas of oil and gas to transfer gas to Europe through the Nabucco line," Swaf added.

"Let's not forget the declaration by the minister that the Arab Gas Pipeline will be a future source to transfer gas to Europe."

Moreover, a trust worthy source from the ministry, told Egypt Oil and Gas newspaper, "The Arab Gas Pipeline was able to pump 30 million cubic feet of gas into Lebanon per day".

He added that last year was a good year for the Egyptian oil and gas sector that led to many achievements and promising future plans set by the Ministry officials, the results of which will be felt over this year.

"The ministry is also seeking more explorations in the upcoming period, more agreements to be signed with Syria to drill for gas in the deep waters of the Mediterranean in a similar agreement of the Arab Gas Pipeline, and more activities to be done to add to the success value of the ministry."

A total of three contracts were signed to further develop the area of the Western Desert. "The Ministry signed three exploration agreements in the area of the Western Desert, aiming to increase the reserves to meet the local demand of petroleum products and natural gas. We need to secure the future of the next generation," clarified the official source.

"The Western Desert is considered a successful area running with a fully integrated system, which will strengthen the position of Egypt in the present and future of the petroleum industry," he added.

The top official source highlighted that the wheel of development is not limited to a specific area in the country; on the contrary, the Ministry of Petroleum is expanding its activities in the remote areas of Egypt's Southern, Western and Eastern sides. Eng. Fahmy announced that the next stage of the development plan would witness more petroleum operations and services in the undeveloped areas.

"The announcements were combined with the signing of three agreements. The first deal, targeting the area of Beni Suef in the Western desert, between the Egyptian General Petroleum Corporation (EGPC) and Apache Corp. and Dana Petroleum to extend the exploration periods with a total investments of $12.5 million in addition to the drilling of five wells and $6 million bounce signature."

"The second agreement, targeting the area of Fayum in the Western Desert, between EGPC and Merlon International to add more exploration periods with investments commitments with a minimum spending of $24 million and to drill six wells in addition to $3 million bounce signature."

"The third agreement was signed with GANOPE which will witness their first ever exploring operation in the area near Sudanese-Libyan border with a minimum spending of $8 million to conduct a 2D seismic survey and other studies, besides the drilling of two exploratory wells over an area of 34,000 km2," elaborated the ministry source.

Besides, the source pointed to the deal signed with Iraq to continue the previous signed contract in 2009 in the oil and gas sector. He also praised the role of the Supreme Committee, which was constructed to support the implementation stages and to report to the two ministers on regular basis.

"The joint collaboration between Egypt and the Ukrainian side to develop the economical relations between the two sides and to attract investments into the two countries."

This year, we are expecting a more leading role in the natural gas sector. "We have to consider that one of the most important achievements of the last year is the selection of Eng. Sameh Fahmy as the new head of the ministerial meeting, during the coming Ministerial Conference of the Forum of Gas Exporting Countries in Sharm El-Sheikh during the month of June in 2011."

"The conference will held the discussion of the current matters of the international market of gas, and the prices of gas which will affect the investments in the new gas fields and the infrastructure of these investments. Also it will be prompted that prices of gas to equal the prices of oil considering the privileges of the natural gas," the ministry source indicated.

The recent petroleum report showed that the current production rate of crude oil and condensates reached 712,000 barrels per day. The past fiscal year had a total of 66.3 million tones of oil products and natural gas to meet the local demand. The report added that the total investments in the last fiscal year reached $7.2 billion in addition to $22 billion spent in new projects to develop in North Alexandria, West Mediterranean, and the implantation of two refineries in Mostorod and Suez.

The report also added that gas industry witnessed a huge development following the new strategy made by the ministry. The natural gas is now considered 65% of the total petroleum production compared to a ratio of 30% in the past ten years, and considered 75% of the total petroleum reserves as the proven reserve multiplied from 36 trillion cubic feet to 78.1 trillion cubic feet. The production rate in the same amount of time reached 18 trillion cubic feet.

The main goal for the ministry is to meet the local demand of natural gas, as the ministry declared that the exported shares are to be currently decreased from 31% to 26%.

Payment Delays: A threat to the petroleum sector?

Egypt's petroleum sector leads the nation's economy in attracting foreign direct investment (FDI). This crucial component of the local economy is driven by partnership agreements between the Egyptian government and contracting companies, including major oil giants like British Petroleum (BP), British Gas (BG), and ExxonMobil, among many others.

Although these companies are drawn to Egypt's oil and gas sector by the promise of major discoveries and vast profits, government policy has also been shaped around providing a favorable environment with which to attract multinational petroleum companies.

Egypt's relatively stable political and economic situation since the 1970's has meant an increase in foreign investment into the sector year after year. Beyond this, however, government cost recovery mechanisms and profit sharing contracts have established the basis for favorable contracts, offering international companies the opportunity to discover and exploit valuable oil and gas resources while remaining exempt from major taxes and fees, and claiming compensation for their work.

Despite this positive environment, it has been suggested that the sometimes-lengthy repayment process stipulated by the Egyptian government has caused problems with foreign firms' cost recovery and discouraged investment in the sector.

Egypt has specific laws and regulations that guide contractual agreements between the government and the contracting companies it works with. Production Sharing Contracts (PSC's) have been the model of choice for local oil and gas deals since the 1960's.

Under a PSC, the state or state-run petroleum company enters into a contract with an independent operator in which the contracting company agrees to finance and carry out all operations for a specific project in return for a specified amount of oil or gas to compensate for their costs, as well as a proportion that represents a share of the profits. Companies pay corporate income tax, which currently stands at 20 percent in Egypt as well as a 10 percent royalty levy.

Normally, if a company signs a PSC and does not discover a commercially viable field, expenses are not covered by the government. If a company does make a discovery within a stipulated period, the PSC remains valid for an average of 35 years, depending on specific contract terms, and the partner company recovers expenses by claiming a certain percentage, normally around 40 percent, of total production, calculated in dollars at current export rates.

The contracting company claims this share until the full amount of investment is recuperated, after which they continue to claim a percentage of profits from the discovery, normally around 15 percent, while the Egyptian government keeps the remainder.

During the period in which the contractor is recuperating its investment, it would claim around 55 percent of total production, while the government keeps 45 percent. Normally the government also absorbs the income taxes and fees for the contractor.

These terms are very favorable for contracting companies, essentially allowing them to claim profits on Egyptian oil and gas discoveries with no expenses, government fees or taxes, and Egyptian government authorities like Egyptian General Petroleum Corporation (EGPC), Egyptian Natural Gas Holding Company (EGAS) and Ganoub El Wadi Petroleum Holding Company (GANOPE), have cooperated with international contractors such as Apache, BP, and BG on a number of projects over the years.

Indeed, a recent change in the terms of the agreement between oil major BP and EGAS sparked controversy as BP managed to obtain extremely favorable terms that some feared would set a new precedent in the local market.

"Caving in to the contractor's demands has far- reaching ramifications. Not only did it undermine the principle of production sharing prevailing since 1960, it encourages all other foreign firms operating in Egypt to ask for similar amendments. It would, therefore, have been wiser to apply the principle of sole risk which allows the state party to take over the development of the fields when the contracting party defers the development for five years," petroleum and energy consultant Hussein Abdallah wrote in Al-Ahram Weekly.

