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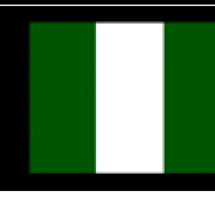

Bullion Market

	GOLD		SILVER
Price	Percentage	Price	Percentage
1462.05	-16.12%	30.13	-9.36%

Crude Oil

USD/BBL		Price	Percentage
	WTI	98.58	+1.44%
	BRENT	107.59	-2.49%

EGYPT OIL&GAS NEWSPAPER

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Egypt News

Increase in Production for Khalda's Western Desert Concession Characterized by Disparity

The analytical report issued by Egypt Oil & Gas to assess the performance of Khalda Petroleum revealed disparities in the company's production indicators of crude oil and natural gas. Oil production witnessed several fluctuations in the last six months of 2011, while the production of natural gas rose consistently during the same period.

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Pharaonic Petroleum Invests $25 Million in the Mediterranean

Pharaonic Petroleum Company completed the drilling of a new offshore developmental well in its Mediterranean concession as part of the company's drilling plan of December 2011. According to a high-ranking source, the new gas producing well, West ATEN-7, averaged $25 million in investments.

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It's far from being over!

Skimming through one of the daily newspapers, one particular headline caught my eye in spite of its small size. After a careful read, I couldn't help pondering the meaning it conveyed, and where this meaning actually fits in context of the political status quo.

"A recent poll conducted by Gallup surveying 1,077 adult Egyptians indicated that out of that number, 89% have faith in the Supreme Council of the Armed Forces (SCAF), and completely trust its avowed intention to transfer the authority of the state to the newly elected civilian government", represented in the parliament and the forthcoming elected president. This percentage, in my humble opinion, is indicative of the SCAF's clever success in diverting public attention away from the core issues impeding the country's genuine transition to democracy.

Last year when we took to the streets protesting the ailing state of our beloved country, no one even entertained the possibility that our uprising could lead to the deposition of the tyrant Mubarak. We were in total disbelief when it happened, unable to contain our exhilaration and the thrill of realizing that our unity, determination, and communal energy simply prevailed, accomplishing something we once thought was impossible. It was undoubtedly the most cathartic experience I've had the pleasure of living. Our profound movement triggered the political awakening of an entire nation that was once politically apathetic.

Now, one year after this revered movement, we have yet to see a glimpse of hope. Instead, the atrocious violations of human rights that were once confined to the dungeons of the Interior Ministry have surfaced, targeting civilians indiscriminately. We've seen and heard of thousands of innocent people being massacred, more being gravely injured and crippled for life, women being publicly violated in the most dehumanizing way, revolutionaries being detained, inexplicably charged, tried in military courts and sentenced to years in prison, and more and more of these heart-breaking brutalities committed by the regime's security apparatuses.

During the same time we've witnessed the deposed President and some of his men being tried in civil courts, in endless sessions designed to simulate ethical judicial procedures while underhandedly capturing the public's attention. We partook in electing a new parliament via an electoral system intended to mimic a democratic process, but is the reality of which was utterly far from a true democracy.

I am not claiming that Islamists did not deserve their staggering parliamentary victory, as they truly do enjoy the support of the population's majority. I am rather alluding to SCAF's influence on the electoral process and their interest in securing their desired outcome.

After the supposed transition of power, the people who participated in electing the new parliament will start demanding that their elected representatives fulfill the goals of the revolution and affect tangible change. Failure to achieve these goals is the most likely outcome since key issues will be under the control of SCAF, and not the newly elected government.

Feeling no tangible change in their lives, the people will have no choice but to take to the streets again, reiterating the same demands they called for almost a year ago, this time with the understanding that the country's problem is rather systemic, extending beyond a few individuals.

The true democratic transformation could only unfold when SCAF is removed from its authoritative position, conforming to the true will of the people.

Mohamed ElBahrawi

Managing Editor

Political Forces compete for Power as investors gaugc the future

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


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Bapetco to Spud New Wells in the Western Desert

Badr Petroleum Company (Bapetco) has announced plans to drill two new wells, which are pat of the company's declared development plan for the fiscal year of 2011/2012.

The first well, OBAJS-1X, is an exploratory oil-producing well. It is situated in Alam El-Shawish West Block in the Western Desert. The well, currently under evaluation, will be drilled using the EDC-55 rig to a vertical depth of 6480 feet, with drilling investments totaling $2 million.

The second well is located within the same concession area. NEAG JG-17 is a developmental crude-producing well. The cost of its drilling has averaged $3.5 million. It was operated using the EDC-51 rig reaching a depth of 11319 feet.

The company's target for the fiscal year 2011/2012 is to drill 44 wells, which is 10 wells more than last year's target. Badr Petroleum is a joint venture company between the EGPC and Royal Dutch Shell.

PetroShahd Ventures Further in Abu Gharadiq

PetroShahd Petroleum Company finished the drilling of yet another developmental well in the Abu Gharadiq Basin located in the Western Desert, as part of its drilling program for the fiscal year 2011/2012.

The new well, SHAHD SE-S, has cost $2 million worth of investments. The crude oil-producing well was drilled using the ECPC-7 rig to the depth of 7842 thousand feet.

Its worthy to note that PetroShahd is a joint venture company that includes the EGPC with 50% interest, Kuwait Energy with 24.75% and the Chilean Sipetrol with the remaining 25.25%.

Surged Operations by Oasis in the Western Desert

In consistence with its development plan for the fiscal year 2011/2012, Oasis Petroleum Company (OAPCO) concluded the drilling of a new developmental well, WQ34/15-2, which is situated in its Western Desert concession area.

The crude oil-producing well is 7203 feet-deep and was operated using the PDI-104 rig. Oasis' drilling investment in the new well totaled $1.295 million, the output of which was included in the company's latest production rates.

Currently, the company aims to include its latest discoveries to its production rates as to increase its oil and gas reserves. Oasis' production rates reached 75861 barrels of oil during December 2011. It is worthy to note that OAPCO is a joint-venture between the EGPC and Sahara Petroleum Services Company (SAPESCO.)

Apache Adds Two New Wells to its Western Desert Portfolio

The American operator Apache commenced the drilling of two exploratory oil-producing wells located in its Western Desert concession area.

The drilling of the WKANL-1x and TELL-1x wells has averaged $6.164 million in investments. They were drilled to the depth of 10,300 and 12,500 feet, using the EDC-59 and EDC-57 rigs respectively. The initial output of the new wells has yet to be included to the company's production rates.

Dara Petroleum Increases Eastern Desert Drilling

Dara Petroleum Company (PetroDara), a subsidiary of TransGlobe, completed the spudding of the new development well, EAST ARTA-22, in the West Gharib Lease, located in the Eastern Desert last month.

The EAST ARTA-22 is a crude oil-producing well, which was drilled using the ECPC-6 rig to the depth of 4430 thousand feet. The cost of drilling the new well totaled $660 thousand. By the end of December 2011, PetroDara's monthly production rate had reached 381503 barrels of crude oil for said month.

Pharaonic Petroleum Invests $25 Million in the Mediterranean

Pharaonic Petroleum Company completed the drilling of a new offshore developmental well in its Mediterranean concession as part of the company's drilling plan of December 2011.

According to a high-ranking source, the new gas producing well, West ATEN-7, averaged $25 million in investments. The well is currently in the evaluation phase. It was drilled by the CONST-11 rig to the depth of 17.303 feet.

Pharaonic Petroleum's production levels of oil and gas reached 17739 barrels of oil and 3205179 cubic feet of gas during December 2011.

Dana Gas Drills New Well in the Nile Delta

UAE-based Dana Gas completed the drilling of a new exploratory well in the Nile Delta area. PLUTO-1 is a gas-producing well. It was drilled using the EDC-66 rig to a vertical depth of 7,300 feet, the cost of which has averaged $2 million.

It is worthy to mention that Dana gas reported their 2011 full-year profit to be $43 million, attributing the substantial rise in profit to the increase in production and the rise in oil prices. In comparison to the company's profit in 2010, Dana Gas's profits surged by 31% in 2011.

Agiba Expands Meleha Exploration

Agiba Petroleum Company has concluded the drilling of two new exploratory wells in the Meleha development lease located in the Western Desert.

The drilling of the first well, Aman S-1X was completed last month using the DPI-92 rig. The well was drilled to a total depth of 6300 feet and was put on production during last month. The second well, NADA-W1X, which is located in the same concession area, was drilled using the ST-8 rig to a total depth of 7,700 feet.

Agiba Petroleum Company is a joint venture that includes the EGPC with 50%, and IEOC Petrolem, Lukoil Overseas Group, and Mitsui Oil Exploration Company.

Egypt Oil & Gas Newspaper would like to note that some inaccurate figures pertaining to Agiba were published in issue 61, January 2012

Petrobel drills new developmental well in Sinai

Belayim Petroleum Company (Petrobel) announced the successful drilling of a new developmental well in its concession area of the Sinai Peninsula.

The new 113-181 well was drilled in consistence with the company's 2011/2012 developmental plan. Drilling investments in the new well have reached $3 million.

It is worhy to note that Petrobel is one of the EGPC companies jointly owned by the Italian operator Eni.

Edison Drills Exploratory Well in Western Desert

Italian operator Edison completed the drilling of a new exploratory well in the fields of its Western Desert concession.

Investments in the new well, which was drilled at 6000 feet using the EDC-67 rig, have reached $3.75 million. The company is aiming to raise crude oil production during the current fiscal year 2011/2012.

Edison operates in Egypt via Abu Qir Petroleum, a joint venture with the EGPC.

BoraPetco Expands Operations in West Gharib

Borg Al-Arab Petroleum (BoraPetco) completed drilling the BEA-11 well in its West Gharib concession located in the Western Desert. The new developmental well is part of the company's development plan for the fiscal year 2011/2012.

The new oil-producing well was drilled using the ZJ-50 rig to the depth of 8900 thousand feet, with drilling investments totaling $1.695 million.

BORAPETCO, a joint venture between the EGPC and the Canadian Dublin Petroleum, has maintained a steady production level during 2011, averaging 33733 barrels of oil per month.

Kuwait Energy Hits New Discovery in the Gulf of Suez

Kuwait Energy has discovered a new oil well situated in the Area A concession of the Gulf of Suez.

The newly discovered Ahmad-1X well was drilled to vertical a depth of 6,922 feet. Preliminary tests and evaluation have shown a flow rate of 890 barrels of oil equivalent per day.

Kuwait Energy Deputy Chairman and Chief Executive Officer, Sara Akbar, said, "The Ahmad-1X well is located in a potentially rich area and we look forward to continuing testing and development activities in the area to reach its maximum potential. This is a further contribution to the productive capacity of the Egyptian energy sector and we are glad to play a part in this success."

The company's Egyptian operations contribute the largest share to Kuwait Energy's working interest; its production rate has reached 17,700 barrels of oil equivalent by the end of 2011.

Kuwait Energy is the operator of three blocks in Egypt, namely the Area A, Burg El Arab development lease and the Abu Sennan concession

This discovery brings the total number of oil, gas and condensate discoveries made by Kuwait Energy in Egypt, since 2008, to 14 discoveries, three of which were made in the Area A concession area.

Kuwait Energy was established in August 2005 in Kuwait as an independent Oil & Gas Exploration and Production company. Currently, the company operates in eight countries namely Egypt, Yemen, Iraq, Oman, Ukraine, Latvia, Russia and Pakistan.

