Dana Gas celebrates the new year in West Manzala

Egypt Oil & Gas Newspaper

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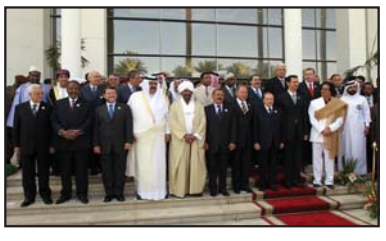

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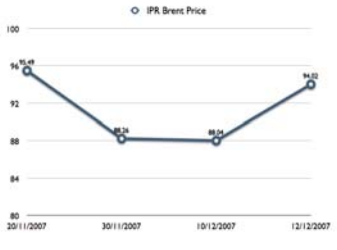

Gulf investments stand behind the wave of oil mergers

Continued on page 12

A series of mergers and acquisitions have been carried out in the Egyptian oil and gas sector over the past five years, bringing in a large number of newcomers to the scene of exploration, production or the provision of services related to the sector. As a matter of fact, the key acquisitions over the past year were pushed forward by what we call "hot Gulf money"; i.e. Gulf investments

By Ashraf Said

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Shoot for the moon...

"Success isn't a result of spontaneous combustion. You must set yourself on fire" ~ Arnold H. Glasow

This has been the case since we started planning for our Egypt Oil & Gas Newspaper. Throughout our first year, our team has been struggling to reach their target; provide a high-quality, informative, credible, objective and analytical publication. As we believe that God has blessed each one of us with a gift to attain his/her goals in life, the EOG members have been uniting their gifts to issue their newspaper. We cannot deny the ups and downs we went through; however, they did not hinder our path or slow down our progress. On the contrary, we did learn from the drawbacks and even ameliorate our editorial quality.

A new year, better services, more information diversity, wider coverage, further in-depth news analysis… etc.; these were the keys to celebrate our first anniversary. In addition to the new-fangled and different layout we designed for our publication, the focus is mainly directed to the editorial provided to our valuable readers. In January issue, a new section, entitled In Review has been added to focus on the downstream section of the petroleum industry. As for the In Focus section, it discusses three main issues; the oil mergers in the Egyptian sector, energy independence concept and the second part of 2007 attainments.

One of the topics tackled this month revolves around the concept of "Energy Independence", as I mentioned earlier. This worldwide drive has been considered as a national security weapon that strengthens a country's position, economically and politically. What has recently raised this issue back to light was the new law passed by the US Congress last month. This law sets a new with the aim of increasing car fuel efficiency and cutting the amount of oil imported from the Arab Gulf countries by half in by 2020. Nancy Pelosi, the speaker of the Congress said that the new law "will put us on the right path towards achieving energy independence." Pelosi considered energy independence not only a national security issue, but an environmental, economic, health, and even ethical issue.

In Egypt, Eng. Sameh Fahmy, the Egyptian Minister of Petroleum announced that his ministry drive now is to save our energy resources for the coming generations. He highlighted that oil and gas exportations should not ignore the domestic demand, which has been tremendously increasing over the past few years. Fahmy has rung the alarm bell to set new measurements in utilizing the country's energy resources or else we would lose our energy independency.

Finally, we welcome your feedback and suggestions and invite you to send your comments to info@egyptoil-gas.com. On behalf of the entire newspaper team, we wish you a Happy New Year.

Yomna Bassiouni
Managing Editor

News

Dana Gas celebrates the new year in West Manzala

Dana Gas announced its new gas hit in the Dabayaa-2 delineation well which was drilled by Centurion Petroleum, Dana's upstream division, on the eastern side of the West Manzala concession.

Commenting on this new achievement, Dana Gas Egypt Country Director Hany El-Sherkawi said, "We are very pleased with the results we obtained from Dabayaa-2, which confirm our high expectations for the potential of the Abu Madi formation in this block".

The well was drilled to a total depth of about 3000 metres and hit gas bearing zones in both the Upper and Lower Abu Madi formations. The Lower Abu Madi tested at more than 10 million cubic feet per day of gas and 240 barrels per day of condensate.

This discovery adds a further new well "to what were already considered important earlier discoveries by the Company in Egypt's Nile Delta, first announced last August".

"The Lower Abu Madi formation was tested previously, but this is the first time that we have been able to confirm the productivity in the Upper Abu Madi formation," clarified El-Sherkawi.

(Dana Gas Press Release)

VetcoGray turns on the wheel for West Delta Deep Marine Project

The Burullus Gas Company has selected control system technology from VetcoGray to assist in the development of a new gas field in the West Delta Deep Marine (WDDM) area offshore the Nile Delta.

In a contract worth $15 million, VetcoGray agreed to supply subsea and topside production control systems for three wells in the Sequoia gas field.

VetcoGray had previously provided similar equipment for several other WDDM gas fields including Sinbad, Simian, Sienna and Sapphire; the Sequoia field will be seamlessly linked into these systems.

"The technology to be provided by VetcoGray will enable Burullus to expand and develop a new gas field by using the expansion capacity designed into the existing control systems. The requirement for additional infrastructure is therefore greatly reduced," said Dean Arnison, Vice President Subsea Controls Systems for VetcoGray.

Burullus Gas Company is a joint venture formed in 1999 by BG, Egyptian General Petroleum Corporation (EGPC) and Petronas to undertake exploration and development of the WDDM area, which is Egypt's first deepwater development and is producing gas for both domestic consumption and to feed the country's growing LNG industry.

The equipment will be manufactured at VetcoGray's Nailsea facilities in Bristol, U.K., and shipped to Egypt for installation in 2009.

(Rigzone)

Egyptian fortune attracts more expansions

PTTEP has established three new subsidiaries to carry out projects in Egypt. Details of the subsidiaries are outlined below.

PTTEP Egypt Company Limited, established on November 8, 2007, with fully paid-up registered capital of $50,000, consisting of 50,000 ordinary shares at $1 each, with 100% shareholding by PTTEP Holding Company Limited (a subsidiary of PTTEP).

PTTEP Rommana Company Limited, established on November 8, 2007, with fully paid-up registered capital of $50,000, consisting of 50,000 ordinary shares at $1 each, with 100% shareholding by PTTEP Egypt Company Limited (a subsidiary of PTTEP).

PTTEP Sidi Abd El Rahman Company Limited, established on November 8, 2007, with fully paid-up registered capital of $50,000 dollars, consisting of 50,000 ordinary shares at $1 each, with 100% shareholding by PTTEP Egypt Company Limited (a subsidiary of PTTEP).

(PTTEP Press Release)

Will India build the mega petrochemical complex in Egypt?

In a step that would strengthen the Egyptian-Indian economic ties, Eng. Sameh Fahmy, the Egyptian Minister of Petroleum declared that talks were held with India's top state-run Indian Oil Corporation (IOC) to jointly build a $9 billion refinery and petrochemical complex in Egypt.

"We've already asked them (IOC) to cooperate with the Egyptian General Petroleum Corporation (EGPC) to prepare a report on the project," said Fahmy.

From their part, IOC's business development director, B M Bansal said that the demand/supply situation and investment were yet to be worked out.

According to *Gulf Daily News*, a senior Egyptian Petroleum Ministry official said that EGPC is expected to form the initial joint venture with IOC in the first quarter of 2008.

Concerning the commercial viability and economic profit, Bansal said that a detailed report on this issue will not be clear and accurate before mid-2010, "based on which the Indian firm will decide on an investment".