Last June, amendments of two agreements for deep water exploration near Alexandria signed originally in 1992 and 1999, were approved by the government, which some felt threatened the autonomy of Egypt's petroleum sector. The new terms give BP a 61 percent stake in returns during the period of cost recovery, as opposed to around 45 percent previously.

"The production sharing contracts that were introduced in Egypt in the 1960s were a step ahead of the conventional exploration and drilling concessions that had prevailed in the Gulf since 1950s. The bill on the revised terms for the North Alexandria deepwater oil and gas production threatens to turn the clock back to the concession-royalty system. Moreover, with a royalty of 10 per cent, the reduction of the income tax rate from 40 to 20 per cent and the exorbitant prices the government will have to pay for the quantities of the contractor's share in production in order to meet the needs of domestic consumption, the terms are even less attractive than they were 60 years ago," wrote Abdallah.

On the whole, foreign contractors in the sector seem to have managed to create very favorable terms for their work on Egyptian petroleum projects. But what happens when the government is sluggish in making payment of the agreed-upon percentage to the contractor?

Delayed Repayment

Work with any government comes with its share of bureaucracy, and profit sharing petroleum contracts in Egypt are no exception. There has been speculation that the government's failure to provide cost recovery to international petroleum partners has caused frustration and stagnation in the sector, leading to a slowed deal flow and negative international perceptions.

This is just one factor contributing to international appetite for petroleum sector investments in Egypt. Compared to some other petroleum producing countries, Egypt's laws, regulations and practices are both advanced and efficient, while its economic and political climate is stable and reassuring to investors.

Therefore, although delayed cost recovery could potentially be an issue for contractors working in Egypt, all the signs point to a healthy appetite for investment in the country's oil and gas sector, and productive ongoing partnerships between major oil companies and Egypt's petroleum authorities.

Furthermore, the way Egyptian profit sharing petroleum contracts are set up ties cost recovery to discoveries and production by the partner corporation, meaning that the partner company takes the lead in determining when and how quickly they will recover their costs through their pace of work and the production levels of their discoveries inside the country.

Healthy Investment

Even since the onset of the global financial crisis in 2008, Egypt's petroleum sector has maintained healthy levels of foreign direct investment, even leading other important local industries such as tourism.

By mid-2010, FDI in the sector reached USD 2.8 billion, representing over 30 percent of total FDI inflows into Egypt. These healthy investment levels seem to indicate a growing interest in investing in Egypt on the part of international companies. In 2008-2009, for example, 93 new oil and gas agreements were signed, while 54 existing agreements were extended or modified. In September 2010 alone, three new agreements were signed between GANOPE, the UK's Dana Petroleum and American Oil Company Apache for exploration in Egypt's Western Desert.

As Egypt's economy grows stronger and stronger following the lifting of the global recession, healthy growth and investment levels can be expected to bolster strong activity in the local petroleum sector.

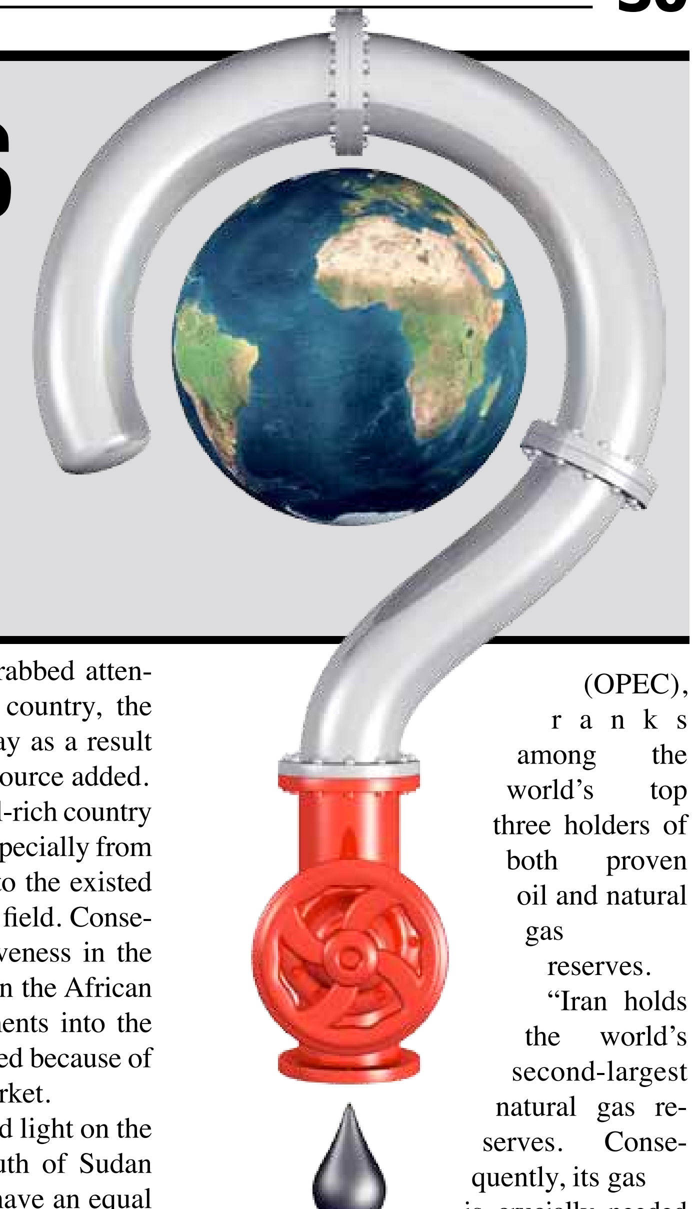
Petroleum sector contractors seem to be doing well in Egypt, and new deals are clearly forthcoming, but is it enough to keep the investment flowing into the sector at previous high levels into the future? It seems that if the government continues to be willing to grant highly favorable terms to contractors, and if Egypt's political and economic remain stable, international petroleum companies will be fighting to gain access to local concessions.

As exploration continues, and Egypt's domestic demand for oil and gas continues to grow, it becomes more and more vital for the Egyptian government to continue attracting new petroleum contracts while implementing laws and regulations that provide for the fulfillment of domestic needs.

The government needs to balance the desire to attract investment with strict contractual terms that assure that Egypt is benefitting from the participation of foreign contractors in the petroleum sector as much as possible. While the terms of the latest BP agreement suggest that contractors may be gaining the upper hand in negotiations, there is no doubt that Egypt's long term strategy for the petroleum sector will serve the best interests of the county.

Fostering investments

In a fiery country



Is it time to invest in the Egyptian market, or will the current local and international political and social instability hinder more investments to come?

By Ahmed Morsy

In his first speech after the parliament elections, President Hosni Mubarak introduced plans to boost the investment environment, raise the annual growth rate and create 700,000 jobs in 2011.

Egypt's economy grew by around 7% in each of the three years before the global economic crisis. Growth then slipped to 4.7% in 2008-09, and rose to 5.1% in 2009-10. Finance Minister Youssef Boutros Ghali on 13 December forecast growth of 7% in 2011-12 and 8-8.5% thereafter.