ERC to Build State-of-the-Art Oil Refinery

The Egyptian Refining Company (ERC) is set to begin construction of a $3.7 billion greenfield second-stage oil refinery in the Greater Cairo Area. Construction is planned to begin in the second quarter 2012, and will take four years to complete.

The refinery will have a production capacity of 4.2 million tons of refined products per year, which includes 2.3 million tons of EURO V, the cleanest fuel of its type in the world. Production will be sold to the Egyptian General Petroleum Corporation (EGPC) at international prices, in accordance with a 25-year off-take agreement.

ERC is a partnership between Egyptian private equity firm Citadel Capital SAE, its co-investors, and the EGPC. The EGPC owns 15% of the endeavor, and will be providing the refinery with fuel oil as feedstock through its Cairo Oil Refinery Company (CORC).

Quotes

“ An additional 3 million liters of fuel are currently being pumped into the market daily in order to compensate for excess demand at gas stations, demand primarily spurred by the spreading of rumors regarding an increase in fuel prices as well as smuggling operations conducted by outlaws. ”

to Al-Ahram

Abdullah Ghorab, Minister of Petroleum

“ The budget for the new year is the largest ever in the history of the company's investments ”

Ministry of Petroleum website

Eng. Abdul Qadir Abdellah, GUPCO Chairman

“ Constant and rising influx of investments from foreign companies has a positive effect on exploratory operations as well as on the pace of development of fields already discovered, which in turn increases Egypt's production and reserves of oil and gas in order to meet the country's needs of different energy sources and support developmental and economic plans. ”

to Alarabiya.net

Eng. Hany Dahi, Executive Director of the EGPC

“ The current fuel crisis is an artificial one, there is no real crisis regarding fuel because the product is 95% domestic and is available. This artificial crisis is a result of rumors alleging that the government will raise the prices of fuel and diesel based on the demands of the International Monetary Fund, of which a representative delegation is currently visiting Egypt. ”

to Al-Shorouk Newspaper

Fayza Abou El Naga, Minister of International Cooperation

“ Iran should stop the export of oil before the 1 July deadline so that the price of oil soars and the Europeans... have trouble ”

commenting on possible EU oil embargo on Iran, BBC

Ali Fallahian, former Iranian Minister of Intelligence

Increase in Production for Khalda's Western Desert Concession Characterized by Disparity

The analytical report issued by Egypt Oil & Gas to assess the performance of Khalda Petroleum revealed disparities in the company's production indicators of crude oil and natural gas. Oil production witnessed several fluctuations in the last six months of 2011, while the production of natural gas rose consistently during the same period.

Khalda drilled three wells in its Western Desert concession towards the end of 2011, two of which are exploratory wells producing both oil and gas, while the third is a developmental well.

The company has successfully drilled SHU-1X, which is an exploratory oil-producing well, in the company's concession area in the Western Desert. The well was drilled to a depth of 16,000 feet using the EDC-41 rig, the cost of which has averaged $6.7 million.

The report also documented Khalda's drilling of PRINCE-1, which is an exploratory gas-producing well located within the same concession area in the Western Desert. The well, which was drilled at a depth of 15.76 cubic feet using the EDC-57 rig, produces 150 cubic feet of gas in addition to 200 barrels of gas condensate per day. The well was put on stream last October with drilling investments averaging $5.24 million.

In efforts to boost its daily output, the company also undertook the drilling of the KHALDA-86, which is also located in its Western Desert concession. Using the EDC-56 rig, the well was drilled to a vertical depth of 6800 feet, with investments worth $1.38 million.

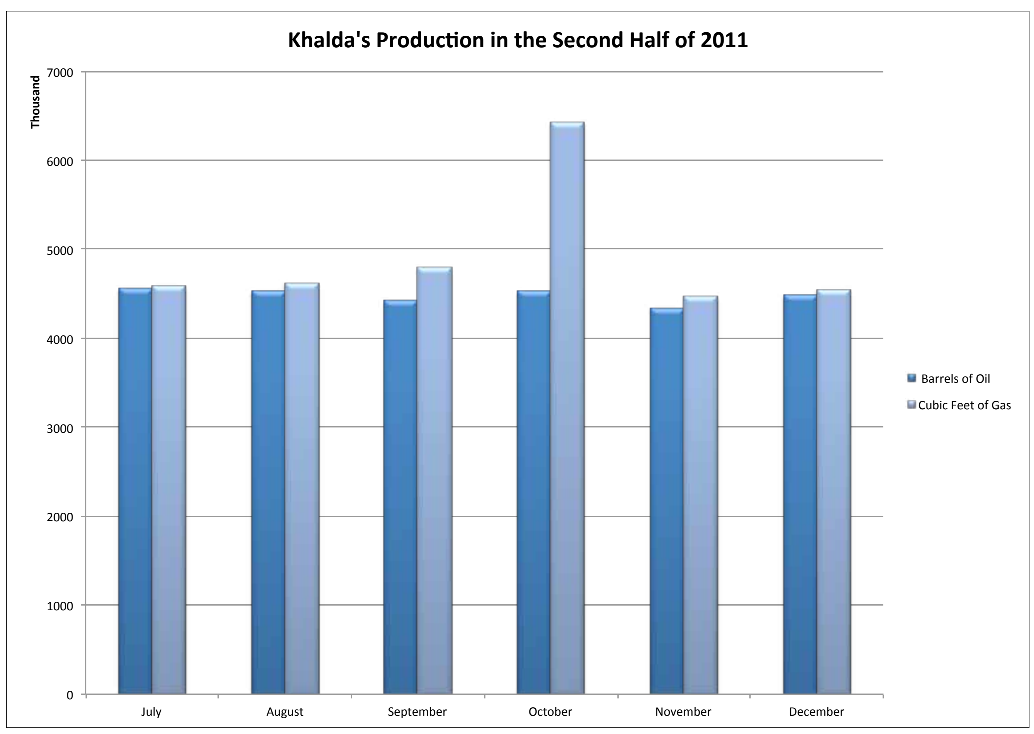
Khalda also introduced five new developmental wells to its monthly production cycle. The new wells, dubbed TUT-93, GAD-17, SOAG-2, W.Kalabsha1-5, and Abu al-Ghradeeq-99, are situated in the company's Western Desert concession. Production rates of these wells have reached 5,370 barrels of oil per day.

In December of last year, the company completed spudding another four exploratory wells: UNAS-1X, N.RZK-75X, AG-93, and NYMATAW-1X, in addition to the developmental well WRZK-68. The exploratory wells were operated using the ST-6, EDC-41, EDC-50, and EDC-61 rigs respectively, while the developmental well was drilled using the EDC-65 rig to a vertical depth of 6822 feet.

Investments for operating the four exploratory wells have reached approximately $11 million, while the cost of drilling the developmental well reached $800,000.

Khalda's overall production has reached 448,017 barrels of oil and 4543,929 cubic feet of gas during December of 2011

Khalda Petroleum is a joint venture company between the American operator Apache and the EGPC.



Karoun Petroleum Boosts Western Desert Crude Output

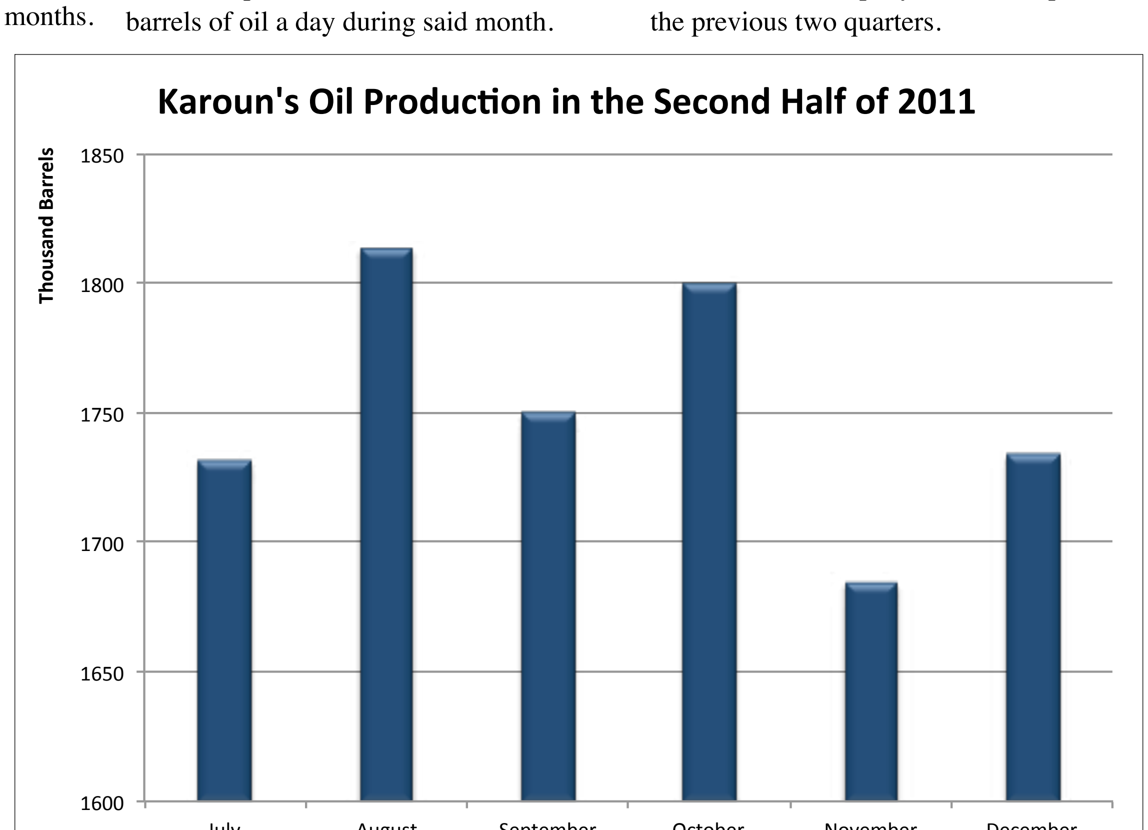
According to the analytical report conducted by Egypt Oil and Gas to gauge the performance of Karoun Petroleum, the company's production rates of crude oil have been consistent during the past six months. Conversely, the company's production of natural gas is almost nonexistent within the same timeframe.

Karoun's latest successful ventures have been almost exclusively in the Western Desert. The company completed the drilling of HEBA-10 last January, which is an exploratory well that is currently being evaluated. It was drilled to the depth of 7150 feet using the EDC-63 rig with investments averaging $1 million.

Another well was drilled during November 2011 in the company's same concession area in the Western Desert. The KNE-4 is a crude oil producing developmental well. Utilizing the EDC-49, the well was drilled to the depth of 8300 feet, the cost of which has reached $750 thousand.

Furthermore, Karoun added four developmental wells (E.SMRA-14, AL-DIOR-49, HEBA-127 and SMRA-69) to its production report of October 2011. The collective output of the four wells totaled 1220 barrels of oil a day during said month.

Reports also indicate that Karoun's production level reached 1733802 barrels of oil during December 2011. The graph below illustrates the company's crude output over the previous two quarters.



Guest Column

(C4+) and the Modification of Gas Extraction Plants to Solve the Butane Cylinder Crisis

Despite promises from officials to resolve the liquefied petroleum gas cylinder crisis Egypt is currently undergoing, the situation unfortunately continues to deteriorate. The cost of LPG cylinders is reaching prices that are ridiculous to say the least. The source of the problem is the distribution system, as evidenced by the way LPG cylinder trade is conducted in the Al-Waraq area. Distributors sell the cylinders at LE6 a cylinder, after which they are handed over to street vendors who sell at inflated prices in the range of LE25 to LE30.