The official added that "the final decision is likely to be reached before the end of next year...the two sides are very keen on going ahead with a project, but issues like finance and location usually take time."

IOC and EGPC would build the refinery and petrochemicals complex near Gamasa or Port Said, reported The Economic Times newspaper of India.

(Gulf Daily News)

Apache's Jade-4 well... a way to go

US independent Apache revealed that its Jade-4 well, located in the Western Desert, had test-flowed 23.8 million cubic feet of natural gas and 2107 barrels of condensate per day.

"After drilling three wells in the Jade Field (in which the company holds 100% operating interest) along the Matruh Ridge, Apache has successful tests in four discrete reservoir intervals," said G. Steven Farris, Apache president and chief executive officer.

The Jade-4 is adjacent to the Jade-1x discovery, which logged 217 feet of pay in the Jurassic Alam El Bueib-3G (AEB) formation and 66 feet in the Jurassic Upper Safa formation in March 2007.

The discovery was completed as a gas producer from the Upper Safa after a test of 25.6 MMcf of gas per day.

The Jade-4 was drilled to test the potential of the AEB - one of the most prolific reservoirs in the greater Khalda Concession.

"We are planning appraisal and development drilling, and we expect to drill additional exploration prospects along the Jade trend during 200," added Farris.

Apache holds a 100% operating interest in the Jade field.

(Upstream Online)

Melrose brings West Dikirnis Field on production

Melrose Resources announced that first production was established at the West Dikirnis field in the onshore Nile Delta, in which development was completed within 12 months of project sanction and came in under budget.

It is anticipated that output from the field will reach a 10,000 barrels of oil per day by the end of the year as additional wells are opened for production.

"Bringing the West Dikirnis field on production is a significant milestone for Melrose. This is a high quality field, which will transform the cash generation of the business in 2008 and beyond. The Melrose team has worked cohesively with our Egyptian joint operating company and again demonstrated our ability to bring fields on stream very rapidly after discovery" commented David Thomas, Melrose's Chief Executive.

The well encountered good reservoir sands with minor gas shows but was not considered to be commercially viable as a producer and has been plugged and abandoned. The drilling rig is now moving to drill another Qawasim prospect, West Zahira, which has unrisked mean reserves of 124 billion cubic feet of gas plus hydrocarbon liquids potential and an estimated 30% chance of success.

The EDC-9 drilling rig draw works were damaged during transportation between drilling locations. While this has caused delays to the drilling program in the short term, a replacement draw works has been sourced and is expected to be installed by February 2008.

In light of this, a third drilling rig has been contracted to start operations on the El Mansoura concession during the first quarter of 2008 and any lost time in the drilling program will be made up in the first half of 2008.

(Rigzone)

ERB-B-1X well gets out of track

Regal Petroleum reports that an unsuccessful well test has been conducted in the ERB-B-1X well operated by Apache East Ras Budran Corp. LDC in the East Ras Budran ("ERB") Concession in which Regal holds a 25% working interest.

The well was drilled to a total depth of 5,146 feet in basement, several zones in the well had oil shows and the well was subsequently tested without a productive flow of oil being achieved.

The ERB-B-1X well, the second of two commitment wells in the initial exploration period of the ERB Concession has been plugged and abandoned.

(Rigzone)

BP leads the series of discoveries at North El-Burg

UK supermajor BP is on the verge of a potentially very significant new natural gas discovery at the North El-Burg concession off Egypt, reported *Upstream Online*.

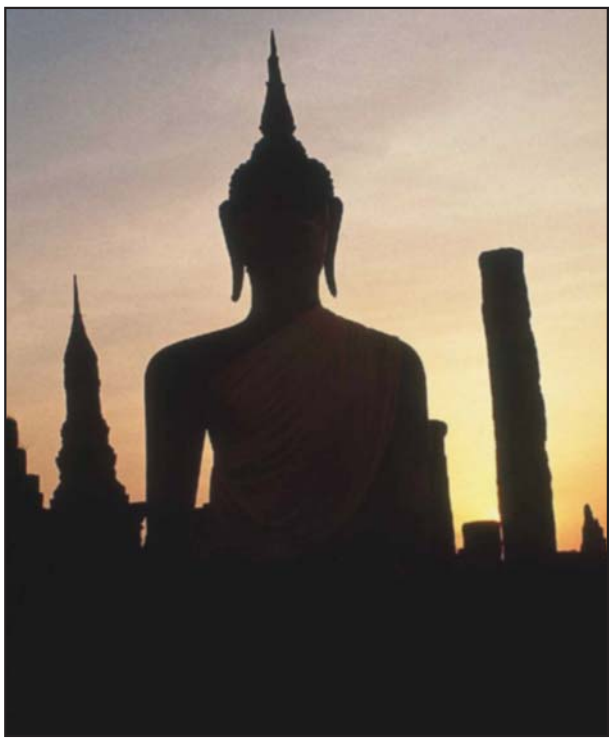
"It's a very good, excellent discovery," Egyptian Petroleum Minister Sameh Fahmy told the newspaper.

Drilling operations at the Satis well will be completed in about a fortnight. "We're almost there," added Fahmy.

A BP source would not elaborate on the size or potential of any find, but confirmed that the well is nearing completion heading towards a target depth of 6000 metres. He suggested that another four weeks might be needed before operations are completed on the probe.

(Upstream Online)

PTT hunts for a 25% Egyptian gas stake



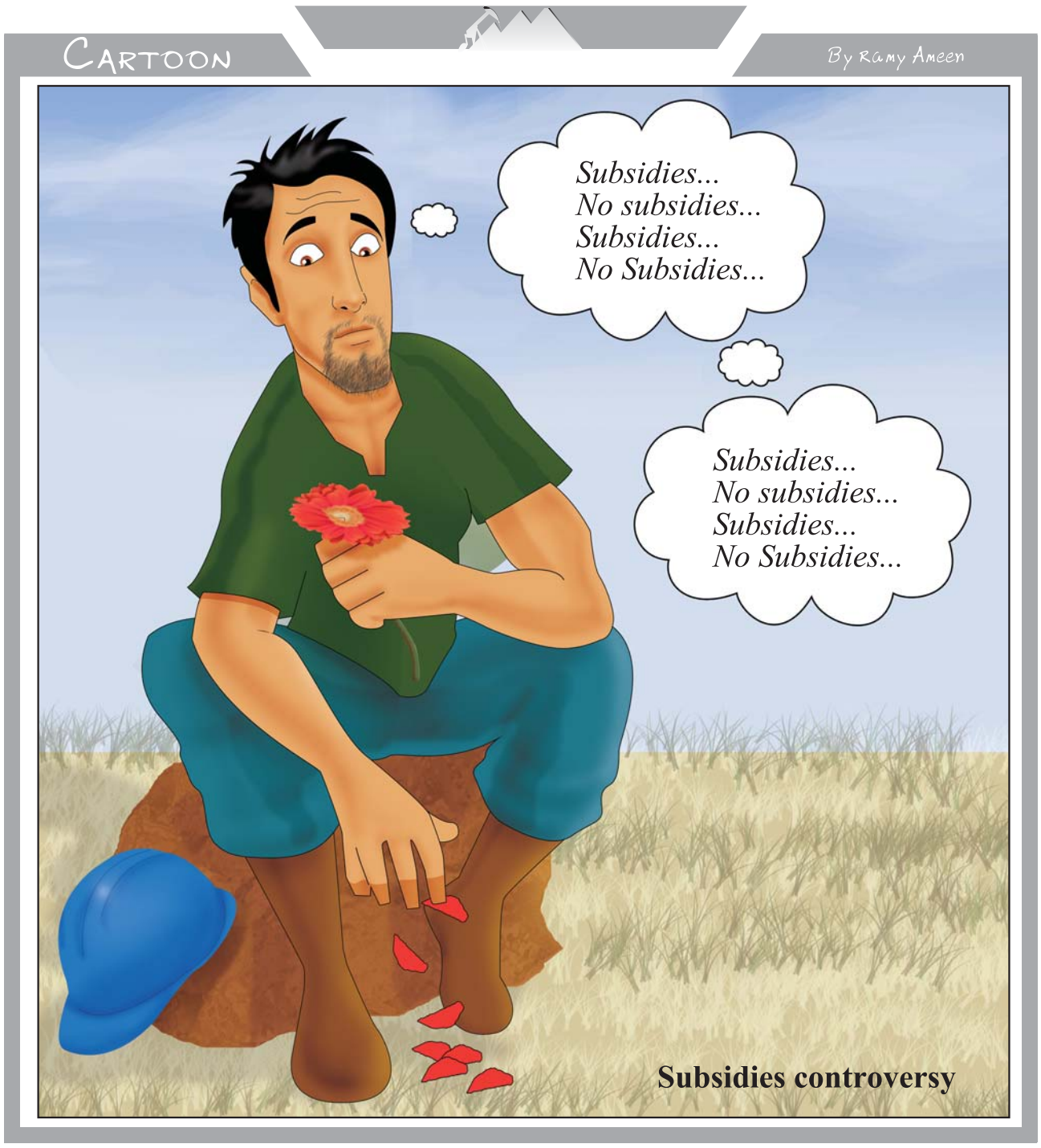
Based on its strategy to expand overseas, Thailand's state-owned energy company PTT signed a contract to buy a 25% stake in East Mediterranean Gas Company (EMG) from Mediterranean Gas Pipeline for $487 million.