However, political stability, and most notably, the 2011 presidential elections, is considered important elements in determining the investment atmosphere locally. As for the international element, the Sudan split and the rising tension between Iran and Israel play also a very critical role.

"Most of the recent incidents emerging nowadays locally or even within the region lead to one definite way," said Ibrahim Zahran, former chairman of Khalda Petroleum Company and member of the National Specialised Councils.

"The unbalanced atmosphere always results in the investor to withdraw his money from the market. For example, when Yemen had unstable society, which was undergoing constant disruptive violence in its south, the Canadian investor took away his funds from the market. Hence, it is believed that the capital is always coward," he explained.

Tens of thousands of Egyptians who protested on the 25th of January, inspired by the revolt that toppled Tunisia's President Zine El Abidine Ben Ali, they caused social and political instability locally. People thronged the streets in the form of large-scale protests that authoritarian Egypt has not seen in decades. Security forces and police broke up a rally in Cairo early on that day, firing tear gas and wading into the crowd with batons.

"I do not believe that we have been living in a stable society for thirty years, since the beginning of President Mubarak's helm, but it can be better described as a political deadlock," Zahran believed.

"The demonstrations occurred on the 25th of January emphasized that there is no stability within the social level. Hence, there is a question imposing itself: will the investor continue in his march towards more investments?"

"In normal conditions, within Egypt, the foreign financier just invests within minimalistic conditions whether they were stimulations or encouraging situations. Thus, there is an essential need for a marginal field technology in the coming period," Zahran added.

"In general, I believe that, taking such circumstances into consideration, 2011 will have a negative impact on the Egyptian petroleum sector. For instance, our imports from natural gas and petroleum condensates will increase," he concluded.

Moreover, an official source, who preferred to be anonymous, believes that the current unstable Egyptian scene will also affect badly the investing process and alike Zahran, he believed that the "capital is coward".

On the other hand, regarding the impact of such unstable atmosphere on the long run, Rashid Mohamed Rashid, Minister of Trade and Industry, expressed his fearful in the second day of demonstrations.

"I am afraid of the impact the "anger" demonstrations on the investment climate in Egypt, since the stability of the region is an essential factor to attract foreign investment," Rashid expressed.

From his side, Eng. Aziz Effat, Ex Assistant Chairman for Exploration and Board Member, Agiba Petroleum Co and Deputy GM. PetroSA Egypt, told Egypt Oil and Gas that the demonstrations will of course affect the investments in the Egyptian oil and gas field.

"The investors may sell their shares for Egyptian companies or even will not renew their investments if they began to lose their revenues," Effat stated.

It was known that after the first day of the demonstration, the Egyptian stock market was down by 6.24% for the first day in consequently the market was suspended until "stability returns"; it lost LE25 billion while in the second day it was down by 14%.

"Awing to the demonstrations occurred on the 25th of January, the Egyptian stock market was badly affected and accordingly the petroleum sector may also be affected," Effat said.

On the other hand, the anonymous source believes that the Sudan split will also play a significant role in reshaping the Egyptian petroleum sector.

"After the Sudanese split, the new-born Sudanese south country will have the due attention and attract fresh investments as a result of being a rich-oil country," the official source told Egypt Oil & Gas.

"Awing to the increasing grabbed attention on the south Sudanese country, the Egyptian petroleum sector may as a result have a negative impact," the source added.

He explained that the new oil-rich country will attract new investments especially from USA and Europe in addition to the existed Chinese role in the petroleum field. Consequently, due to the competitiveness in the global market and especially in the African region, the stream of investments into the Egyptian market will be affected because of the emerging of such fresh market.

From his part, Effat also shed light on the existence of Israel in the south of Sudan and urged that Egypt should have an equal influence in order to ensure the domestic water future of the country and even to enjoy a piece of the petroleum cake. Besides, he also agreed on the predicted affect from such split on the Egyptian market.

"The Sudan split will affect on the investing atmosphere in Egypt in general and the petroleum sector in particular," Effat said.

"Our Southern borders became unstable because of the split and this will affect in our stable circumstances which is essential for investing.

"Moreover, the new-born country which is considered rich with oil will certainly attract new investments which accordingly not in favour of Egypt which was instead on the spot," he added.

What's more is that it is considered the path of the Egyptian water from the River Nile which is one of the elements of stability in Egypt and with any prejudice in our share, the future will be mysterious. So, for him, we should have a role within the southern Sudan whether it was for water projects or oil investments.

Alternatively, Zahran predict that the status-quo nowadays in Sudan will also affect on the Sudanese market itself and not only in the Egyptian market.

"In Sudan, transforming a barrel of crude oil from the south to the Sudanese port in north costs $6. While after the Sudanese split everything will suffer disorder. I know a petroleum company operating in five concessions in Sudan and it nowadays produces nothing due to the unpredictable future of their production," Zahran assumed.

As an energy expert, Zahran believes that the dispute between Iran and Israel will turn to be positive during 2011. Meanwhile, it is known that Iran, a member of the Organization of the Petroleum Exporting Countries (OPEC), ranks among the world's top three holders of both proven oil and natural gas reserves.

"Iran holds the world's second-largest natural gas reserves. Consequently, its gas is crucially needed in Europe and in the Far East. Hence, their optimal hope is focused on the makeup between USA and Iran since their strategic interest lies on Iran's natural possessions regardless its ability to possess a nuclear weapon," Zahran emphasized.

Regarding the pending presidential election in the last quarter of 2011, Effat believes that the political path remains unclear and the investor carefully study the status quo in order to preserve his capital in the market.

Yet, Mubarak's refusal to announce whether he will extend his nearly three decades in power or to designate a successor has fuelled concerns that a succession crisis eventually could lead to political violence and instability not seen since the 1952 revolution that abolished the monarchy and established a republic. Such an outcome could spell disaster for the government's attempts to attract more foreign direct investment and increase tourism revenues, a lifeline of the Egyptian economy.

Moreover, experts witnessed that the investors became shy away from major investment projects until a clearer picture on the succession question appears. Besides the question of succession, some note that the exclusion of the opposition from the November parliamentary poll through a rigged electoral process might lead to the radicalization of this opposition, which in turn threatens stability.