The solution lies in the amounts supplied to the market; 900,000 domestic-use cylinders and 100,000 commercial cylinders enter the market monthly, which is insufficient, as these numbers must reach 1 million domestic-use cylinders and 200,000 commercial cylinders. Increasing LPG production requires adjusting condensates production by all companies producing gas in the upstream sector.

C4+ production from all upstream fields should be boosted. C4+ production is added to condensates via high-level steam pressure, which causes byproducts such as propane and butane (the two main components in LPG) to be lost. Gas flow to LPG production stations should be increased at the expense of steam pressure to condensates, which would increase Egypt's production of LPG by 5% to 10% and thus provide a permanent solution to the problem.

Modifications should also be applied to certain LPG-producing plants, particularly: Abr Al-Khalij, Abu Madi, Al Quraa, Al Mansoura, Dahshoor and Abu Qeer. This is due to the fact that most LPG plants in Egypt are outdated and produce at rates of 80% to 90%. Studies are currently being conducted by Cairo University and petroleum company ENNPI with the aim of raising the gas extraction rates of these plants. If changes are implemented, Egypt's LPG production could rise by as much as 10%.

Ezz-El Din Allam Mohamed
EGPC's General Manager of Reservoir Studies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Nigeria Removes Oil Subsidies

Nigerian President Jonathan Goodluck ushered in 2012 with lifting subsidies off oil in an attempt to deregulate Nigeria's dilapidated downstream petroleum sector.

The news was broken on the first of January, in a statement issued by the Petroleum Products Pricing Regulatory Agency (PPPRA) and signed by it executive secretary, Reginald Stanley.

The topic of subsides removal has been subject to heated debates among various factions of the Nigerian society since its proposal in October 2011. There have been previous attempts to remove oil subsidies, all of which have prompted massive protests across the nation.

"Following extensive consultation with stakeholders across the nation, the PPPRA wishes to inform all stakeholders of the commencement of formal removal of subsidy on Premium Motor Spirit (PMS), in accordance with the powers conferred on the agency by the law establishing it, in compliance with Section 7 of PPPRA Act, 2004," stated Stanley in the official PPPRA statement.

By this announcement, he added, "the downstream sub-sector of the petroleum industry is hereby deregulated for PMS. Service providers in the sector are now to procure products and sell same in accordance with the indicative benchmark price to be published forthrightly and posted on the PPPRA website."

As a result, fuel prices have more than doubled overnight, inciting public outrage amid civilians, civil society organizations and labor unions. Among these organizations are the Joint Action Force, the Pro Labor Civil Society, which is a partner in the Labor and Civil Society Coalition (LASCO,) and many others who are preparing for an all-out, collective opposition movement.

The Secretary of the Nigeria Labor Congress (NLC,) Abiodun Aremu urged the people to determinedly stand their ground saying: "Nigerians must reject this new price imposition because it is a gross distortion of the current policy dialogue that was on-going."

He also added that " there is an existing agreement between the NLC and the Federal Government, which states that price of PMS is 65 Naira per liter. Any price outside this is unacceptable. This shows that this is one government that cannot be trusted. Nigerians must make sure they uphold the price regime of 65 Naira."

On the 20th of January, former chairman of the Nigeria Bar Association (NBA), Olisa Agbakoba, testifyied before the House of Representatives ad-hoc committee on the investigation of the subsidy regime that there was no evidence to prove that the Federal Government was subsidizing petrol for Nigerians prior to the removal of fuel subsidy on January 1st.

In his testimony, he argued that experts outside government have calculated the landing cost and profit margin indicated that fuel is not supposed to cost more than 40 Naira per liter.

He further called for reviewing the "structure of the country" arguing "if Nigeria is governed from Abuja under the centrifugal federal system, we will continue to have weak and inefficient system."

The issue of oil subsidies in Nigeria is apparently far from being settled. The strong opposition to subside removal is expected to continue, manifesting in organized demonstrations and resilient strikes reflecting the public's anxiety over the mere sustainability of their already-dwindling welfare.

French Total Strikes New Deals in Mauritania

French petroleum giant Total announced the conclusion of two deals with the government of Mauritania to start exploring frontier areas in the West African country.

Total plans to operate the ultra-deepwater blocks off the western coast of Mauritania in addition to blocks located in Sahara Desert, with a 90% working interest.

The offshore block is located around 136 kilometers off the coast of Mauritania and is situated in water depths ranging from 8000 to 9800 feet.

The onshore block, Ta 29, is located in the Taoudeni basin in the Sahara Desert, approximately 1000 kilometers east of the capital Nouakchott. It is located just north of Block Ta 7, in which Total already owns a stake.

"The license award is aligned with Total's strategy of expanding its exploration operations into high-potential geological plays while leveraging the group's globally recognized ultra-deepwater expertise," stated Senior Vice President for exploration of Total, Marc Blaizot.

He also added, "the new onshore block is on the same trend as onshore Block Ta 7 on which latest exploration results [has] shown good prospects in this part of the Taoudeni basin."

Ould Abdival, Mauritania's Oil Minister expressed that the agreement had been reached in the context of restarting investment in the Mauritanian petroleum sector. He added that the contract is "the first of its type in the deep-water zone offshore in Mauritania, [which] serves the interests of the two sides."

It is worthy to note that Total has been active in exploring Mauritania's petroleum fields since 2005 through Block Ta 7 and Ta 8, which are also located in the Taoudeni basin.

New Acreage to be Acquired in Kenya by Total

French oil veteran Total has announced the acquisition of 40 % interests in five offshore exploration blocks in the Kenyan Lamu basin.

The new acquisition will see Total acquire 20% interest from Anadarko, 5% interest from Cove Energy and 15% interest from Dynamic Global Advisors upon the approval of the Kenyan government.

The ownership division of the blocks L5, L7, L11a, L11b and L12 after the conclusion of the deal would render Anadarko owning 50% with operatorship status, Total holding 40%, with the remaining 10% going to Cove Energy.

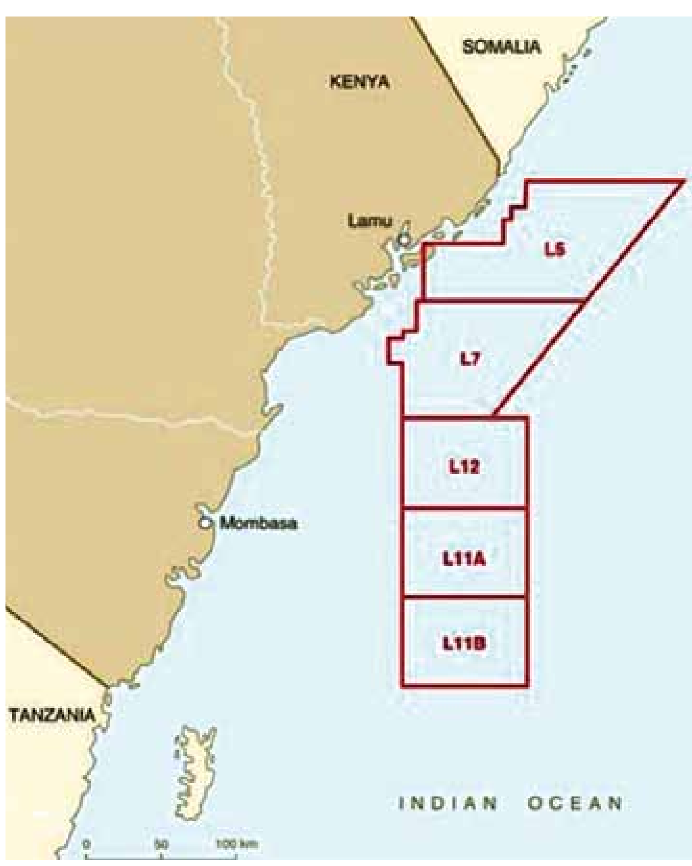
The blocks are located offshore the Lamu Archipelago in water depths ranging from 100 and 3,000 meters and covers an area of more than 30,500 square kilometers.

A 3D seismic survey of entire vicinity is currently in progress. In the case of promising results, one or more exploration wells could be drilled once the survey has been completed.

Commenting on the recent acquisition in a meeting with Kenyan president Mwai Kabik, senior vice president of Total Group Momar Nguer said, "having failed to make commercial discovery in Kenya in the past, Total has come back after acquiring 40 percent rights in 5 blocks offshore, Lamu basin."

Nguer who is in-charge of refining and marketing in Africa and the Middle East regions, informed president Kabik of the company's petroleum exploration progress in the country. He said that his company, whose presence in the country span over 50 years, has invested heavily in supply infrastructure, constructing a network of 170 service stations that currently employs many Kenyans.

He further added that the French petroleum group is also in the process of acquiring 100% interest in one of the newly created eight deep water blocks offshore Lamu Basin.



Juba Orders Oil Production Halt

The government of South Sudan passed a resolution on the 20th of January to completely halt the production of oil within the period of two weeks. The decision comes in the context of the deepening tension with the government of Sudan over pipeline fees.

Despite the gravity of the decision, since oil production counts for almost 98% of South Sudan's revenue, the government in Juba announced that it would continue to negotiate with Khartoum over post-independence issues.

Former recent negotiations to resolve the absence of a deal on the transit fees that the land-locked South Sudan should pay for the use of Khartoum's pipeline infrastructure to bring its oil to export terminals in Sudan's red sea port have fallen short.

Juba accuses Khartoum of "stealing" its oil after the latter moved to confiscate portions of the southern oil shipped through its territories, claiming that Juba has not paid any fees since South Sudan seceded last year.

Barnaba Marial Benjamin, a spokesman for the government of South Sudan said "We have taken this decision because South Sudan is not benefiting from oil. It is being taken by force by the Republic of Sudan, and the oil that is going through the pipeline is being looted.

Sudanese Foreign Minister Ali Karti expressed that Khartoum would continue to confiscate what he termed as "its right in southern oil" as long as Juba remains unserious in reaching an agreement on transit fees. He also conveyed that an oil deal with South Sudan is unlikely to be reached in light of its support to insurgents in border areas.

The government in Khartoum ascribes the failure of previous negotiations to the support extended by Juba to the Sudan People's Liberation Movement North, a rebellious movement active in Sudan's southern border states of South Kordofan and Blue Nile.

"If you are hosting rebels, preparing them against me, supporting them by munitions, by salaries, by everything, by training, by giving them all facilities. What shall I wait for? What shall I wait for you to do? I'm waiting for war," Karti angrily commented .

UN Secretary-General Ban Ki-moon voiced his concerns as to the "worrying deterioration" between recently-separated countires.

"The secretary-general strongly urges the parties to do everything possible to reach agreement to defuse the current oil crisis, and address the other contentious issues on the agenda that require immediate resolution," commented UN spokesman Marty Nesirky.

A swift resolution to the deepening disputes between the bordering nations is instrumental in preventing the disruption of oil production and exportation, a source of revenue that both nations highly depend on. But given their unpleasant history, the likelihood of a timely resolution alas seems murky at best.

Maersk Strikes Deepwater Well in Angola

Danish firm Maersk Oil has issued a statement confirming an oil discovery in a pre-salt, deepwater exploration well off the coast of Angola.

The Azul-1 well, which is situated in the Kwanza Basin, is the firs well to penetrate pre-salt objectives in Angolan deepwater and was drilled in to a vertical depth of 17,500 feet.