"EMG, the only company possessing the right to export gas from Egypt to Israel, is building a $469 million natural gas pipeline between the two countries," reported *Upstream Online*.

PTT said in a statement that its subsidiary PTT International would buy 36.75 million shares in EMG at $13.25 per share. It added that it would give financial support to the subsidiary for the purchase.

The transaction was expected to be completed in middle of last December, it said.

(Upstream Online)



Tethys Oil completes Oman acquisition

Tethys Oil AB has acquired 50% interest in Blocks 3 and 4 onshore Oman from Norwegian Energy Company (Noreco) affiliate Altinex.

Blocks 3 and 4 onshore Oman cover a combined area of over 30,000 square km. Block 3 contains the South Farha oil discovery, originally made in 1986, with an estimated 4-6 million barrels of recoverable oil from thin sandstone layers. More than 30,000 km of 2D seismic has been collected and 27 wells have been drilled on the Blocks, of which 18 wells have encountered oil shows. A large number of prospects have been identified on the blocks. The remaining 50% of the Blocks is held by Encana International Oman Ltd, who is the operator.

"We are extremely pleased wit h the closing of this deal, which in a spectacular way strengthens our presence in Oman. Through the acquisition, Tethys will be the second largest onshore land holder in Oman" said Magnus Nordin, Tethys Oil AB Managing Director.The consideration for the acquisition amounts to MUSD 2.0, which has been paid through the placement of 226,000 Tethys shares at SEK 56. In order to strengthen the liquidity with MSEK 7 for anticipated investments in the acquired Blocks during 2008, Tethys has issued an additional 125 000 shares also at SEK 56. The new share issues are done in line with authorizations from the AGM in May 2007.

(Oil Voice)

GASCO awards EPC contract for replacement of NGL network

Abu Dhabi Gas Industries Ltd. (GASCO) has announced the award of the contract for Engineering, Procurement, Construction and Commissioning works (EPC) for building its new Natural Gas Liquid (NGL) Pipelines Network to replace the existing Network to M/s Dodsal Engineering and Construction Pte. Ltd. at a sum price of United Arab Emirates AED 560 million.

The new NGL pipelines network is scheduled for completion within 23 months including successful commissioning and test run. It is worth to mention that the contract between GASCO and Dodsal was signed last month.

The existing NGL pipelines network of GASCO has been in service for more than 25 years. The Project aims to install a new NGL pipelines network of about 225 kilometer length, to replace the existing network, extending from GASCO Plants at Asab, Buhasa, Habshan/Bab all the way to the fractionation and treatment plant at Ruwais.

The new pipelines will be designed and constructed in compliance with GASCO's latest specifications and will be provided with proven 3 Layer Polyethylene (3LPE) pipe coating and improved Cathodic Protection system to have extended reliable service life of the new network.

The new network shall also have remotely controlled Block Valve Stations for effective monitoring and control during Emergency through Remote Control Terminal Units (RTU) connected to a state-of-the-art Supervisory, Monitoring and Control (SMC) System. GASCO is committed to meet ADNOC's and its Shareholders' high standards for achieving the right Quality and preserving Environment, Health, and Safety throughout the execution of the project.

(Emirates News Agency)

Abu Dhabi to pump Dh100bn into oil sector

Abu Dhabi is to pump nearly Dh100 billion into projects in the oil sector over the next five years in order to push up with its plans to boost crude output and expand its oil-related industry.

In a study conducted by the Abu Dhabi chamber of Commerce, the country has invested approximately Dh55bn between 2001 and 2007 to develop its hydrocarbon sector.

"The oil sector accounts for a large part of Abu Dhabi's investments. The emirate is expected to have pumped about Dh11bn into this sector in 2007 and there are indications such investments could total Dh100bn between 2008 and 2012," highlighted the study.

Abu Dhabi controls the world's fifth largest oil resources. Specifically, UAE's oil sector has grown by an average 11.7% annually over the past seven years.

(Emirates Business 24/7)

NOK 1 billion subsea contract awarded to Aker Kvaerner

StatoilHydro has awarded Aker Kvaerner a contract for the engineering, procurement and construction (EPC) of a complete subsea production system for StatoilHydro's Morvin field in the Norwegian Sea. The contract, worth approximately NOK 1 billion, is a testament to Aker Kvaerner's unique high-pressure/high-temperature (HPHT) subsea technology.

"Being awarded this contract underlines the strategic technology leadership position we have jointly developed over the past decades. For this project, the expertise and technology we have developed for handling fields with challenges related to high pressure and high temperature (HPHT) is particularly important," said Raymond Carlsen, executive vice president, Aker Kvaerner Subsea.