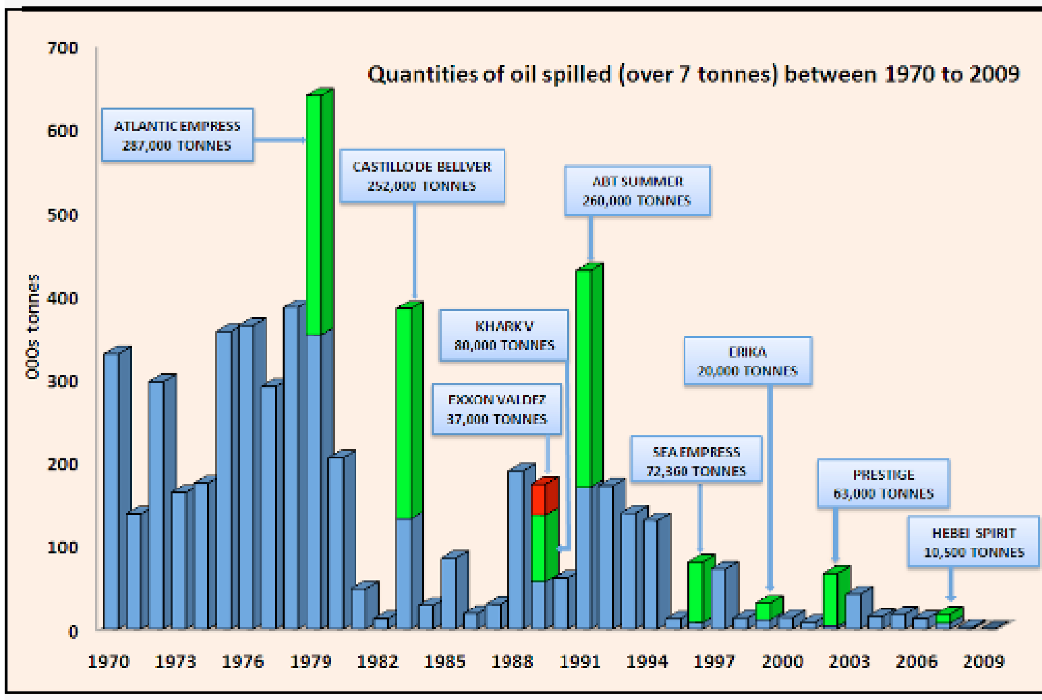
This uncertainty could worsen prospects for foreign investment needed to kick-start domestic investment and diversify growth away from consumption.

"If the investor felt that the market is safe and stable, he will invest more to gain more revenues and vice versa," Effat concluded.

Increased awareness of sustainable development

Egypt petroleum sector experienced a dynamic liveliness within the QHSE field after the Gulf of Mexico oil leak made headlines and attracted the full intention, but the question still insists: Is it enough?

By Ahmed Morsy



In spite of the efforts exerted to prevent the pollution of environment, some spills continue to occur. When this happens, it is necessary to ensure that effective and co-ordinated response mechanisms are in place and an adequate liability and compensation regime is available to recompense those affected. However, the previous incidents internationally and locally proved that the successful preparedness and response relies on good co-operation between government and industry.

Hence, despite the existence of the technologies and knowhow, pollution still takes place whether in air or water. So, prevention, which is always believed to be better than cure, only decrease the possibility of the crisis to occur. For instance, the oil spill in the Gulf of Mexico, considered as the largest accidental marine oil spill in the history of the petroleum industry, which flowed for three months in 2010 and resulted from a Deepwater Horizon drilling rig explosion.

According to the International Maritime Organization (IMO), the marine pollution caused by ship accidents represent 63% in the period from 1974 to 2006, while the Mediterranean Sea occupied the first place internationally in terms of the high rates of pollution, which amounted to more than 50%.

"What happened in the Gulf of Mexico could have occurred anywhere at any country worldwide," stressed Eng. Samy Merae, Echem's QHSE Advisor and former Chairman's Assistant for QHSE at the same company.

"I am not defending BP or U.S.A because it is a fact the company is one of the leading companies worldwide while the country is famous for its restrictive policies. So, such kind of pollution incidents cannot be fully prevented."

In fact, the vast majority of spills are small (i.e. less than 7 tons) and data on numbers and amounts is incomplete due to the inconsistent reporting of smaller incidents worldwide.

[Figure 1: Quantities of oil spilt from 1970 – 2009]

Last June, the Egyptian Ministry of Petroleum said crude oil that washed ashore at a major Red Sea beach resort area near Hurghada was leaked by a passing tanker or may have seeped from the ground due to a heat wave, but was not from any of its rigs. Moreover, in September, the Nile River witnessed two river barges sank in the river near Aswan, southern Egypt. One of the accidents caused a leak of some 100 tons of fuel.

Due to the increase of such incidents locally, a Petroleum International Manoeuvre, which aimed to combat incidents of marine pollution by oil, was organized under the direction of Eng. Sameh Fahmy, the Egyptian Petroleum Minister, in the 1st of November. The manoeuvre, called 'Ra Atom 7, was held in the SUMED Port in the area of Sidi Krier in Alexandria in cooperation between the Egyptian General Petroleum Corporation (EGPC), Petroleum and Environmental Services Company (PESCO), Saudi Aramco in addition to a number of countries and international institutions concerned with the affairs of environment.

Answering a question about what hinders the field of QHSE in Egypt, Samy Merae said, "The number one concern in most of the operating companies locally is the volume of production whether it was oil or gas. Thus, the QHSE should be superior instead. Indeed, we need each company's chairman to be aware and convinced by the importance of the QHSE and as a result this field will be developed in all companies and consequently in Egypt."

"On the other hand, one of the major problems that face the petrochemical industry in general regarding the QHSE is the erroneous idea or misconception of citizens and some officials about such industry as it is a polluting activity.

"We try our best to change such idea by using the most advanced technologies. In addition, we stick to the transparency policy while operating by displaying all of our activities to all officials and Environmental Affairs Agency and the competent authorities after two years of studying of each project to make sure of its safety" he explained.

On the other hand, there is a continuous improvement of the QHSE policies within the companies that aim to increase QHSE awareness and culture.

"We have to work as a team, where 'team' stands for 'Together Everyone Achieves More'," said Adel Wafi, QHSE Manager of MISWACO.

"We have empowered our employees to take charge of their own QHSE responsibilities. Our ultimate goal is to ensure that all of our staff returns home safely without being injured," Wafi added.

Hence, it is a fact that the Egyptian companies have begun to attribute more attention to the vitality of QHSE to the sustainability of operations, leading to higher achievements and success. Despite the straightforward meaning of the QHSE concept, in fact, it acts as the pilot guiding any business towards the land of success and high achievements. If it is implemented in the most efficient way, the QHSE guidelines create a risk-free working environment, adjust operations flow without accidents, keep the personnel in good health condition and at the same time avoid any dreadful harm endangering the environment.

One of the confrontations that had a bad effect on the progress of the QHSE field was the economic crisis.

"In general, the global recession has affected many partners and was reflected on their budgeting," stressed Eng. Osama El-Shenoufy, Weatherford QHSE Manager.

"We have focused on reinforcing the price on non-conformance (PONC) on quality deliverables and HSE outputs that could severely affect the organization revenue and reputation," El-Shenoufy explained.

He also added that this was mainly achieved through proper planning and agreement on mutual specific targets. Additionally, this was conducted through the ongoing management program through bridging documents that spells the QHSE requirements in details, monthly QHSE performance follow up and corrective / preventative actions upon deviation, El-Shenoufy added.

Moreover, the gaps between theory and execution are also a challenge, which needs more focus and studying.

"One of the main challenges for the multinationals, putting the QHSE as one of their main drivers, is to study the gaps between theory and implementation on the ground and to focus on the enhancement of the resources as well as practical status."

"On the transportation field, the general traffic situation carries great challenges related to the conditions of the roads, the enforcement of law and the poor education of the available drivers in the market. In spite of the efforts that have been conducted, the gap is still huge," El-Shenoufy confessed.

He believes that the regulations that still ban the use of a fully GPRS with satellite coverage for monitoring the vehicles continuously is not enhancing the full utilization of IVMS to monitor drivers' performance online.