The condition of the well prevented an assessment of flow capacity by the conventional evaluation method. Thus, a mini-Drill Stem Test was performed using the Ocean Valiant semi-submersible rig.

The company stated that initial interpretation of data from its Azul-1 well in Block 23, in which it holds 50 % interest, has delivered "two good quality oil samples" at the aforementioned depth.

Maersk Oil's head of exploration, Lars Nydahl Jorgensen, commented, "We are encouraged by the results of our first pre-salt exploration well in this region, which was also the first ever deepwater well targeting pre-salt reservoirs in the Kwanza Basin."

Results to date suggest that the well can provide over 3,000 barrels of crude oil per day. "There is substantial evaluation work ahead of us to determine whether the discovery is enough to invest further to get production going," commented Jorgensen in a statement.

Maersk operates the block with a 50% share alongside partners Sonangol holding 20% and Sweden's Svenska Petroleum Exploration with the remaining 30%.

Maersk Oil entered the Angolan market in June 2005, when it acquired a 50% interest and operatorship of Block 16. In November 2006, it acquired yet another 50% interest and operatorship of Blocks 8 and 23, along with Svenska Petroleum Exploration owning 30%, and Sonangol holding 20%.

Maersk Oil made the Chissonga discovery on Block 16 in 2009 and spudded two further appraisal wells in 2010 and 2011. In consistence with the company's development plans, three exploration wells are to be drilled during 2012 and 2013 in Blocks 8 and 23.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BP Pressures Halliburton vis-à-vis the 2010 Gulf of Mexico Debacle

Oil giant British Petroleum is pushing for American services company Halliburton to bear all the cost BP has incurred in the 2010 Gulf of Mexico disastrous oil spill.

In a contentious effort to press Halliburton for the recovery cost, BP stated in a US federal court filing last December that it is seeking full compensation of damages from Halliburton. The charges allege that Halliburton fraudulently used a defective cement seal on a deepwater well, which caused the deadly explosion and lead to the pollution of the Gulf of Mexico and neighboring countries.

BP has estimated in the past that the total cost will be around $42 billion, and by the end of last November, BP agreed to pay out $21.7 billion to affected individuals, companies and governments around the Gulf.

Citing recent depositions and Halliburton's own documents, BP said Halliburton "intentionally" destroyed the results of slurry testing for the well, in part to "eliminate any risk that this evidence would be used against it at trial."

The oil company also said Halliburton appeared to have lost computer evidence showing how the cement performed, with Halliburton maintaining that the information is simply "gone."

For its part, Halliburton "stands firm that we are indemnified by BP against losses" resulting from the disaster, stated Halliburton spokeswoman Beverly Stafford.

Halliburton's lawsuit charged that BP refused to follow its recommendations involving drilling operations, and that BP approved procedures which elevated the risk of a blowout.

Halliburton added that it was contractually indemnified from blame stemming from failures made by other parties, including BP. Because the disaster resulted from the actions of BP employees, Halliburton says, it is not obligated to pay any penalties that result.

According to the Wall Street Journal, US prosecutors are preparing criminal charges against BP employees, which would be the first criminal charges over the disaster.

The explosion at the Deepwater Horizon rig on April 20, 2010, killed 11 people, and the Macondo well gushed oil into the ocean for 87 days, blackening the southern US shoreline and crippling the local tourism and fishing sectors.

Western Efforts Intensify to Enact Iran Oil Embargo

European Union ministers are preparing to enforce a ban on Iranian oil exports, calling for major Iranian oil importers like India and China to join the Western club in an effort to curb Iran's controversial nuclear ambitions.

Such escalation comes in spite of Tehran's expressed readiness to return to negotiations and allow UN monitors to inspect its nuclear facilities. The West is anxious that Iran is seemingly seeking the capability to build nuclear weapons. Yet Iran claims that its program is for civilian electricity and medical research.

In a press conference held last month, Russia's deputy Foreign Minister Gannady Gatilov stated that further sanctions against Iran would "unquestionably be perceived by the international community as an attempt at changing the regime."

India is unlikely to partake in such international efforts, despite calls on it to do so, unless they are mandatory UN sanctions. However, the financial curbs on Iran's central bank by the US as well as Iran's reciprocal threat to close the Strait of Hormuz have prompted India and other Asian economies to diversify their oil sources anyway.

China, the largest importer of Iranian oil, has blatantly rejected the proposed sanctions. The country has investments in Iran that average $120 billion, none of which are oil-related. Nevertheless, China seems to have started seeking other oil sources as well. Chinese Premier Wen Jiabao is planned to visit to Saudi Arabia, Qatar and UAE, all of whom oppose Iran.

German chancellor Angela Merkel is expected to revisit the sanctions topic with China during her coming visit to Beijing. Germany has significant business interests in Iran, and is also home to a large number of Iranian expatriates. In 2011, India started using a German-Iranian bank to route its oil payments to Iran, before that came under sanctions.

While the EU has yet to implement the proposed sanctions against Iran's central bank, media speculation indicates that it will happen shortly, affecting large quantities of German business with Iran. EU countries are reportedly working on an oil embargo plan that comes into effect in the span of six months.

Practically, a gradual enforcement of the EU's sanctions would ease the concern of the nations most dependent on Iranian crude such as Italy, Greece and Spain. According to European Commission Data, those three nations accounted for 68.5% of EU oil imports from Iran in 2010.

Former member of the U.S. National Security Council Michael Singh stated that inspectors from the International Atomic Energy Agency would go to Tehran at the end of the January to discuss Iran's nuclear program. Yet, "Iran's willingness to resume talks doesn't mean it's ready to negotiate restrictions on its nuclear program."

Dana Petroleum Launches New Well in the Netherlands

The Scotland-based Dana Petroleum announced the first production of crude oil from the new Van Ghent well last month. The well is situated on the Dutch continental shelf, roughly 60 kilometers northwest of The Hague, the capital city of the province of South Holland.

The Van Ghent well is located in block P11b, which is located in the Medway development area. The production of the well will be managed by the Dana-operated De Ruyter platform. Company estimates project the production of 2000 barrels of oil per day in 2012, with an additional 2000 by next April from the Van Nes well.

Dana Petroleum Company was acquired by the Korean national oil group KNOC in 2010. The company stated that the new well is the first of several new developments in the country and revealed its plans to bring three more discoveries in the same development area on stream by next year.

Dana Petroleum's Managing Director in the Netherlands, Reidar Hustoft, commented on the new successful venture, "We are delighted to have brought Van Ghent into production, which is the culmination of months of hard work from the teams involved."

Hustoft added, "We successfully used innovative tri-lateral well technology for Van Ghent, which is a first not only for Dana but for the entire Dutch offshore industry. I'm also pleased to say that throughout the Medway project we have had no recordable health, safety or environmental incidents and look forward to working with our joint venture partner EBN to maintain these standards moving forward."

Development of the Medway area will considerably benefit Dana as it will extend the producing life of the De Ruyter oil and gas fields complex, of which Dana Petroleum holds a 54% interest, thereby increasing production and reserves in this area. Dana Petroleum is driving forward the Medway area's development as an operator and holds a 50% interest in the project, with the remaining interest held by Dana's partner, the Dutch-based EBN.

Statoil Gets Go-Ahead to Develop Skuld

Norwegian oil giant Statoil has received the green light from Norway's Ministry of Petroleum and Energy as to the plan for development and operation (PDO) of Skuld, a fast-track development tied in to the Norne field in the Norwegian Sea.

Skuld is Statoil's fifth approved fast-track PDO, and the largest fast-track development so far. The fields currently being developed in Skuld are scheduled to come on stream by early 2013 with investments totaling $1.7 billion.

The combination of the approved fast-track PDOs is expected to produce 90 thousand barrels of oil equivalent per day in 2014; Skuld is expected to account for more than half of that number. The first oil production from the field is scheduled for December 2012.

According to Statoil, "field life has already been extended from 2016 to 2021. Skuld phase-in will be essential to utilizing idle capacity on the Norne production and storage vessel (PSV), and maintaining a high production."

Skuld is planned to produce through three standard subsea templates on Block 6608/10, with six production wells and three water injection wells tied to the Norne production ship with a 14-inch production flowline and umbilical.

Since the commencement of production in 1997, Statoil has tied in several remote fields to the Norne field. The new discoveries have contributed to extend the life of Norne to 2021 and possibly 2030, according to Statoil.

Recoverable reserves in Skuld are estimated at 90 million barrels of oil equivalent, primarily oil. The project organization is located mainly in Harstad and Oslo.

Genel Energy Boosts Acquisition in Kurdistan Block

London-listed Genel Energy announced its plan to consolidate its position the Chia Surkh Iraqi Kurdistan block, increasing its interest from 20% to 80% as well as acquiring the block's operator's license.

The Chia Surkh block covers an area of 984 square kilometers in the southern part of the Kurdistan Region and has prospective resources estimated at more than 300 million barrels of oil equivalent.

The company described the new acquisition as a "step forward" towards becoming the leading oil and gas player in the Kurdistan region of Iraq and the Kurdistan Regional Government's sole contractor of the Chia Surkh exploration block.

Genel Energy is paying a total of $68 million for the 40% of the block currently held by Forbe & Manhattan, a subsidiary of Longford Energy. The payment consists of $42 million to be paid directly to Forbe & Manhattan, while the remaining $26 million will go to Kurdistan's Regional Government. An additional $26 million will be paid by Genel to acquire Petoil Petroleum's 20% interest in the block.

"These are excellent deals for Genel. For what we consider a very good price, they give us 80 percent of a high-quality asset in one of the last great hydrocarbon provinces accessible to international investors. Becoming operator will allow us to take the lead in shaping and driving forward a thorough exploration and appraisal program," said Tony Hayward, Genel Petroleum's Chief Executive Officer.

Hayward added, "more recent seismic data, acquired in 2010, confirmed Chia Surkh as a faulted anticline that contains three or four structures we consider interesting… Operations are already in train for an exploration well this year. We anticipate further drilling over the next two years as we conduct a comprehensive exploration program to fully evaluate the block"

The new deal is contingent on the receipts of several consents, approvals and assurances, including from Longford's shareholders and the Kurdistan Regional Government and the completion on or before the first of March 2012. The acquisition of Petoil Petroleum's 20% is also dependent on the completion of the Longford transaction.

Drake & Scull Secures
Petrochemical Project in Egypt

Drake & Scull Water and Power (DSWP) sealed a $38.6 million construction deal for a mining grade ammonium nitrate facility in Ain El-Sukhna, Egypt.

DSWP established its regional oil and gas arm in 2010 and the latest deal is its first project in Egypt's petrochemical segment after starting its specialized division. DSWP has concluded a strategic joint venture agreement with the Hassan Allam Construction Company to accomplish the project.

Tawfiq Abu El-Soud, managing director of DSWP, said: "The contract represents a strategic milestone for the company in Egypt. Our strategic joint venture will provide advanced construction and construction management capabilities and will lead to the successful completion of the project in line with the highest global environmental and safety standards."

Commenting on the new relationship, he also stated, "Our partnership with a long-standing market leader such as Hassam Allam Construction will allow us to expand in this promising industry whereby our unified multidimensional portfolio and regional expertise will enable us to cover the complete value chain of the petrochemical sector.

DSWP is a wholly-owned subsidiary of Drake & Scull International (DSI), a regional market leader in integrated design, engineering and construction disciplines of Mechanical, Electrical and Plumbing (MEP), civil contracting and water and power.

The scope of the work will include the complete construction and pre-commissioning of mechanical equipment, erection of storage tanks, piping and structural steel fabrication works.