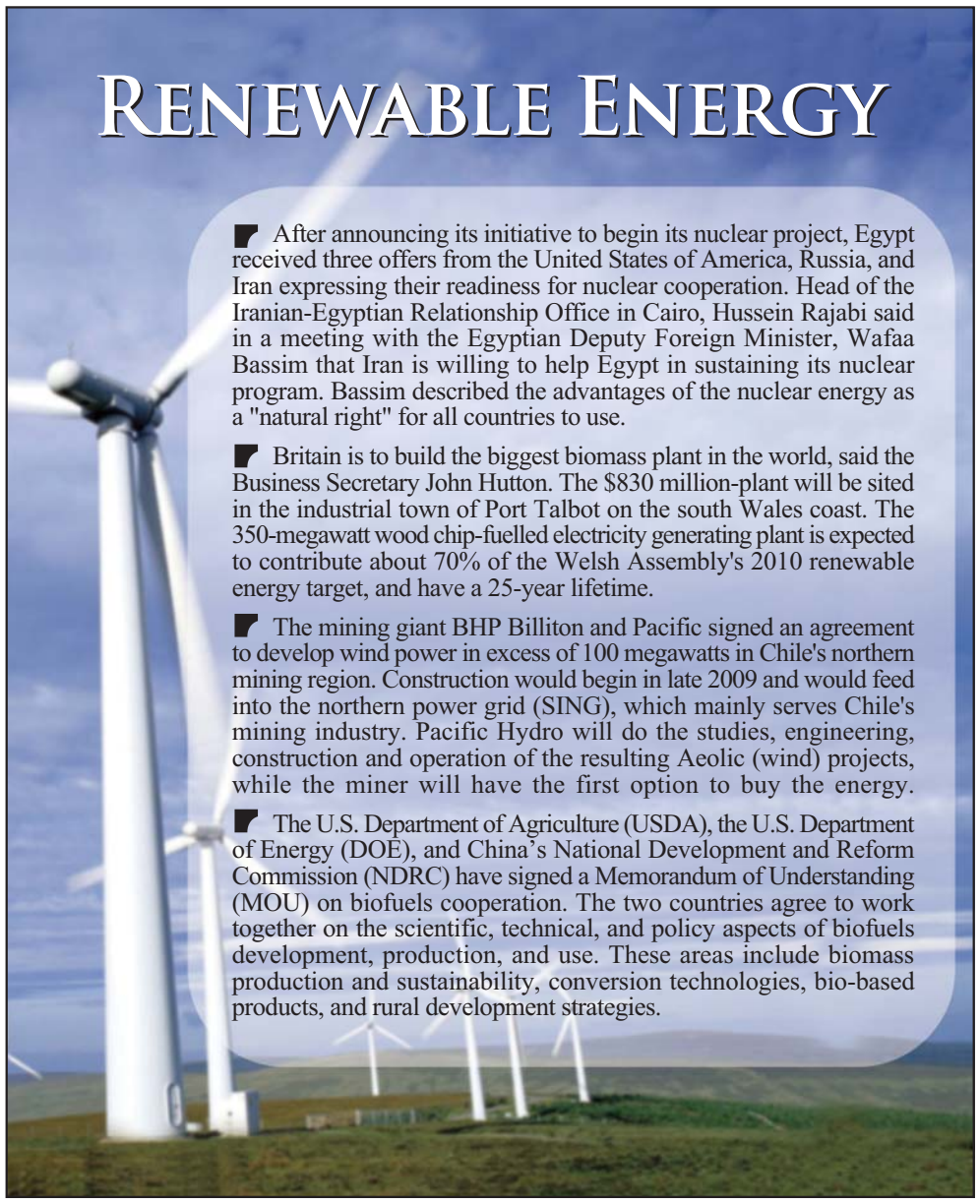
The subsea production system for the Morvin field will consist of two four-slot manifolds, three horizontal subsea trees, production control system, steel tube umbilical, tie-in system and intervention tools. The technology is designed to handle pressures up to 15000 psi and temperatures as high as 170° degrees. The solution will be based on the technology used at the nearby Kristin field, another HPHT project delivered by Aker Kvaerner.

"We are in a unique position when it comes to delivering subsea production systems that are fully qualified for use in such extreme conditions. The oil and gas industry expects to see more HPHT projects in the coming years. We will continue to develop technology that matches expectations from our customers as well as the physical demands of the reservoirs," added Carlsen.

The Morvin field, operated by StatoilHydro, lies on the Halten terrace in the Norwegian Sea. It is located approximately 20 km west of the Asgard B platform, some 200 km west of mid-Norway.

Final delivery for the project is May 2009. Manufacturing will be conducted at Tranby, Moss and Egersund, Norway; Aberdeen, UK; Batam, Indonesia; and Port Klang, Malaysia.

(Press Release)



Capello to the rescue

It will definitely take some time before England supporters recover from their team's unexpected EURO 2008 qualification failure. The English national team were inconsistent throughout the qualifiers and failed to secure the point they needed at home to Croatia in their final outing, having lost 3-2.

Coach Steve McClaren was blamed for that bitter disappointment and after his sacking some of the biggest names in the game were cited as possible replacements. Marcello Lippi, Jose Mourinho, Luiz Felipe Scolari, Guus Hiddink and Gerard Houllier were all mentioned, but the Italian Fabio Capello is the man now appointed in one of the most prestigious and daunting jobs in world football.

Capello, 61, will attempt to steer England's demoralised national side to their first trophy since the 1966 FIFA World Cup on home soil. "It will be a very interesting challenge and difficult challenges have always fascinated me," he said.

A glance at his weighty list of achievments shows that he is up to the job. Capello won league titles at all the clubs he has helmed. AC Milan, Real Madrid, AS Roma and Juventus were all crowned champions during Capello's tenure. His appointment as England coach represents the biggest test of his credentials yet, however.

Flexible on the tactical front, he has modified his teams depending on the players available to him, evolving from the 3-5-2 he used at Roma to the more classical 4-4-2 he employed with Juve. But, what never changes is his insistence on a strict tactical framework that draws on players' strengths and ability to work together as opposed to their reputations and medal collections. Indeed, some of the world's finest talents have paid the price for failing to take that on board, including Alessandro Del Piero, Ronaldo and David Beckham.

"He's a strong man and a strong character," explained recently Arsenal coach Arsene Wenger. "He has a clear idea of what he wants and when he's convinced of something he goes to the end of it. I believe he is a strong winner and is a guy who is convinced of the methods that he uses. I believe a manager is strong when he swims against the tide - I feel he can do that and that is quite a needed quality in this country."

Sacked by Real Madrid after steering the club to the 2006/07 Spanish title, Fabio Capello was officially shown the door for having adopted too defensive approach with the royal club. He then consigned himself to his role of consultant for Italian television.

After England's elimination at the hands of Croatia, he expressed his shock that a team filled with a variety of skilled players like Steven Gerard, Frank Lampard and David Beckham, had failed to qualify for the Euro finals. Now all the Italian coach is required to do is succeed where so many of his predecessors have failed: turning a plethora of talented individuals into a successful team.

Abu Treika tops popular players

Ahli's illustrious midfielder Mohamed Abu Treika continued to top the list of the world's most popular players, according to the International Federation of Football History and Statistics (IFFHS). Having garnered 955,193 votes, the best Egyptian footballer came ahead of Yasser Al-Qahtani of the Saudi club Al-Hilal (583,962 votes) and Younis Mahmoud of Iraq (543,724 votes).

Abu Treika has won two-fifth of the total of votes which hit 2.5 million. Surprisingly enough, the Egyptian player came ahead of famous professional players like Brazilian Kaka of A.C Milan who came in the seventh place, Argeninian Lionel Messi of Barcelona who came in the tenth place, the Englishman David Beckham (13th), Portugese Christiano Ronaldo of Manchester United (15th), and Brazilian Ronaldinho of Barcelona (18th).

The voting will continue on the IFFHS website until the third of January 2008, after which the final result of the poll will be announced.

On his part, Abu Treika expressed his sincere thanks to the Egyptian fans who voted several times for him. "I'm very happy that I top the list of the most popular player in the world. I cannot describe my feelings after I was elected the first in the world. It's wonderful," he said.

"I hope I remain on the top of the list till the end of the voting in January," he added.

Inter beats AC Milan 2-1 in Serie A

Argentine players Julio Ricardo Cruz and Esteban Cambiasso scored in Inter's 2-1 win over Milan in the city derby.