As for the major obstacles facing the QHSE field in Egypt, El-Shenoufy clarified that one of the main problems is the lack of specialized institutes in the major of HSE in Egypt.

"The resources recruited needs to be developed through a long program to cover all the required theoretical in addition to the practical background. This comes in spite of the huge need in the Egyptian market for such competencies," he included.

"Another aspect, which is essential in 2011, is the full implementation of environmental laws to proactively manage any potential environmental incidents where our regulations are more than sufficient for such purpose."

More than A 100-year journey

The year of 1886 was the landmark in the Egyptian petroleum history, when oil was found for the first time ever. Since then, a long journey of attainments and failures shaped today's history of the Egyptian petroleum sector

By Nourallah Khaled

The beginning of the Oil industry in Egypt goes back to 1883. M. de Bay, a belgium specialist along with the Egyptian Government were exploring Ras Gemsah in the Eastern Deseret for the search of oil, but operations did not take place until 1885. Based on a publication by Schlumberger discussing the history and role of oil and gas in Egypt and its evolution, M. de Bay was working on the drilling of five wells along with his team. The results of their drilling operations led to a production of 1.3 tons of oil and gas per day from the first well. Unfortunately, the drilling operations of the second and third well were not fruitful and as a result, the government decided to find a replacement and assigned an American, H.T. along with a new team of drillers to follow M. de Bay's search.

In 1886, the Egyptian Government was able to dig oil from Ras Gemsah, which marked the beginning of the country's oil industry. During this same year, an American team was appointed to develop a survey on the area, based on which, the team recommended resuming the drilling operations, not only in the Ras Gemsah but also at the Ras Dhib to the north and Abu Durba on the east side of the Gulf. However, the government stopped supporting the drilling in these areas by the year of 1888.

At the beginning of the 20th century, and specifically in 1904, the Egyptian government had authorized Cairo Syndicate to explore oil in Sinai and Quena, this is when foreign companies began their activities.

In 1907, the Egyptian Oil Trust Ltd was registered, with the objective of receiving concessions, developing, drilling, purifying, supplying, reserving, distributing and handling petroleum products. A year later, the Egyptian Oil Trust Ltd started the drilling process. And, in 1909, the Egyptian company was able to produce a large amount of oil from Ras Gemsah at depth of 1287 ft. The well was producing two barrels of oil per minute. Hence, Ras Gemsah became a very important source of oil, and in 1911, the first oil refinery was established. The refinery's first operations commenced in 1912; the first tank steamer carrying 3000 tons of oil moved from Ras Gemsah headed to the Far East, which was considered the only origin for oil production for quite some time.

During this year, the total number of drilled wells was 23 wells. By time, the oil production began to decrease until operations were stopped in 1927.

Before that, there was another important exploration made in the Hurghada field in 1911, approximately 380 km south of Suez. Oil was discovered by the Anglo Egyptian Oilfields Ltd (50% Shell and 50% BP) in 1913. It is worth mentioning that Shell was the largest marketing and distribution oil company in Egypt. The Anglo Egyptian Oilfields Ltd had moved to the Hurghada field in 1915. Unfortunately, exploration activities stopped due to World War 1 for some time. Hurghada field was a turning point in Egypt, being a very productive field. In 1931, the field's production rate reached 1.8 million barrels per year.

The growing petroleum sector then required an equal expansion on the production facilities. A second refinery was established in 1922, called "The Royal Governmental Oil Refinery", situated in Suez, but operations did not start until 1923.

During the 1920s, operations were very slow, several attempts of drilling took place on the coast, Sinai and several Egyptian islands, but eventually companies stopped their operations and began to work on developing new technologies that can be of benefit during these unfruitful times.

The Anglo Egyptian Ltd Company was a pioneer and introduced a new technology called Eötvös torsion balance, which was never used outside Europe. This new technology was used to gather statistics, especially from Ras Gemsah and Hurghada fields.

In 1934, the Cooperative Petroleum Association Co. was established in Egypt in order to link cooperatives for the exchange of goods and services and support cooperation in Egypt. In 1937, the Egyptian Government began establishing new regulations and rules regarding the mining regulations. It began providing licenses over areas not less than foursquare kilometers for the duration of one year; these licenses were subjected to renewal. This decision made by the government encouraged companies in the U.K as well as the U.S.A to bid for these licenses. There were five major international companies that were authorized; the Anglo Iranian Oil, Royal Dutch /Shell including Anglo Egyptian, Socony-Vacuum Oil Co. Inc., Standard Oil Co. of California and Standard Oil Co. of New Jersey. The government could only authorize 40 licenses, so these five companies through their subsidiaries bid for the available blocks, which resulted in the presence of around 23 companies exploring in the search of oil.

The year of 1938 symbolized a new era for oil production in Egypt, as the first commercial oilfield was discovered. The Anglo Egyptian Oilfields was able to discover an oil field in Ras Gharib, located between Hurghada and Suez. The well was producing 150 tons of oil per day, which was a boost in the oil production. Containers were built in order to ship oil from Ras Gharib. The production rate was increasing and reached its peak of 5.1 million barrels in 1939.

After this discovery in Ras Gharib, new breakthroughs were being discovered. In 1946, the Anglo Egyptian Oilfields along with Socony-Vacuum Oil Co. were able to find oil at Sudr, located on the east coast of Sinai. The well was producing around 3.5 million barrels, which increased the total oil output of the country. Sinai had become during this year a significant geographic exploration location for the companies. Two years later, the Egyptian Government passed a law that forbid the exporting of crude oil. This decision affected the foreign companies that were operating in Egypt and there was a downslope in the oil production until 1953. The government allowed that only refined products in Egypt could be sold.

In 1956, the Government established The General Petroleum Authority (GPA), which was responsible for handling governmental refineries as well as important institutions dealing with petroleum matters. The following year, the GPA established the General Petroleum Company, which was the first national company operating with 63 licenses in the Gulf of Suez and the Eastern Desert. Oil was discovered in Ras Bakr, Khreim and Ras Gharib by the 1960s, during which there was a total of 90 wells in the new fields. In 1961, the first offshore oifield was discovered in North Balayim. In 1962, The Egyptian General Petroleum Corporation was formed, handling and operating in the form of joint ventures with foreign companies.