Egypt Hydrocarbon Corporation will develop and run the petrochemical plant, which has a nitric acid and ammonium nitrate division, along with connecting infrastructure.

Once the plant becomes operational in April 2014, it will have the capacity to make mining grade ammonium nitrate of 1,060 MTPD for delivering in the mining and construction industries.

On the strategic tie-up, managing director Hassan Allam said, 'We have a long track record providing first class construction services to Egypt's leading industrial players. We are happy to partner with a reputable company in this field and look forward to future ventures and achievements across the country."

Aramco Inks Massive $8.5 Billion Deal with Sinopec

Saudi Petroleum giant Aramco has signed an immense $8.5 billion joint venture agreement with the leading Chinese Sinopec Group to construct a highly sophisticated, full-conversion oil refinery in Yanbu, Saudi Arabia.

The Yanbu Aramco Sinopec Refining Company (YASREF,) will have the capacity to process 400,000 barrels of heavy crude oil per day. The ultramodern refinery is set to commence production in the second half of 2014, with Aramco holding a 62.5% stake in the plant while Sinopec Group will own the remaining 37.5%.

Commenting on the enormous project, Aramco President and CEO Khalid Al-Falih stated, "The various world-class local and international refining and petrochemical investments Saudi Aramco is proof of our firm belief that the downstream remains an attractive and profitable business… Over the next decade, our total global refining capacity is expected to approach 8 million barrels a day as a result of this largest expansion by any oil company in the world."

The construction of the facility, which is located on the Red Sea, is currently underway and is planned to extend over 5200 square kilometers. It is slated to process heavy crude from Saudi Arabia's Manifa oilfield, which is presently under development to reach an output of 900 thousand barrels per day by 2014.

In expression of his appreciation over the new venture, Sinopec Group Chairman Fu Chengyu, commented, "This is a milestone on the journey of cooperation between our two companies. We trace our relationship back to the early 1990s when we started downstream venture discussions in China; since then Sinopec and Saudi Aramco have developed cross-border cooperation along the hydrocarbon value chain, covering upstream and downstream investment, crude oil trading and engineering services."

It is worth mentioning that Aramco has already partnered with Sinopec in the past, erecting the Fujian plant in southeast China. The company is expected to build additional refineries in Asia, which is Aramco's largest and fastest growing oil market.

From Left: Fu Chengyu, Chairman of Sinopec Group, Ali Al-Naimi, Saudi Minister of Petroleum, Khalid Al-Falih, President and CEO of Aramco

Renewable Energy

GCC States to Utilize Solar Energy for Domestic Use

Middle Eastern giant petroleum exporters such as Saudi Arabia, Kuwait and the United Arab Emirates are contemplating employing solar energy over oil-fueled power plants. This means governments can save precious crude oil for export, according to Bloomberg New Energy Finance.

The nations could make more money by selling their oil instead of using it to create cheap electricity. The cost of photovoltaic panels have been declining, making the construction of large, utility scale solar installations more cost-effective.

GCC states should be replacing the use of oil-fired electricity generation with large-scale and distributed photovoltaic panels, and earmarking their oil for sale on international markets. Michael Liebreich, Chief Executive Officer of Bloomberg New Energy Finance, commented, "This exercise demonstrates the clear argument for large-scale deployment of PV in the Middle East region. The continued cost decline of PV will open up electricity markets in the Gulf extremely quickly."

The Gulf Region has some of the world's best solar resources. However, governments in the region have historically valued oil and gas at cost and provided their consumers with subsidized electricity, two factors which have impeded the development of renewable energy.

New Energy finance estimated that a 1000-megawatt solar power plant built in 2011 could return 9.4%, based on the assumption that the price of oil increases to $163, adjusted for inflation, within the next 20 years.

Recently, solar energy companies have seen their share value decrease, which may put pressure on them to improve sales. One way to attract customers would be to cut prices, making panels even more affordable for homeowners and oil billionaires alike.

Largest Wind Turbine in the Middle East Comes Online In the UAE

The Middle East's largest wind turbine has begun producing electricity on Sir Bani Yas island off the western coast of Abu Dhabi.

The wind turbine, the only one of its kind in the region, was produced by Vestas Denmark, the world's largest wind turbine manufacturer.

Sir Bani Yas is the former private eco-resort of the late UAE President and Ruler of Abu Dhabi, Sheikh Zayed Bin Sultan Al Nahyan. The 87 square kilometer island is now at the core of Abu Dhabi's emerging Desert Islands destination, which consists of eight islands and an on-shore gate to deliver a multitude of hospitality and leisure destinations.

Alternative energy production is central to the overall sustainability strategy being developed jointly by Tourism Development & Investment Company. Abu Dhabi's leading tourism asset developer and the name behind the creation of Desert Islands, and Masdar, the emirate's multi-faceted, multi-billion dollar investment in renewable and alternative energy.

"We plan to utilize solar and wind solutions throughout the Desert Islands as part of a sustainability strategy which will mirror Sheikh Zayed's eco-philosophy for Sir Bani Yas," said Sheikh Sultan Bin Tahnoon Al Nahyan, Chairman of the Abu Dhabi Tourism Authority.

The destination's sustainability strategy will be holistic and cover power, water, infrastructure, waste management and recycling to energy building standards. Insights into the strategy were showcased at the World Future Energy Summit, which ran at the Abu Dhabi National Exhibition Centre.


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New Dawn or Nightfall?

The rise of political Islam and its effects on the petroleum sector

In its modern history, Egypt has never been subject to Islamist political domination, and the upcoming experiment is already the source of anxiety for many with a stake in the country's economic future. The oil and gas sector, like all others, stands to be affected by any significant changes in policy, but while changes are expected, a drastic and potentially disastrous overhaul of the economy is not going to be realized anytime soon. The industry can adapt to whomever ends up running the country. What it will struggle with is the continuation of the status quo in which no one truly does.

By Ahmed Maaty

For a brief few months, and for the first time in the lives of many Egyptians, parliamentary elections managed to captivate the vast majority of the population. Egypt's first post-revolutionary parliament may very well present a glimpse into the country's political future. If this is true, that future is resoundingly Islamist. The Freedom and Justice party, the political wing of the Muslim Brotherhood, has won a staggering (if not unexpected) number of seats, far more than any of its rivals. The Salafist Al-Nour party, which adheres to a hardliner fundamentalist form of political Islam and is the only political force able to make the Brotherhood seem liberal in contrast, has managed a surprisingly strong showing, winning the second-largest number of seats.

Fear of Islamist rule in Egypt is not a new phenomenon. Egypt's Islamists are an unknown quantity, and for years have been mistrusted and disliked by local and foreign investors alike. Mubarak's regime was trusted to get things done with little hassle, and while this ease entailed severe consequences of all kinds for the Egyptian people, from the investor's perspective the situation was in many ways ideal.There were problems, some of them substantial, but there was a framework of cooperation with the Egyptian regime that went a long way to building trust. Now that the Mubarak regime is gone, trust must be rebuilt from scratch, and monumental changes in policy may threaten the very possibility of such a relationship ever forming.

The possible difficulties of dealing with an Islamist regime in Egypt are not limited to possible shifts in economic policy; the political dimension naturally comes into play as well. If the future rulers of Egypt find themselves antagonizing Western powers, restrictive economic measures may be deployed by said powers, including sanctions that would undoubtedly include the Egyptian petroleum sector. Egypt's reserves of petroleum resources are not comparable to some of its more fortunate Middle-Eastern and North African neighbors. Consequently, its standing in the global energy markets is not strong enough to indemnify it from such sanctions in case of a political standoff. Hostile nations will not hesitate to boycott Egyptian oil and gas.

These apprehensions and scenarios are not entirely unreasonable to contemplate, but they are based almost entirely on the notion that the accession of the Islamists in Egypt will constitute a radical overhaul of the Egyptian state.Irrational fear of the Islamists may become a self-fulfilling prophecy in radicalizing them through isolation, but taking a closer look at the Islamistsand their interests, particularly as they pertains to the petroleum sector, will allay much of this fear.

Unlike other political ideologies, Political Islam is a wide spectrum of wildly differing interpretations and applications. It is not so much an ideology as a general term used to describe political currents based on Islam. For years the Muslim Brotherhood of Egypt was considered a beacon of radicalism, not entirely without reason as the Brotherhood's history is not devoid of militancy and extremist tendencies, not to mention regressive thought.

But increasingly throughout the last few decades, the Brotherhood has been leaning towards political pragmatism, which places them closer to the moderate, pluralist AKP of Turkey than the extreme fanaticism of the Taliban.The Brotherhood is arguably far more fundamentalist than the party of Erdogan, and the façade of social moderation and respect for civil liberties currently adopted by the Brotherhood is met with skepticismby many, but the fact that they are willing to deal in politics in a pragmatic, realistic way within the modern context is what matters, the details of their ideological rigidness notwithstanding. The Salafists may be argued to be truly regressive in many of their social policies, but once again, such policies will matter minimally as to oil and gas dealings.

The political conduct of both groups since the beginning of the uprising demonstrates their willingness to put practical political interest at the forefront of their agendas.This must be a reassuring sign for investors who will hope they won't have to deal with forces that are entirely and immovably driven by puritanical ideological zealotry.

It is of course in the interest of any political force to achieve some level of economic development in order to gain political legitimacy and thus remain in power, but in the case of the Islamists of Egypt, it is an absolute necessity to ensure the economic welfare of the general populace. This is partly because brute force is the only alternative to legitimacy in terms of tools to rule, and as witnessed throughout 2011, Egyptians have demonstrated that they're no longer willing to go down without a fight. It is also down to the Islamists' need to avoid economic dissatisfaction, which was a major factor in the success of the anti-Mubarak uprising and remains one of the revolution's driving forces, fuelling popular dissent.

Primarily, though, the Islamists must and will focus on economic development because they have survived decades upon decades of political struggle to find themselves today facing the historic, unprecedented opportunity to finally take charge, and they will naturally do all that is necessary to make sure this chance does not slip from their grasp. It would not be unwise, or unexpected, of the Islamists to hugely prioritize the economy and place minor emphasis on ideology in the coming period, if only to make sure their ideological vision does not find itself lost to history before it can ever see the light of day.

The economic programs of both the Freedom and Justice Party and the Al-Nour Party do not convey the image of political forces aiming for a radical overhaul of the economic system anytime soon.The professed economic policies of both parties are fairly liberal, much like those of the National Democratic Part of Hosni Mubarak. They have obviously vowed to apply said policies in a very different manner, stamping out corruption and ensuring fair competition, and the emphasis differs, focusing on social justice and income equality rather than rampant, neo-liberal privatization. The general outlook, however, is one that is not entirely dissimilar to what has been in place for decades, recognizing free trade and capitalist competition.

Even worrying ideas like "Islamic banking" are to be implemented gradually in the case of Al-Nour, and are not mentioned at all by the Brotherhood party's economic program, and in any case would most probably be identical to the systems in place in countries like Saudi Arabia and would thus make little practical difference.In addition, encouraging foreign investment is a stated goal of both economic programs, dismissing the ludicrous notion that the Islamists would deliberately curtail foreign investment in any way.

The specificity of the oil and gas sector renders it particularly resistant to any possible change in policy. Socially-motivated policies pertaining to dress code or public conduct will have exactly zero effect on the sector, and even income equality and social justice programs will most likely not dissuade investors and foreign companies who prioritize the presence of the resources rather than cheap or exploitable labor. Egypt's moderate oil and gas wealth, of course, is not going anywhere regardless of any change in policy. In fact, the possible negative effect of Islamist policies on other sectors and industries may cause the Islamists to turn to the oil and gas sector and work towards developing it further to compensate for other sources of national income.