Milan won the Champions League last season and was crowned the Club World Cup champion in Japan a week ago. Inter is the reigning Italian champion and has now clinched Serie A's ceremonial winter title with two games to spare.

"Have we beaten the world champions? We weren't thinking about that, Inter-Milan is an important game for what the two teams represent beyond titles," said Cambiasso.

"For us this was a chance to close out a magical year - the one with the record-filled league title. We were able to beat Milan for the third time in a row and that's important for the fans."

Andrea Pirlo put Milan ahead with one of his trademark free kicks in the 18th minute and Inter responded with goals from Cruz in the 36th and Cambiasso in the 63rd.

"Milan didn't do much in the first half to take the lead, but Pirlo did a great job," said Inter coach Roberto Mancini. "In the second half we struggled a little only at the end, but we deserved to win."

Hasan Salihamidzic scored first and David Trezeguet added his league-leading 13th goal as Juventus beat Siena 2-0.

Inter leads with 43 points, AS Roma is next with 36 and Juventus is third with 35. Milan has only 18 points. Six times out of 10, the winter champion wins Serie A.

Roma beat Sampdoria 2-0 Saturday with two goals from Francesco Totti.

In Milan, Ivan Cordoba was given a yellow card for a dubious foul on Filippo Inzaghi immediately in front of the area to set up Pirlo's free kick. Inter could do nothing but watch as the Italy midfielder expertly curved his shot over Inter's wall and into the top left corner of the net.

Inter midfielder Luis Antonio Jimenez hit the crossbar in the 20th before Cruz equalized with his 10th goal of the season, putting him in second position on the league list behind Trezeguet.

Cruz took a pass from Cambiasso and managed to score despite three defenders surrounding him.

Milan used all three of its substitutions before Cambiasso scored the winner with a shot from the edge of the penalty area that Rossoneri goalkeeper Dida misjudged.

Dida dived too far to his left as the ball entered the centre of the goal.

Milan had a chance to equalize in the 88th but Massimo Ambrosini slipped as he tried to connect with a cross from Serginho with no defenders between him and the goal.

Serie A now has a three-week break.

(Canadian Press)

Tiger leads - as everTiger leads - as ever

The World number one Tiger Woods fired a course record of 10-under 62 to take a four-shot lead at the halfway stage of the Target World Challenge in California. Woods hit eight birdies and an eagle in his quest for his eighth tournament victory of the year.

Overnight leader Jim Furyk carded a round of 67 to stay in the hunt, while Padraig Harrington hit the same score to go fourth behind Zach Johnson. Woods' round at the Sherwood Country Club was, as a matter of fact, his best score since his 61at the 2005 Buick Open. He improved the previous record of 63 set by Harrington in 2002 and equalled only by David Love and Michael Campbell.

Birdies on the second, fifth and sixth holes saw the three-time champion take the outright lead from fellow American Furyk. Woods nearly holed out at the sixth, but his tee shot hit the front of the cup and then spun back to within six inches. He followed that up with a beautiful approach shot to within six feet of the pin on the ninth. He saved his best for the back nine, starting with a 20-foot putt for an eagle three on the 11th, soon followed by further birdies at the 12th and 13th. Woods collected his seventh birdie of the day with a brilliant 30-foot on the 17th before signing off with yet another on the 18th.

Delighted at the way he plays, Woods said that "I am very pleased with the way I hit the ball." He added that "I hit some good shots but I made some bombs out there," said Woods.

Birdies on the last two holes ensured Furyk was within reasonable range of Woods at nine under, while Johnson, who birdied the last three holes for a 67, is another shot behind. Colin Montgomerie made a vast improvement on his disastrous first round of 80, carding a 67, but is in penultimate place on three over.

SECOND ROUND LEADERBOARD
-13 T Woods
-9 J Furyk
-8 Z Johnson
-7 P Harrington (Ire)
-6 P Casey (GB)
Selected others:
+1 L Donald (GB)
+3 C Montgomerie (GB)

In Review

Gas to Liquid (GTL): is it an attractive route for gas monetization? GTL vs. LNG Economics

By Osama Abdul Rahman
General Manager of Orient Environmental Consultants (OEC)

A world scale LNG plant with a capacity of 4 million tons/year requires approxi-mately 650 MMSCFD of feed gas. This same quantity of gas is estimated to produce 65,000 Bbl/day of GTL products; mainly Naphtha (17,000 Bbl/day), Diesel Oil (44,000 Bbl/day) and the remaining quantity (4,000 BPD) is assumed to be Liquefied Petroleum Gas (LPG).

1. Investment Cost:

Investment cost required for the GTL route is estimated at $28,000/BPD of GTL products. For a 65,000 BPD plant, the investment required is therefore estimated at $1.82 billion. While, the liquefaction plant investment cost is estimated at $200/ton per annum of the LNG product.

- Investment cost for a plant producing 4 million tons per year is estimated at nearly $800 million
- Cost for LNG Ships, assuming 6 ships each 135,000 cubic meter capacity is estimated at $140 million /ship, i.e. a total of $ 840 million
- The regasifica-tion and other related cost counts for nearly 30% of plant invest-ment, which is worth $240 million
- Therefore, the total investment for the LNG route is approximately $1.88 billion

It can be concluded that the investment cost for both routes is nearly the same.

2. Operating Cost:

Operating cost (excluding Depreciation and Feedstock Cost) of the liquefaction plant counts for nearly $1.0 /MSCF, while shipping cost is estimated at $0.5 /MMBTU and Regasification cost is estimated at 0.3/MMBTU; i.e. a total of $1.8 / MMBTU.

Therefore, the yearly operating cost for LNG route will be $375 million/year, assuming heating value of 1000 BTU/SCF, against a total operating cost of $6/Bbl or a total operating cost of about $145million/year for the GTL case (both excluding Depreciation and Feedstock cost).

Operating cost of GTL route is about $230 million/year lower than the LNG route.

3. Revenue:

The GTL average products price namely Naphtha and Diesel oil is based on several factors;

- Crude price;$19/Bbl
- Naphtha and diesel oil average prices are $0.5/Bbl and $ 2/Bbl respectively higher than crude price.
- Quality Premium for GTL Naphtha is taken at $ 0.5/Bbl and $ 1 / Bbl for GTL Diesel

Based on the above assumptions, the average GTL products price is $ 20 /Bbl for Petrochemical Naphtha and $ 23 /Bbl for Diesel oil. As for the LPG price, it revolves around $180/ton.

The revenue from the GTL route is therefore expected to count for about $515 million/year. Based on LNG products sales price of $3.5/MMBTU, the revenue generated from the LNG production is estimated at about $730 million/year.

The revenue generated from LNG route is $ 215/year higher than that from GTL route. However, the increase in revenue for the LNG route is off - set by nearly a similar increase in its operating cost.

Conclusion

It can be concluded that GTL would be possibly a preferred route, if the pipeline option is not technically/economically feasible and/or the gas reserve can not support a world scale LNG plant gas.

Based on the previous figures, the profitability of both LNG and GTL production is very close and no distinct economic preference can be made. Both routes compete well with each other.

However, if a country has already a LNG production, the GTL route could be more attractive as this route gives it the opportunity to diversify the utilization of its gas reserve.

It is worth mentioning that although the investment cost varies with time, the comparative cost and conclusion are always constant and valid.