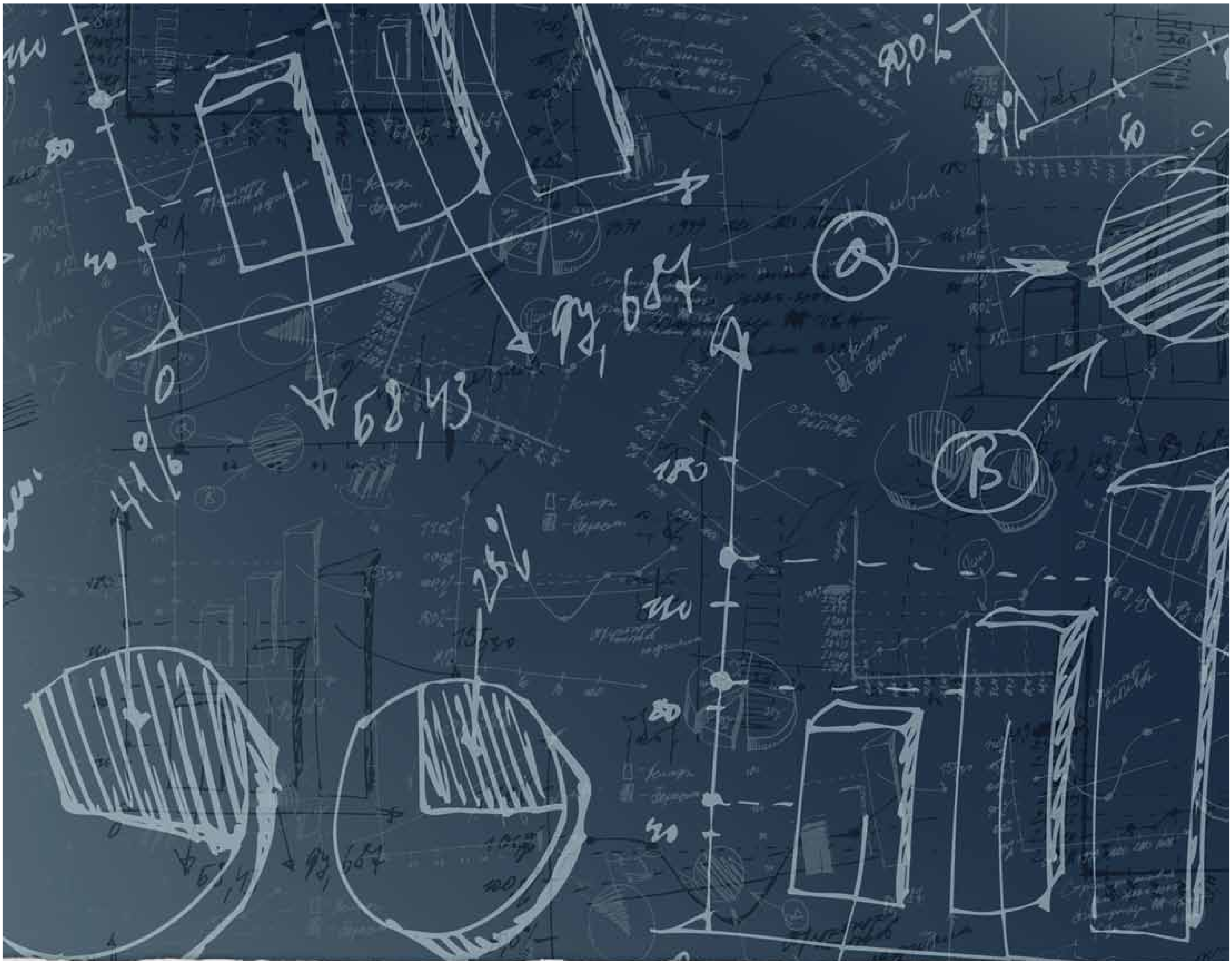
In 1964, two partnership, American Co.(Recently Amoco) and Philips Petroleum Co, were founded to work on expanding and discovering new areas. In 1965, the Gulf of Suez Petroleum Company (GUPCO) was established as the Egyptian American Corporation. It discovered the oldest and biggest oilfield in the Egyptian petroleum history. GUPCO operated and drilled around 12 oil wells and one dry well, but the company's production started in 1967.

The 1967 war affected the oil industry and operations were slow. In 1972, Egypt has joined the Arab Petroleum Exporting Countries and in 1973, the first Ministry of Petroleum was formed in order to carry out all the responsibilities related to the oil industry.

In 1977, October field was discovered, which was the third largest oilfield in Egypt. Since its discovery and until 1991, it produced more than 420 million barrels of oil. Egypt has become an important strategic oil producer from four areas, Gulf of Suez, Western Desert, Eastern Desert and Sinai. In 1997, Another discovery was made by Apache and Seagull in the Western Desert that contained around 100 barrels of crude oil. By 1998, Egypt was producing an average of 866,000 B/D of crude oil.

From 1999 until 2010, the petroleum industry has been revolutionized. More than 176 petroleum agreements and laws were established to develop and increase the country's production rate. The total number of discoveries had reached 489 in the Mediterranean, Gulf of Suez, the Eastern and Western Deserts, Sinai, Delta and Upper Egypt, 311 discoveries of which were crude Oil.

One cannot ignore the success and achievements of the Petroleum Sector in Egypt and that it all began more than 100 years ago in Ras Gemasah.



American-Chinese struggle over Africa

In the context of continuous struggle to dominate the world's economies and be labeled as the unbreakable mega power, the U.S. and China are keeping close eye on the African continent, the land of yet-to-find black gold.

By Mostafa Mabrouk, Vice Chairman Assistant for Economic Affairs, Ganope

Oil is the most important lure, with competition between foreign states and companies to secure resources so intense it attracts more than 50% of all foreign direct investment. It is to note that in the year 2006, annual foreign direct investment raised to a historic high of $38.8 billion, exceeding record levels of 2005, which represented a growth of 78 % from 2004. According to the U.N. World Investment Report, Foreign Direct Investment cash was concentrated in a few industries, notably oil, gas and mining, mainly in six oil-producing countries (Algeria, Chad, Egypt, Equatorial Guinea, Nigeria, and Sudan).

The U.S. is interested in the region as a cheap and reliable alternative to the increasingly volatile Persian Gulf. West Africa already supplies about 12% of U.S. crude oil imports, and America's National Intelligence Council predicts that this share will rise to 25% by 2015. As is often the case with oil, military involvement follows behind trade. In February 2007, the U.S. set up an Africa command, established bases and signed access agreements with Senegal, Mali, Ghana, Gabon, and Namibia. Africa is becoming strategically important to the U.S. because of its oil production and China's increasing regional influence.

Africa is a key source of raw materials, especially crude oil of which China is now the world's second largest consumer, with over 25% of its oil imports coming from Sudan and the Gulf of Guinea. According to the Chinese Customs figures reported by the BBC in January 2006, in the first 10 months of 2005 trade between China and Africa rose by 39% to over $32 billion, largely fuelled by imports of African oil, mainly from Sudan. According to the US Energy Information Administration [EIA] China accounted for over 40% of the total growth in global oil demand over the past four years.

According to some estimates, Sudan has oil resources rivaling those of biggest producers, as well as huge reserves of natural gas, uranium and copper. One cannot be confident of the existence of such rich oil resources without a more detailed geological survey, but the proven reserves have almost caused a new cold war to break out between the U.S. and China over the "black gold." It is clear that the Sudanese oil is the point of attraction for the U.S., which has been trying to interfere in the country's oil policy. For two decades, the U.S. has supported the separatist movement in southern Sudan, where large reserves of oil have been discovered. The long civil war drained the resources of the government, and it adopted the Comprehensive Peace Agreement.

The U.S. continues to act as a neutral mediator and has, by more or less successfully playing the genocide card, retained its influence on the government with the goal of obtaining greater oil concessions, at least in the future. China in its turn has not concerned itself with humanitarian issues and, up to a point, has supplied Sudan with technologies for oil production and pipeline construction while buying oil in relatively large quantities.