Any radical step in the international arena is just as unlikely for similar reasons. While rhetoric may shift and foreign policy will certainly not be identical to that of the Mubarak regime, a 180 degree turn would do nothing but destabilize Egypt and the region and most likely bring a swift end to the Islamist project. Statements and positions coming from the Islamist camp are unclear and in some cases contradictory, but the Muslim Brotherhood has shown itself able to compromise to protect its interests and thus will not start a war or take steps that would ignite one. They are also unlikely to choose the path of isolation due to the effect it would have on Egypt's already battered economy. In the unlikely event that the Salfists push for such a foreign policy orientation, the Brotherhood, by far the stronger of the two groups, has proven its willingness to ally with liberal parties and movements for the sake of political gain.

Several Persian Gulf countries demonstrate the viability of a functioning and thriving oil trade under an Islamist regime. Saudi Arabia and Kuwait's regimes are both arguably far more fundamentalist than anything the Egyptian political scene has to offer, and yet energy sectors in both countries are successful enough to prove any fears in Egypt unfounded. Even the pariah state of Iran has managed to survive off of its oil wealth for decades despite tensions with the so-called international community (although the sustainability of this model is questionable as tensions are reaching boiling point and the future is uncertain). Egypt's inferior natural wealth does not detract from the fact that the model is viable in principle.

Oil and gas sector investors may initially approach Islamist-controlled Egypt tentatively, but there is little doubt that establishing a working relationship will be in the interest of both parties in the short-term, and once a mutually beneficial framework is put in place it is almost certain to guide future dealings for along time to come.This scenario is not exclusive to the Islamist, as any political force that comes to power, democratic or not, will be able to achieve similar results if it manages to maintain stability and agrees to deal on terms deemed reasonable from by the average investor or company.

The reasonable terms, as discussed, will most probably be adopted by the Islamists. The ability to stabilize the country and bring it under control, however, does not seem to be a characteristic of any of the current players, whether it be the Islamists, leftists, liberals, activists or even the armed forces.The Supreme Council of the Armed Forces, the self-appointed "guardians" of Egypt's transitional period, have failed to stay above the fray and instead indulged in power politics in order to maximize gain, and conventional political forces seem more than willing to play politics outside of any legal framework and to violate law and regulation if necessary, making a mess of the transitional period.

The democratic process has been muddled with endless (but not baseless) allegations of transgressions and falsification from all sides. The credentials of this very process are in doubt as it is still not entirely clear to what extent democratic institutions will be in charge of the country. All the while the transitional authorities have consistently found themselves at odds with young revolutionary activists as well as conventional political forces, and at times have dealt with these differences in ways remarkably similar to those common in pre-revolutionary Egypt. This has created an atmosphere of distrust and lack of clarity that has led to constant political turbulence, which, at various points, has resulted in violent clashes.

At the heart of the instability is the power struggle between the Islamists, the Muslim Brotherhood in particular, and the Supreme Council of the Armed forces. Constant whispers of an under-the-table deal aside, it is clear that both parties are maneuvering to make the most of the transitional period, inciting further conflict and instability as proxy battles are fought. In aiming for their respective goals, the two entities have managed to undermine the goals of the transitional period and the revolution itself, and have delayed the country's return to stability. Investors are not likely to deal with a government who is not fully in control, or one whose grip on power may slip at any moment.

The security situation, already undermined by these politically-grounded confrontations, has seen further deterioration manifested in rising criminality throughout the country as well as militant activity in the Sinai Peninsula. These militants have at times targeted the petroleum sector specifically through multiple attacks on the infrastructure delivering natural gas to Israel and Jordan. Such volatile ground is understandably off-putting to investors who seek guarantees that their investments will not be threatened, guarantees that no one is currently in a position to give.

Fears that an Islamist takeover would be a catastrophe for the economy and for the oil and gas sector in particular are unfounded, as the presented obstacles would be limited at best. The Islamists would most likely learn to deal with investors and foreign companies in order to fully utilize the resources at hand. What may truly threaten the sector are the viciously competing bids for power mounted by all forces active in Egyptian politics and the political bargaining being engaged in by all said forces. Ultimately, the vital concern will not be who holds power, but rather how much power they hold.

Experts Ponder the Minister's Plan:

Guiding the Reformation of the EGPC

In our interview of last month with Petroleum Minister Eng. Abdullah Ghorab, he stressed the importance of overhauling the Egyptian General Petroleum Company (EGPC), consolidating the regulation of the entire upstream sector once again under its ceiling as well as calibrating the company's administrative structure. The gravity of the minister's plan has prompted a wide range of responses from various experts in the petroleum field. Therefore, it behooved Egypt Oil & Gas Newspaper to interview a number of those experts and document their responses, since their collective wisdom could prove beneficial in guiding the process of overhauling the EGPC, a move that would entirely reshape the Egyptian petroleum sector if implemented.

By Shady Ahmed and Mohamed El-Bahrawi

Proponents of the Minister's plan

Several of the experts we've interviewed were in complete support of the Minister's proposition. They believed that having the EGPC regain the function it once had during the tenure of former Minister Hamdy El-Banby would enhance the regulatory framework of the upstream sector. They view the problem withering the EGPC as "more structural than it is fiscal."

The EGPC is "extremely capable of regulating and monitoring all companies investing in the sector; it is hindered, however, by its poor administrative practices. Resolving these structural impediments would bolster the efficiency of the EGPC, which is key to attracting foreign investment," one expert explained.

Another advocate of the Minister's decision recommended expediting this kind of reform due to the positive outcome it would yield. Empowering the EGPC, he remarked, could play a "pivotal role in eradicating some of the inefficient bureaucratic practices currently employed by the ministry, which would go a long way towards providing prospective investors with a smoother procedural process."

He recalls, "during the years of Minister Sameh Fahmy, an investor would address one of the companies [EGPC, EGAS or GANOPE,] seeking approval for a certain project. If for some inexplicable reason that project was rejected, the investor would turn to another company with the same project and obtain the sought approval."

This apparent absence of coordination and communication between government-companies is disruptive on several levels. Not only does it complicate the contractual process for the investor, it also erodes the organizational structure of the entire sector, curtailing the government's regulatory efficiency.

Weak regulation gives way to legal and monetary irregularities, which can be extremely difficult to remedy and would, in the long run, have severe repercussions on the economy as a whole. The EGPC is thereby in dire need of a comprehensive, progressive macro-strategy reflected in a tightly coordinated and highly regulated structure that is conducive to stimulating development and luring more investments.

A Correct, yet untimely decision

Another group of interviewees expressed support for the Minister's plan on a conceptual basis yet deemed the decision of its application to be either late or premature.

"It's a correct decision indeed, yet an extremely late one at that" expressed one of the experts. This crucial decision "should have been the top priority of Minister's Ghorab's administration from his first day in office." This delay, coupled with the "indecisiveness" of the high-ranking officials in the petroleum ministry, gave room for further deterioration of the current procedural structure, the consequence of which would become evident if the plan to overhaul the EGPC were to be executed.

He explained that "the EGPC was founded to serve as the sole legal government-company representing the interest of the state in upstream dealings; it was intended to function as the only entity authorized to offer bid rounds, seal contracts and conclude agreements with investors. Not to mention its central role in regulating and monitoring exploratory and production activities within the sector."

This dynamic unfortunately changed during the tenure of former petroleum minister Sameh Fahmy, as he allowed EGAS and GANOPE to share some of the functions of the EGPC. Having foreign investors deal with several government authorities serving the same purpose (to a certain extent) resulted in a multitude of structural discrepancies. Most importantly, it led to the marginalization of the EGPC and the deterioration of its regulatory authority.

EGAS and GANOPE were originally founded to augment rather than share the functions of the EGPC; they were mainly created to regulate the downstream part of the industry while having minor specific functions that pertain to the upstream sector.

In the case of EGAS, for example, the company was created to regulate post-production natural gas operations, which includes tasks such as the delivery of natural gas to both residential and industrial locations, the maintenance of pipeline networks and the collection of end-consumer fees.

The company is also responsible for the construction and development of the entire gas-distribution infrastructure, which consists of creating domestic pipeline networks, extending pipelines to neighboring countries, shipping natural gas to remote European importers as well as concluding gas-exportation agreements.

However, EGAS and GANOPE digressed from their original track, shifting their focus towards upstream operations. This diversion resulted in their failure to independently manage some the sector's upstream dealings, which prompted ex-Minister Fahmy to legally obligate both EGAS and GANOPE to seek the approval of the EGPC before sealing any upstream deal. "If that plan was carefully considered before execution, Fahmy would have concluded that his strategy to partition the utility of the EGPC is facile, and would've realized the negative consequences its implementation would engender."

Minister Gorab's plan should therefore be properly studied at first, if the results of the study are favorable, the plan should be executed gradually and over a long timeframe in order to avoid the disruption of the extant operational structure regulating the upstream sector. This gradual application, as several experts emphasized, is the only method that can ensure the stability of the sector's regulatory apparatus while preserving the competitive attractiveness of Egyptian petroleum market.

Another expert regarded the decision as extremely premature. He explained that upstream companies operating in the sector as well as the EGPC set annual development plans that they strive to realize, and their ability to fulfill these plans has been impaired by the turbulent political status quo.

From this standpoint, any major change in the current structure would add to the instability of the sector and the insecurity of investors, further curbing their ability to focus on fulfilling their targeted plans. "Only when the dust of the political atmosphere settles down should the ministry move ahead with the desired reforms".

Skeptics of the Minister's Plan

Some of the experts we've met with are at the other end of the spectrum, that is to say, they do not concur with the Minister's strategy to 'overhaul' the EGPC. In their opinion, any attempt to consolidate upstream activity back under the EGPC will entirely disrupt the current flow of operations since investors have already adapted to the procedural structure in place, despite the level of its fragmentation.

The government must not overlook the fact that increasing production levels is always the top priority for every company operating in the market. Altering the scheme of obtaining approvals and inking agreements would therefore compel investors to shift their focus from fulfilling targeted plans to learning

> **"The EGPC is in dire need of a comprehensive, progressive strategy reflected in a tightly coordinated and highly regulated structure that is conducive to stimulating development and luring more investments"**

the new ways of navigating the EGPC's procedural framework.

Another expert completely rejected the basic concept of the plan. In his opinion, having more than one entity regulating upstream dealings is comforting for the investor, as it provides them with the security of knowing that they have more than one chance to get their target projects approved.

"It is a catch-22," commented a high-ranking source. "The minister wants to empower the EGPC in order to facilitate the process for the foreign investors. Yet, the degree of reform required in realizing the Minister's vision coupled with the time needed for its proper implementation will most likely complicate the matter further and dissuade those same investors." For the Minister's strategy to succeed, he must firstly reform several elements related to the dealings of foreign investors in the sector before taking on the complex mission of overhauling the EGPC.

This reform could entail increasing the number of offered bid rounds by the EGPC and facilitating the bureaucratic process of approving projects and concluding agreements, all of which would contribute to solidifying the position of the EGPC and guaranteeing the comfort of foreign investors, which are critical prerequisites to initiating a major structural overhaul. The government should additionally "prepare contingency plans should the implementation of the minister's strategy yield unexpected or undesired outcomes, which could potentially lead to loss of investment opportunities."