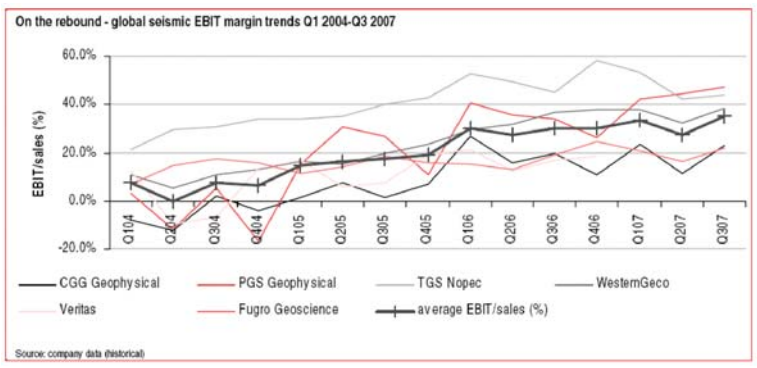
Seismic fundamentals

HSBC Global Research

- Marine seismic shaking off some of its cyclical reputation
- Growth in vessel-intensive wide/multi-azimuth work offsetting new marine streamer capacity until at least 2009-10
- Main risks – new entrants, M&A and oil & gas consolidation

Summary

The fundamentals of the seismic industry, particularly offshore, are increasingly at odds with its cyclical reputation. The industry looks set to remain tight for 12-18 months longer than most expected only a year ago, and visibility already extends well into 2009.



This visibility has appeared sooner than we expected, with clear signs of strong demand and positive pricing (we think 3D seismic pricing could be up 10-15% in 2008e and up another 5-10% in 2009e). We think the strength of the current cycle has as much to do with the usage of new types of seismic as it does with growth in underlying demand; the rapid uptake of vessel intensive wide/multi-azimuth work has already offset much of the planned doubling of the seismic fleet that is due by 2009.

We do not expect demand for seismic data to decline materially in the medium term. The use of seismic in development work is growing as a result of increasingly complex reservoirs and, indirectly, higher drilling costs, and the industry's interest in exploration work remains strong and activity is likely to grow as new rigs arrive to market over 2008-10 and relieve some of the offshore drilling bottleneck. In addition, emerging technologies, such as ocean floor permanent seismic monitoring, and a likely continued high oil price should maintain demand for seismic services.

In Focus

Gulf investments stand behind the wave of oil mergers

By Ashraf Said

A series of mergers and acquisitions have been carried out in the Egyptian oil and gas sector over the past five years, bringing in a large number of newcomers to the scene of exploration, production or the provision of services related to the sector. As a matter of fact, the key acquisitions over the past year were pushed forward by what we call hot Gulf money

OVER the past five years, two major acquisitions, which took place in 2006, were seen by many experts as redrawing the oil and gas map at the local and global levels.

The first was UAE-based Dana's acquisition of Centurion in a $950 million deal. While, the second was the purchase of major stakes in four companies operating in the transport of natural gas in the local market by the Citadel Capital, a leading Egyptian private equity firm, in transactions worth $90 million.

Mustafa Oki, a business advisor to the US Company Nexant, described the acquisitions in the Egyptian market as being instrumental in attracting an inflow of foreign investment into the local oil sector, which is a major magnet of foreign investments.

He added that such investments generate several results, mainly boosting the capability of the oil sector to make use of the reserves accumulated from the gas and oil discoveries.

Rashed Seif Al-Garwan, General Manager of Dana Gas, investment in the oil and gas industry in Egypt has grown remarkably over recent years. Al-Garwan cited diverse opportunities for his company in exploration for oil and natural gas in Egypt. "The company aims at making use of the capabilities and expertise of Centurion to expand operations in exploration and production in the Gulf and the Middle East as well as in Northern Africa," he added. Dana is the sixth producer of natural gas in Egypt through the exploration and production operations carried out by Centurion, which it wholly owns.

"International oil companies endeavor, through their activities in the local market, to develop works of production and exploration and help develop local gas reserves to the benefit of the Egyptian economy and society as a whole. This (aim) is pursued through boosting oil and gas reserves," highlighted El-Garwan, adding that the current output has yet to cope with the enormous reserves, rising to 70 trillion cubic meters over the past five years.

It is worth mentioning that the Egyptian oil industry has succeeded in meeting the local needs of oil and gas products valued at $20 billion, and setting a record total of oil and gas exports of $10.6 billion, originally planned to be attained by 2010.

The figure accounts for 55% of the Egyptian commodity exports, thereby standing out as the highest in the history of the Egyptian oil sector.

As for the Citadel purchase deal, it is considered as a move set to change the landscape of gas transport and distribution in Egypt. The company bought 49% stake in Genico, a leader gas distribution which has four subsidiaries, including City Gas; the gas supplier to the governorates of Suez, the Red Sea and Southern Sinai.

Back to 2006, Citadel Capital took the business community by surprise when it wholly bought Nile Valley, which has exclusive rights to supply natural gas to some 880,000 houses and commercial enterprises in Egypt's southern valley.

Targeting a strong position in the market of gas transport and distribution, the company has later on purchased the entire shares of Global Energy, which operates in the production, transport and distribution of electricity.

The deals sealed by Citadel Capital also included buying 93% of Trans Gas owned by the Egyptian businessman Farouk Makram Ebeid. Similarly, it acquired a 50% stake of the foreign partner in OSCO for gas exploration and production, in which the Egyptian General Petroleum Corporation (EGPC) has an equivalent share. This have paved the way for Citadel Capital to start its activities in gas production in the Gulf of Suez.

Commenting on the wave of acquisitions revitalizing the petroleum sector, Hani Nassar, Deputy Chairman of EGPC, said that acquisitions and mergers usually bring along huge investments poured into the industry by partners, who seek to exploit the facilities they have acquired by upgrading the potential of exploration and production.

They also seek the consolidation of their assets in the Egyptian gas sector through expanding the exploration and production operations, noted the official.

The acquisitions, especially those clinched by the Arabs, ensure the Egyptian Government at least a suitable share of the Gulf flow of investments into the global oil industry, said a senior official at the Ministry of the Petroleum.

He added that the Arab companies and investors vigorously seek to make use of the high oil earnings in oil ventures with the aim of taking advantage of the presently high prices in these projects.

However, Mokhtar El-Sherif, an economics professor at the Delta University of Mansoura drew attention to the fact that most mergers have been concentrated in promising natural gas firms in the local industry due to the enormous reserves in the field and high revenues.

"These investments do not generate cash gains for the local economy, which do not get any revenues in terms of taxes or from the profits earned from the deals because the majority of oil companies operate under the free zone system, which involve exemptions from taxes on profits. They have also the unrestricted right to transfer their earnings abroad," clarified El-Sherif.

An official source at the Ministry of Petroleum highlighted that "the huge deals and hefty bids to buy a number of companies reflect the success of the gas market in Egypt to become a major attraction for Arab investments".

He attributed the inflow of investments into the Egyptian oil and gas industry to mainly the diversity of business opportunities generated by facilities available in the sector. This is seen by the Egyptian government as one of the main earners for the national income.

It is worth mentioning that Egypt seeks to increase its exports of the liquefied natural gas and high-quality products. The value of liquefied natural gas exports since January 2005 until mid-2006 has reached around $892 million.

The oil sector saved $3.86 billion as a result of readjusting the gas pricing policy.

In addition, projects of the first phase of a national plan for petrochemical industries have been carried out. The plan envisages the creation of eight major projects with investment of $5.3 billion.