What can China find attractive in Darfur? China's huge and growing demand for oil has forced Beijing to conduct aggressive "dollar" diplomacy. With foreign exchange reserves exceeding $1.3 trillion in the Peoples' National Bank of China, Beijing has begun engaging in active petroleum geopolitics with Africa as its main target and the Sudan-Chad region as its highest priority region on the continent. Beijing has played its cards more effectively than Washington. Darfur would become the main field of battle for oil between the two giants.

China currently imports 30% of its crude oil from Africa. This explains the jump in Chinese foreign policy initiatives, which will displease Washington. China provides interest-free loans to African nations, including Sudan, and uses its own funds to build roads, schools and hospitals, while the U.S. attempts to control the African economy through the World Bank and the IMF by setting harsh economic and political conditions. Not surprisingly, the Africans prefer to cooperate with China. China has already taken on the U.S. in Nigeria, Angola and Mozambique by giving those countries loans and grants, starting in 2006, that are four times greater than those provided by the World Bank to all of sub-Saharan Africa for the same period. Now, China has set its sights on Sudan and Chad.

Since April 2005, the Sudanese government announced that oil deposits had been discovered in South Darfur and will produce 500 thousand barrels per day once they come on stream, but the world press ignored.

Acting as the world's policeman, in February 2006, the U.S. Senate adopted a resolution demanding the introduction of NATO troops and UN peacekeepers into Darfur with a clearly articulated mandate. Washington learned that the region of Sudan from the Upper Nile to the border with Chad is rich in oil long before it was known to the Sudanese government.

The China National Petroleum Corporation (CNPC) is Sudan 's largest foreign investor; since 1999, China has invested over $15 billion in Sudan and it controls 50% of the oil refinery operations at plants near Khartoum. CNPC has already built an oil pipeline that runs from the south, where several Chinese concessions are located, to the Red Sea. They get 8% of its oil from South Sudan and receive 65 to 80% of the approximately 500 thousand barrels of oil recovered daily. In 2008, Sudan became China 's fourth largest source of foreign oil.

Back to 1979, Sudan invited Chevron to develop oil production in the country, which found large petroleum deposits in South Sudan. But, in 1992, the company sold its Sudanese oil concessions. In 1999, the Chinese started their operations in the oil fields that exceeded the production expectations. However, Chevron did not move far from Darfur. Recently, in association with other oil giants such as Exxon Mobile, Chevron built a $3.7 billion oil pipeline in neighboring Chad that conveys 160 thousand bopd from the Doba region in central Chad near Darfur through Cameroon to Port Kribi on the Atlantic Ocean for shipment to the U.S.

The U.S. currently has a production base in Chad, and in principle, once the political situation they are currently working to create becomes favorable, they will be able to begin development of the Darfur oil, possibly having somewhat pushed aside the Chinese.

Situation in Chad and Angola

The construction of the Chad-Cameroon oil pipeline is part of a great American scheme to gain control of Central Africa's oil wealth from Sudan to the Atlantic coast. Therefore, in early 2006, Chad needed funds to finance military operations and build up its army, the World Bank president without long thought gave Chad a number of loans under terms favorable for an African country. In this volatile environment, Chinese representatives showed up in Chad with a determination to help the country. China began importing oil from Chad in addition to Sudan.

In Angola, according to the Oil and Gas Journal, as of January 2010, Angola has proven oil reserves of 9.5 billion barrels while statements made by the Angolan oil minister in December 2009 put total reserve numbers as high as 13.1 billion barrels, the EIA website said. The country is currently producing 2 million barrels of crude oil per day and is expected to ramp up production to 3 million barrels per day by 2015. Angola, which won independence from Portugal in 1975, and was then embroiled in a civil war that went on for over two decades, is vying with Nigeria to become Africa's largest oil producer.

Currently, China has not a considerable share in Angola. Sonangol, an arm of the Angolan government that grants exploration rights, had blocked an attempt by Chinese firms to buy Marathon Oil Corp's 20% stake in another oil block for $1.3 billion about a year ago, exercising its right of first refusal.

Hence, the interests of the U.S. and China overlap in areas with the greatest accumulation of "black gold." Darfur and Chad are an extension of America's "Iraqi" policy for control of oil wherever possible. And also wherever possible, China will undermine this control, especially in Africa. The confrontation between the two countries is gradually turning into a new and undeclared cold war for oil.

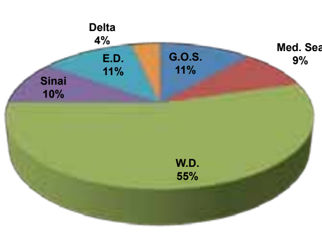
Despite its own big backyard, China is generally resource-poor and Africa offers the natural resources vital to fuel its rapidly growing economy. China looks to the Democratic Republic of Congo and Zambia for copper and cobalt, to South Africa for iron ore and platinum, and to Gabon, Cameroon and the Republic of the Congo (Congo-Brazzaville) for timber. For oil, it has been wooing Nigeria, Angola, Sudan, and Equatorial Guinea. China is now the second largest consumer of crude oil after the U.S., and was responsible for 40% of the global increase in demand between 2001 and 2005. After the independence of the southern part of Sudan and the birth of a new country, the situation will be critical for Beijing. At the same time, the U.S. will sharpen its teeth to pounce upon the lamb sooner or later.

Egypt Statistics

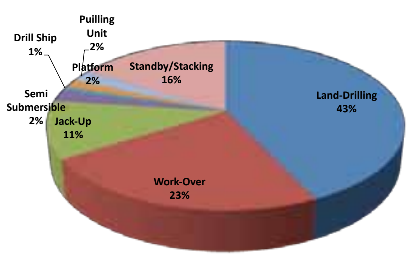
Table 1 Egypt Rig Count per Area -December 2010

Area	RIG COUNT	Total	Percentage of Total Area
Gulf of Suez		13	11%
Offshore	13		
Land			
Mediterranean Sea		10	9%
Offshore	10		
Land			
Western Desert		62	55%
Offshore			
Land	62		
Sinai		11	10%
Offshore			
Land	11		
Eastern Desert		13	11%
Offshore			
Land	13		
Delta		4	4%
Offshore			
Land	4		
Total		113	100%