Another opposing opinion emphasized the notion that while it might have been simple to extend the upstream structural framework to several companies, it is extremely damaging to contract it back under one entity.

Stripping upstream dealings from EGAS and GANOPE, he explained, could have dire economic repercussions. It would lead to the dissolution of many joint-venture companies, which would see to a total halt of their development plans and consequently the suspension of many ongoing upstream projects. It will also trigger a surge in the redundancy of human resources in a time of rising unemployment rates. The formation of new venture-companies in the midst of dismantling preexisting ones will most certainly create a state of disorder and instability in the entire sector, deterring new investors from entering the Egyptian market.

The government's plan for the fiscal year, he continued, would also be impaired, which would lead to a shortage in targeted production rates. Another point to consider is the inability to store natural gas, which in the case of a structural overhaul, would require the readjustment of its production levels to accurately match domestic and exportation needs.

Common ground

The individuals we interviewed may have had competing views on the Minister's plan; they did however share some common concerns and recommendations if the plan were to be implemented shortly.

First and foremost, they all demand the ministry to conduct and publicly declare a thorough and meticulous study of the structural overhaul, demonstrating the strategy it would employ to implement the needed adjustments in a manner that is least disruptive to the sector's operations. They also recommended a gradual implantation of the strategy over a long timeframe.

Secondly, they stress that alternative plans be drawn to act as steady back-up in the case of failure to implement or undesired results, thus guaranteeing the continuity of operations and achieving targeted output projections.

Another point commonly agreed upon is streamlining the ineffectual bureaucratic practices in dealing with foreign investors before the execution of a major overhaul to cultivate a comfortable environment for investors, and preserve the desirability and competitiveness of the sector during the period of implementation.

Last but not least, they urge the ministry to consult and seek the assistance of every major corporation (both domestic and international) operating in the sector and to formulate a taskforce of experts from outside the ministry that would serve in an advisory capacity and oversee the implementation of the project.

During our interview, Minister Abdallah Ghorab was quite determined on implementing a plan that lays a solid foundation for the Egyptian petroleum industry to prosper. He seemed to genuinely believe in the auspicious future of the Egyptian petroleum industry. He also stressed the reformation of the EGPC and the reconsolidation of the industry's upstream; we are hopeful that his vision materializes, as it could only contribute in raising the caliber of our national petroleum industry.

"Altering the scheme of obtaining approvals and inking agreements would compel investors to shift their focus from fulfilling targeted plans to learning the new ways of navigating the EGPC's procedural framework"

MONGOOSE PT Dual Motion Shakers Improve Performance in Western Canada SAGD Operations

"We saw immediate improvement in the quality of our solids control. MONGOOSE* PT shaker performance easily justified replacing the remaining shakers; combined performance reduced our waste disposal costs by more than 40%. Moreover, our mud costs were reduced by more than 25%.

By M-I SWACO Operator Senior Drilling Engineer

The Situation

The operator was drilling a steam assisted gravity drainage (SAGD) program in Canada's Athabasca Tar Sands using M-I SWACO SAGDRIL* fluid. These wells are shallow, extended-reach horizontal wells (< 500 m true vertical depth, ~1500 m measured depth) drilled through fine-grained unconsolidated sands laden with highly viscous bitumen. Typical drilling parameters include large-diameter wellbores (up to 375 mm (14¼-in.) Intermediate/build, 270 mm (10⅝-in.) Main/lateral), high penetration rates (40 to 50 m/hr [130 to 165 ft/hr]) and high pump rates (2.5 to 3.0 m3/min [660 to 790 gal/min]). The shakers and screens have to not only handle extreme solids loading, but also are subjected to a viscous, sticky tar that readily coats and plugs the screen mesh. The rig was equipped with competitor high G-force linear motion shale shakers on the Primary complex and two shakers on the Secondary complex. M-I SWACO personnel were requested to perform a shaker evaluation that included analysis with its patented VSA* software. This analysis indicated that the shakers on the rig were not performing at an acceptable level. G-forces were lower than expected and there was an unacceptable amount of solids by-passing the shakers, accumulating in the mud tanks, and contaminating the SAGDRIL fluid.

Normal drilling operations using the original shaker configuration were plagued by a number of problems, including:

- Continual tar accretion causing excessive screen blinding
- Excessively wet cuttings
- Increased mud dilution and subsequent increased cost caused by high surface losses
- Excessive drilling waste
- Poor screen life caused by high solids loading

The Solution

M-I SWACO initially replaced the two competitor shakers on the Secondary complex with two MONGOOSE PT Dual Motion shakers. These shakers showed immediate improvement in fluid handling and solids capacity. Screens were upgraded from 84 mesh (generic screens) to 110 XR* and 150 XR Mesh on the MONGOOSE PT shakers. The cuttings were noticeably dryer; one shaker was able to handle the full fluid flow of 2.5 m3/min (660 gal/min).

Once the operator identified how efficiently the MONGOOSE PT shakers functioned, he ordered two more to replace the other three competitor shakers on the Primary complex.

The Results

Installation of the M-I SWACO MONGOOSE PT Dual Motion shakers immediately improved overall solids-control efficiency and had a significant impact on the project cost. Drilling fluid costs were substantially reduced by as much as 25% while waste disposal volumes and costs were also reduced by as much as 40%. This helped reduce the final project costs to approximately 25% below estimates. The improved shaker with its unique dual motion capability and shaker screen performance also resulted in a marked decrease in screen blinding caused by bitumen accretion. The improved shaker screen life also freed up at least one crew member who had previously been tasked with shaker screen maintenance, reducing personal exposure to the drilling fluid and improving the HSE situation.

Summary

M-I SWACO MONGOOSE PT Dual Motion shakers outperformed the original competitor high G-force shale shakers by a significant margin, resulting in increased performance and reduced cost. The customer was "extremely satisfied" with the results.

New Piping Modifications in SUCO, Agiba and GUPCO (U-102 & U-104) Existing Facilities

Compiled by Wael Serag

The Egyptian General Petroleum Company (EGPC) has concluded an agreement in conjunction with the Egyptian Bahraini Gas Derivatives Company (EBGDCO) and Engineering for the Petroleum and Process Industries (ENPPI), to implement a piping and instrumentation modifications project in the existing facilities of companies SUCO, Agiba and GUPCO. The target of the project is to create a new circulation stream to supply EBGDCO's NGL plant with 150 MMSCFD feed gas.

Overview of the Project

EBGDCO's Gulf of Suez NGL plant project consists of the installation of a gas liquids extraction plant with the capability of processing 150 MMSCFD of natural gas and recovering 360 tons and 45 tons a day of propane and butane respectively. The natural gas to be processed will be supplied by the EGPC.

The implementation of the EBGDCO NGL plant project, which will secure 150 MMSCFD feed gas, encompasses two modifications; the first would divert 50 MMSCFD of rich gas from SUCO to GUPCO U-104; the second would divert 50 MMSCFD of lean gas, from EBGDCO to SUCO.

Contracting Features

Firstly, Enppi must secure its board approval for the deferred payment scheme. A tripartite contract would then be signed by the EGPC, EBGDCO and ENPPI, confirming the agreement between the involved parties.

Second, EBGDCO will assume the responsibilities of payments, coordinating other companies' existing facilities, providing and confirming the accuracy of needed data, arranging the shutdown of the existing facilities as required. It is additionally responsible for securing permits, safety precautions and observing HSE standards of the existing facilities.

Lastly, after the signing of the contract, EBGDCO will issue an irrecoverable and unconditional Bank letter of Guarantee to ENPPI equal to the principle lump sum price. The lump sum of the Engineering, Procurement and Construction (EPC) contract covers supply and construction activities with a provisional sum for custom duties and sales taxes that would be paid at the actual cost plus 15%.

Description of Planned Modifications

The proposed modifications include the installation of a new (12", 300#, 500 M) pipeline to divert a portion of SUCO's gases to tie-in with AGIBA/U-102 20" pipeline. Connected to the aforementioned pipeline, a new (16", 300#, 4.0 KM) pipeline will be installed to comingle SUCO gases to U-102 outlet gases to U-104.

The comingled gases will then be directed through the existing (16", 300#, 29.0 KM) pipeline to U-104. Afterwards, a new (10", 600#, 500M) pipeline will be installed to divert EBGDCO gases to the existing U-104/ SUCO (16", 300#, 37.0KM) pipeline.

The Final modification is reversing the flow in the(16", 300#, 37.0KM) pipeline to divert gases in the reverse flow from U-104 to SUCO.

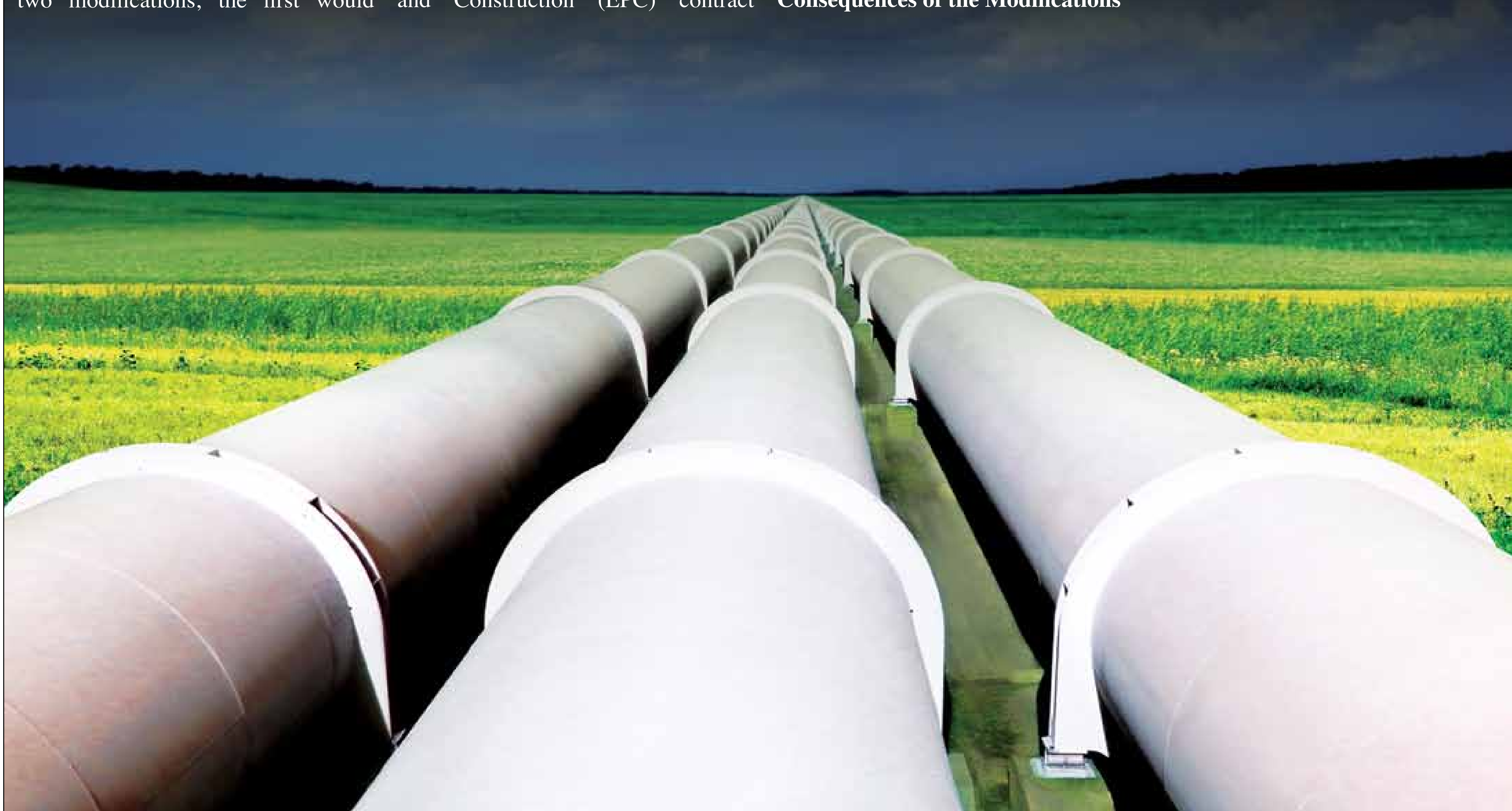
Consequences of the Modifications

The outlet pressure from U-102 to U-104 will have to be increased from 16 Kg/cm^2g to 18.33 Kg/cm^2g. Meanwhile, if the outlet pressure from Agiba is 7Kg/cm^2g and 18.33 Kg/cm^2g from U-102, it is not feasible for Agiba to supply gas into the existing 20" pipeline unless it increases its outlet pressure.