2007 ready to grant its fortune of successful attainments to 2008 – Part II

Analysis of the second half of 2007; tackling major discoveries, deals sealed, new projects… etc. from July to December 2007

By Yomna Bassiouni

LAST July, British BG, Malaysian Petronas, and Italian Edison decided to increase the volume of their investments in Egypt by allocating $4 billion with a purpose to execute mega projects in upstream activities to produce natural gas from the offshore fields discovered in the Mediterranean, over the next three years.

Serving the aim of strengthening its operations, RWE Dea has been awarded, in mid July, 100% working interest in Tanta onshore concession. The block was offered in the Egyptian Gas Holding Company (EGAS) 2006 International Bid Round and was awarded by the Egyptian authorities.

OAO Novatek has chosen Egypt to debut its international activities. It has acquired a 50% working interest in the El-Arish offshore block from Tharwa Petroleum S.A.E. This initiative reflects the success of the Egyptian petroleum sector in luring more foreign investments.

Calgary-based TransGlobe Energy wrapped up a deal offered by Tanganyika Oil to buy eight development leases in the West Gharib concession for $59 million in cash, through which it will boost its daily production by 27%.

In a similar deal, UK-based Dana Petroleum has bought Devon Energy's entire Egyptian upstream portfolio in a $375 million deal, through which Dana is to gain approximately $67 million of working capital in Devon Egypt.

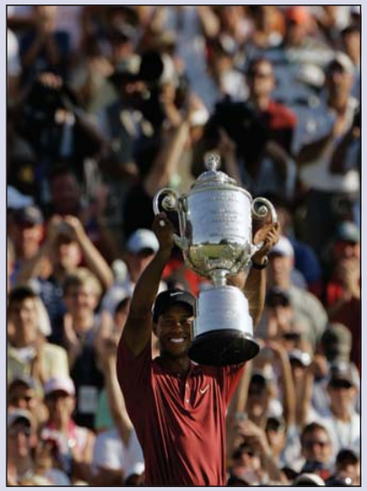
Following the same footsteps, Gaz de France (GdF) has acquired a 45% stake in the Alam El Shawish West license from Vegas Oil & Gas, in the Abu Gharadig basin. In the same month of November, Thailand's PTT said in a statement that its subsidiary PTT International would buy 36.75 million (25%) shares in East Mediterranean Gas Company (EMG) from Mediterranean Gas Pipeline at $13.25 per share.

Almost every corner in Egypt was hit by a successful discovery this year. Last August, Dana Gas achieved a gas discovery in its West Manzala concession. A month later, on September 4, the company achieved its second success by making the first ever oil discovery in Southern Egypt from its El Baraka-1 exploration well drilled in the Komombo Concession. This is the first time for oil to be discovered in commercial volumes in Southern Egypt.

On September 18, Lukoil announced its oil discovery in the Meleiha Block, in the Western Desert. The well drilled by Agiba has achieved commercial hydrocarbon reserves on the Gawaher structure. This block is expected to produce nearly 1.5 thousand bpd.

Concerning the 2007 contracts, the Ministry signed eight agreements for oil and natural gas exploration worth $660 million with several foreign firms last July; such as BP, Austria's OMV and Norway's Statoil, and cover 34,000 km square, including offshore fields in the Mediterranean Sea, the Nile Delta and the Western Desert.

Aker Kvaerner had, as well, a share in July; it has been awarded a five-year contract for operation, management and maintenance of the Al Zaafarana FPSO offshore by operator Gemsa Petroleum Company and partners.



As any period of time carries both positive and negative aspects, the second half of 2007 was not unattached from some drawbacks. Last September, Canadian operator Dover Investments decided to plug and abandon works from the Sear Dragon energy's EWA-4X well in the Gulf of Suez, declaring that it had reached basement rocks.

Apache had a similar decision when it announced last November that the ERB-B-1X well operated by Apache East Ras Budran Corp. LDC in the East Ras Budran ("ERB") Concession in which Regal holds a 25% working interest, was abandoned as it was subsequently tested without a productive flow of oil being achieved.

Back to the bright side, 2007 was filled by a series of new mega projects. Among which is the Arab Petroleum Pipelines Co., Sumed's project to establish five new storage tankers at Sidi Kreir, increasing its storage capacity to 20 million barrels of oil per day. This initiative is set to place Sumed as the center of international crude oil.

The petrochemical industry has also witnessed a revival movement. With $200 million investments, a contract was signed to execute the Polystyrene Production Project, which is considered one of Petrochemicals Master Plans.

What was considered as a landmark in 2007 was the introduction of new pricing policy - Egypt's first of its kind - to phase out gas and electricity subsidies for energy intensive industries. The pricing policy will raise the cost of natural gas to $2.65 from $1.25 per million BTUs - the equivalent to cost price - over three years.

Celebrating a new year is accompanied with new hopes, plans, and strategies for better achievements. Thus, what will 2008 bring to the petroleum industry?

MoP secures Egypt's gas resources

In an unpredicted move, the Ministry of Petroleum decided to review the concluded deals signed for the exportation of the Egyptian gas worldwide, in an attempt to avoid the loss of an economic profit in the shadow of prices instability nowadays. As a matter of fact, oil and gas prices have been increasing, while the Egyptian prices remain unchanged

By Rasha Azab

"If we had the amount of oil and gas that we sold over the pervious years, we would have benefited from the big difference in prices. Therefore, my ministry and I have learned a lesson regarding the trade of petroleum and gas within the previous 40 years with prices not existing nowadays," said Eng. Sameh Fahmy, Minister of Petroleum during a meeting with the Industrial Committee in Al Shura Council. He added that the Ministry of Petroleum (MoP) would rather not sign any agreements for gas export in the coming period unless there is a need for money.

Throughout the past few years, the MOP has succeeded to establish a big market for the Egyptian gas exportation. The debut was the inauguration of a large complex to export the liquefied gas in Edku city with a total investment of $4.6 million. The complex is composed of two factories, which produce approximately 7.2 million tons annually. The Edku complex produces 40% of the total natural gas production, which represents 60% of the country's liquefied gas export. In addition to the factories, it also includes two stores with a capacity of 140,000 m2 and a specialized port to export the natural gas.

In 2005, Egypt has, for the first time in its history of gas exportation, started to distribute the liquefied gas to Europe and the United States of America (USA). The exportation procedure to reach these destinations goes through the natural gas liquefying complex located in Damietta. The capacity of this complex is 7.5 million m2 of natural gas, which produce 4.8 million tons of liquefying gas. This complex is supplied with natural gas from fields in the Mediterranean discovered three years ago, and classified as the largest unit of producing liquefied gas on the international level.

Noticeably, Egypt has strengthened its economic ties with several countries through the signing of cooperation agreements with some Arab & European countries for the processes of exploration, treatment and export of gas either liquefied or through pipes.

Fahmy clarified that negotiations had been conducted in order to expand gas exportations to Romania and Bulgaria through the European pipeline NAPACO. Moreover, the ministry is now executing a project to extend the gas pipeline to Turkey and studying the possibility of carrying out a similar project to Greece. This can be the middle ground to initiate a line between Greece and Italy, which is to play a vital role in shipping the Egyptian gas to all of Europe.

> **"If we had the amount of oil and gas that we sold over the pervious years, we would have benefited from the big difference in prices"**

In a report conducted by British Gas (BG), the largest producer of the Egyptian natural gas, the British group tackled and analyzed a number of major problems that occurred within the Egyptian petroleum sector over the past few years and hindered the development of the sector. Moreover, the British group recommended the reviewing of the current pricing strategy and the necessity to release oil prices locally and internationally. BG sees that Egypt has fixed the petroleum prices locally, which is much lower than the international prices.