Rigs per Area



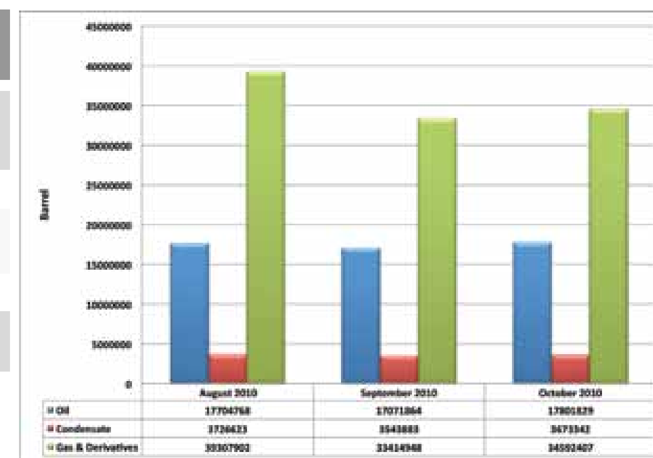
Rigs per Specification



Production - October 2010

	Sold Million cubic feet	Planned Million cubic feet	%	Oil Barrel	Equivalent Gas Barrel	Condensate Barrel	Liquefied Gas Barrel	Liquefied Gas Ton	Total Gas & Derivatives Barrel
Med. Sea	131934	139717	94.43		23559643	1418203	350605	31165	25328451
E.D.				2237346					2237346
W.D.	39013	38719	100.76	8010646	6966607	1910438	439982	39110	17327673
GOS	1173	2635	44.52	5301530	209464	82346	207342	18430	5800682
Delta	14621	13547	107.93	123480	2610893	219111	111676	9927	3065160
Sinai	282	248	113.71	2112496	50357	43244	85838	7630	2291935
Upper Egypt				16331					16331
Total	187023	194866	95.98	17801829	33396964	3673342	1195443	106262	56067578

	Actual	Planned	%
Oil	17801829	22375645	79.56
Condensate	3673342	17801829	20.63
Gas & Derivatives	34592407	36155951	95.68
Total	56067578	58531596	95.79



Average Currency Exchange Rate against the Egyptian Pound (December 2010/ January 2011)

US Dollar	Euro	Sterling	Yen (100)
5.788	7.624	8.989	6.902

Stock Market Prices (December 2010/ January 2011)

Company	High	Low
Alexandria Mineral Oils [AMOC.CA]	48.67	43.86
Sidi Kerir Petrochamicals [SKPC.CA]	14.89	13.90

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

	Libya	Sudan	Other	World	OPEC[1]	Persian Gulf[2]	North Sea[3]
2010 February	1,650	510	2,436	73,586	31,163	20,650	3,600
March	1,650	515	2,455	73,552	31,074	20,581	3,682
April	1,650	521	2,388	73,581	31,149	20,707	3,622
May	1,650	525	2,405	73,494	31,208	20,825	3,485
June	1,650	510	2,412	73,237	31,449	21,004	2,945
July	1,650	510	2,399	73,441	31,367	20,934	3,153
August	1,650	515	2,385	73,305	31,418	20,969	2,902
September	1,650	515	2,400	73,542	31,348	20,955	3,066
October	1,650	505	2,366	74,080	31,414	20,984	3,431
2010 10-Month Average	1,650	513	2,406	73,497	31,266	20,819	3,356

1 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.
2 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.
3 North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
Revised data are in ***bold italic font.***

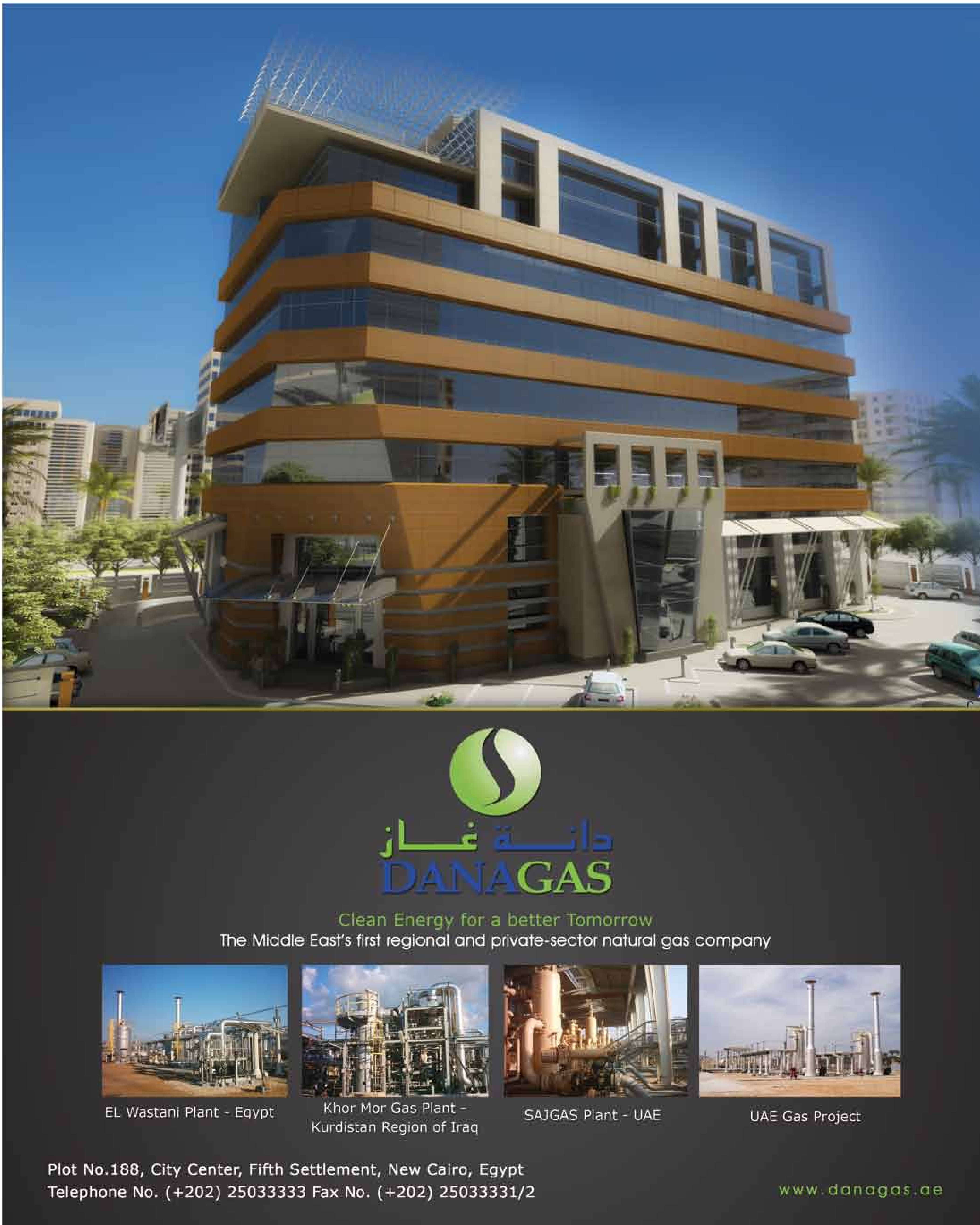
Source: EIA

Table 2 World Oil Supply[1] (Thousand Barrels per Day)

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC[5]	World
2010 February	E	9,523	23,248	24,099	34,517	86,153
March	E	9,570	23,183	24,017	34,429	86,135
April	E	9,525	23,315	24,145	34,513	86,104
May	E	9,622	23,449	24,262	34,590	86,152
June	E	9,529	23,644	24,440	34,847	85,799
July	E	9,552	23,625	24,506	34,816	86,140
August	E	9,712	23,670	24,533	34,878	85,979
September	PE	9,746	23,669	24,523	34,822	86,173
October		9,784	23,714	24,562	34,905	86,835
2010 10-Month Average	PE	9,582	23,470	24,313	34,674	86,092

1 «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).
2 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
3 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.
4 OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
5 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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