Benefits and Revenues

EBGDCO currently stands at netting $9.5 million after covering the cost of expenses and taxes, which is $36 million. After the proposed modifications, the company would net $27 million after covering 43$ million of expenses and taxes.

The EGPC would gain 9,860 tons per year of butane (C4) in the case of 100 MMSCFD and 12,326 tons per year in the case of 150 MMSCD.

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Egypt Statistics

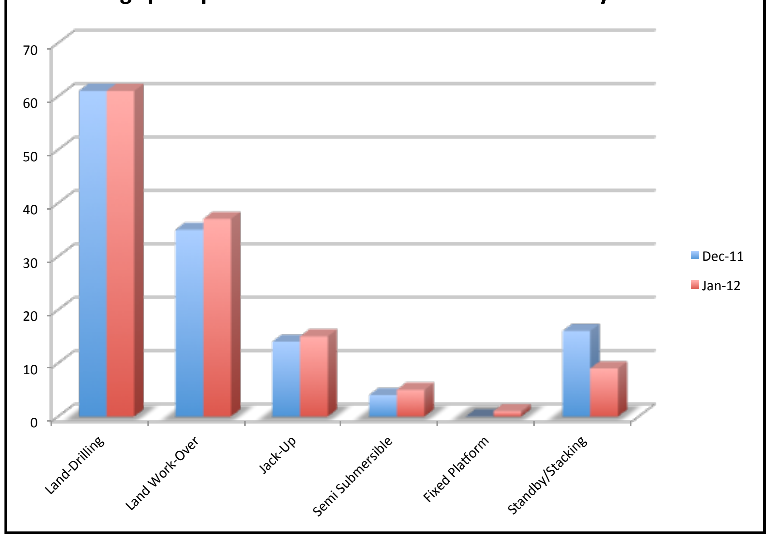
EGYPT OIL&GAS
RESEARCH & ANALYSIS

	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	December-09	December-10	December-11	December-09	December-10	December-11	December-09	December-10	December-11	December-09	December-10	December-11
Med. Sea				24804821	24333750	25303929	1677220	1501816	1419417	433158	434960	520157
E.D.	2044817	2165383	2394601									
W.D.	7144649	7881325	8068698	6263036	6991429	7059643	1628974	1838973	1686051	577228	596836	719302
GOS	5019669	5158145	4803493	149107	242143	195893	56748	75020	61803	129913	192136	206471
Delta	145206	107141	102651	2302857	2592500	1988571	206243	217342	167503	89506	104568	105085
Sinai	2288809	2054667	2161167	92500	28393	1786	59096	39777	33557	82555	84813	89112
Upper Egypt	4218	18174	22208									
Total	16647368	17384835	17552818	33612321	34188215	34549822	3628281	3672928	3368331	1312360	1413313	1640127

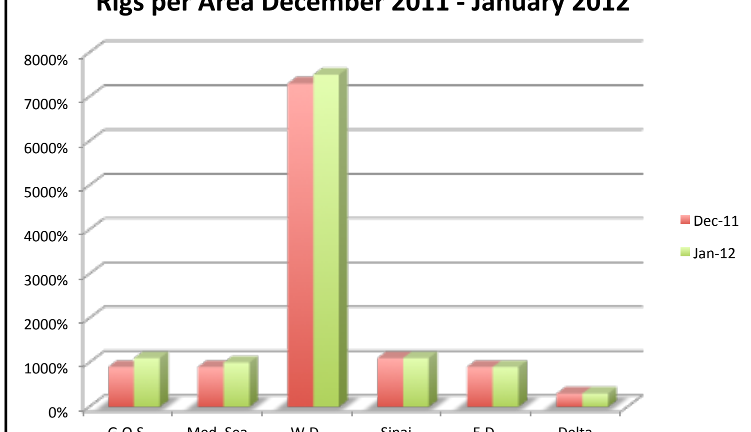
Table 1 Egypt Rig Count per Area -September 2011

RIG COUNT			
Area		Total	Percentage of Total Area
Gulf of Suez		11	9 %
Offshore	11		
Land			
Mediterranean Sea		10	8 %
Offshore	10		
Land			
Western Desert		75	63 %
Offshore			
Land	75		
Sinai		11	9 %
Offshore			
Land	11		
Eastern Desert		9	8 %
Offshore			
Land	9		
Delta		3	3 %
Offshore			
Land	3		
Total		119	100%

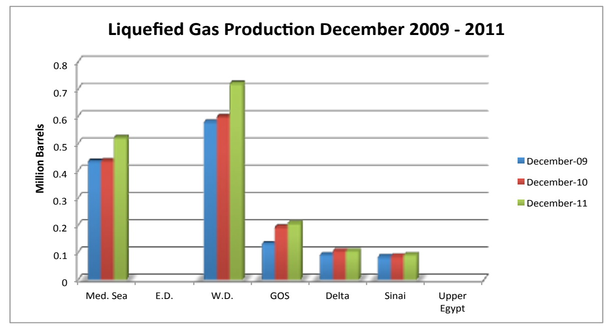
Rigs per Specification December 2011 - January 2012



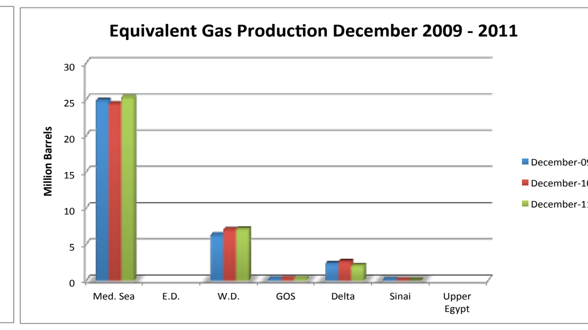
Rigs per Area December 2011 - January 2012



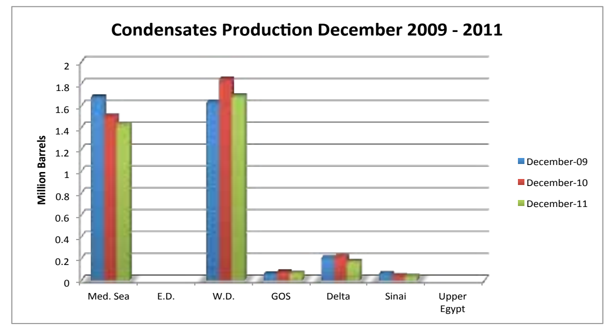
Liquefied Gas Production December 2009 - 2011



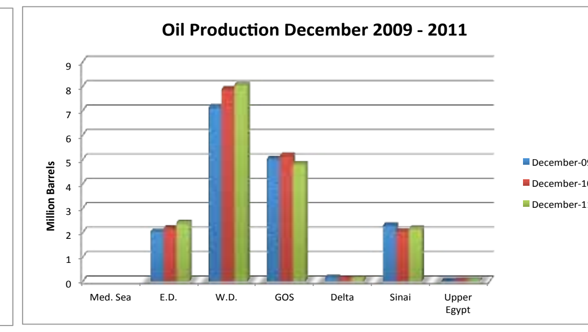
Equivalent Gas Production December 2009 - 2011



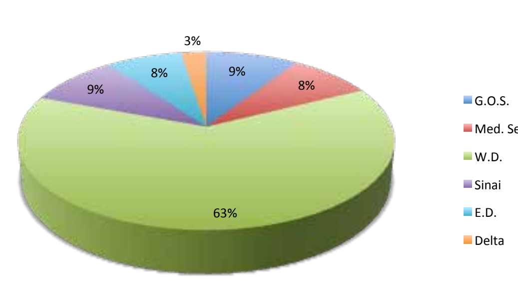
Condensates Production December 2009 - 2011



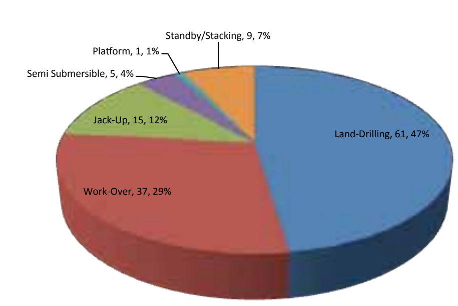
Oil Production December 2009 - 2011



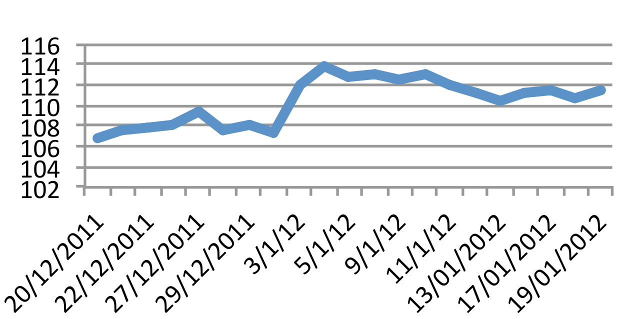
Rigs per Area January 2012
(Total of 119 Working Rigs)



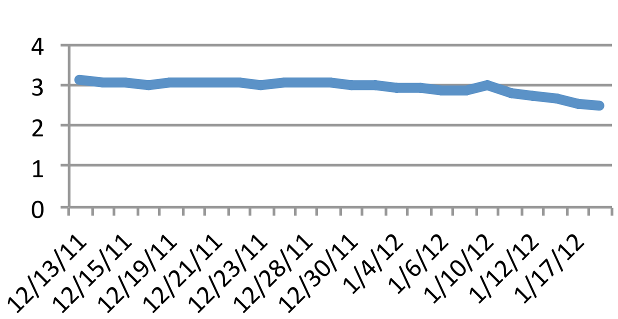
Rigs per Specification January 2012



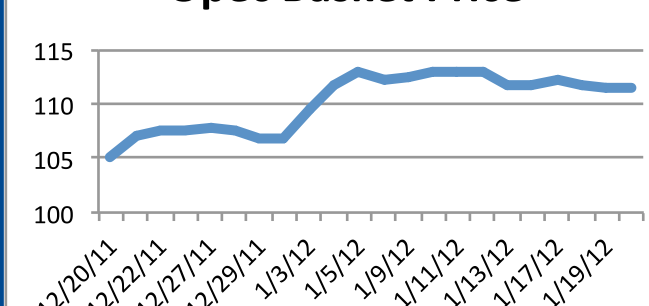
Brent Price



Natural Gas



Opec Basket Price



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