The operating companies bear all the cost of equipments needed in their exploration activities, while the Egyptian government follows the policy of fixed gas prices in the local market. This leads to the loss of more than two third of the revenue. Thus, these companies need a relative increase in the gas prices and in the revenue of fields' development so they can invest in this industry. Due to this problem, some companies postponed their drilling plans until the prices of energy become more liberated.

BG asked – in many of its reports – to liberate the energy prices in order to encourage the exploration processes of natural gas and to reach a higher level of gas price in the local market as a way to ensure that Egypt competes with international market prices.

Dying for gas

New industrial zones are thirsty for natural gas supplies

By Mohamed El-Sayed

THE Egyptian national economy has arguably taken significant leaps in the past few years. This fact was best reflected in the growth in domestic production last year which hit roughly seven per cent, and was also supported by international reports declaring Egypt one of the highest investment attracting countries.

And the recent breakthrough in the number of newly established industrial projects, whether in Lower or Upper Egypt, is by all means unprecedented. However, this significant growth in industrial ventures has called for greater energy supplies, especially natural gas. And since Minister of Trade and Industry Rachid Mohamed Rachid has announced a new pricing mechanism for electricity and natural gas used by industrial sectors, there has been a significant increase in energy prices, especially electricity, for industrial purposes.

As a result, an increasing number of investors resorted to natural gas which is considered now as a less expensive source of energy for industrial zones. This, in fact, caused demand on natural gas to take an upturn, as many investors have switched from other energy sources to it. But the problem is that natural gas supplies are not available for all industrial enterprises all over the country. This problem was crystal clear in Upper Egypt, especially in Sohag governorate.

In a memo scheduled to be sent to Prime Minister Ahmed Nazif, the investors stressed that connecting natural gas to their enterprises would help them remain afloat. "Connecting natural gas supplies to industrial zones in Sohag will help manufacturers reduce production cost, which in turn will lead to increasing the competitiveness of their products," said Eng. Mahmoud El-Shandaweeli, of the Sohag Investors Association. Some projects in the zone are facing great obstacles and might be shut down unless natural gas is connected to them.

According to *Al-Ahram* Newspaper, the memo highlighted that electricity providers in the governorate wanted investors to pay for the setting up of electricity-generating plants, let alone the cost of cables connecting electricity to the zone.

Many plants, indeed, have stopped operation in the past few months due to different reasons, on top of which was high energy prices. The energy input in many projects was too high to the extent that caused their profits to erode. Some of them resorted to raising the prices of their products, which weakened their competitiveness in markets.

Nevertheless, the ministry of petroleum quickly responded to the desperate calls of Sohag investors, assuring them that a natural gas line would be connected to the industrial zones in Sohag. "The new line will start from the Sugar Cane Plant in Abu Qurqas, then south-westwards across Bahr Youssef Canal, and then to Cairo-Assiut Road. The line will pass by Assiut Cement Plant, an oil refinery company, Al-Walidiya power plant, and Assiut Fertilizers Plant," Gamal Amer, deputy chairman of GASCO, told the weekly business *Al-Mal*. Expected to fulfill the needs of most of industrial zones located in Assiut and Sohag, the new natural gas line costs LE620 million.

GASCO has carried out a study to assess the environmental effects of the project before starting implementation, in compliance with Environment Law. The study showed that the project has no negative effects on the surrounding environment.

Advances in Drilling Waste Management:

Award-Winning HCB™ Bulk Cuttings Transfer and Storage System Implemented in the UK North Sea

The honey comb-based HCB™ bulk cuttings containment and transfer system has been used for the first time in the UK North Sea to successfully contain oil-based mud (OBM) cuttings from the 14,000-ft 12 ¼ section.

This operation was undertaken for a major operator in an effort to sustain continuous uninterrupted drilling.

After extensive onshore and offshore trials which culminated in the award of this contract, the HCB tank system was chosen to replace the traditional ship-and-skip option for OBM cuttings containment for health, safety and environmental (HSE) reasons.The system eliminates manual handling risks associated with skip movements and crane operations.The cuttings are transferred within a closed loop system further reducing the potential for an environmental incident.

HCB tanks prior to installation on the rig.

Discharge outlets at the base of the HCB tank.

The operation comprises two pneumatic blowing units that collect and transfer the OBM cuttings from the shakers to eight HCB tanks permanently located on the rig. An additional sixteen HCB tanks are installed on the supply vessel used to transport the cuttings to shore-based facilities for processing.

During the course of the drilling the 12 ¼ section, the HCB system—in combination with the SupaVac™ SV400 cuttings transportation system for cuttings transfer—kept pace with drilling rates of over 300 feet per hour with transfer rates from the rig to the supply vessel in excess of 25 tonnes per hour.

During the operation the supply vessel also set a UK North Sea record by being on alongside for 72 hours during the cuttings transfer operation.

The OBM cuttings are transferred from rig to vessel via flexible interconnecting hoses. Once the vessel tanks are full the contents are taken to an onshore thermal processing plant and blown directly into a quayside facility.

The simple but unique features of the HCB tank design provide a solution to the historical problems associated with cuttings transfer and containment. The HCB tank utilises a standard silo type vessel contained within a DNV-certified frame.

Internally, the tank base houses an inverted cone surrounded by six hexagonal outlet hoppers in a honey comb arrangement. This unique design feature minimizes blockages or bridging of the product when the discharge cycle is activated. If the drill cuttings settle out during the storage period, each cone has numerous air injection points which when activated will agitate the cuttings into a flowable state prior to discharge. The six outlets at the base of the cones are controlled by knife valves which open and close in a cyclical manner to create a series of slugs in the discharge to line to minimise blockages.

When used in conjunction with the SupaVac cuttings transport system, the HCB tank system will allow operators to store cuttings in a fully enclosed environment on a much smaller footprint than traditional cuttings boxes, and store and discharge cuttings in various states ranging from dry powder to liquid. In addition, the HCB tank will completely discharge cuttings into a conveying line. It also will transport drill cuttings to HCB tanks on a supply boat along side the rig, from the supply boat back to the HCB tanks on a rig, and from the boat to onshore facilities for treatment and disposal.

Pneumatic Cuttings Transport System Prevents Disruption to Drilling

On a separate UK North Sea operation, the operator was faced with the prospect of shutting down drilling during a zero discharge "ship and skip" operation on a semi-submersible rig. Operational issues on the rig made it impossible to lift cutting boxes (skips) between the supply boat and rig using conventional methods.

The SupaVac system had been installed on the rig to transport drill cuttings from the solids control package to cuttings skips on deck. The SupaVac unit has the unique ability to both vacuum recover and pressure discharge drill cuttings and drilling waste to suitable skip loading locations around a rig or platform. The cuttings on this project were being gravity fed directly into the top of the unit and blown to the skips. As an alternative to shutting down drilling, the SupaVac unit was quickly reconfigured to blow the cuttings directly to skips on the supply boat. Drilling was not disrupted.

Without the SupaVac SV400 cuttings transfer system, the operator would have incurred over 10 hours of down time. At an estimated spread cost of $300,000 per day, the SupaVac cuttings transfer method resulted in a savings of $125,000.

The SupaVac cuttings collection and pumping system includes a compact, air-operated, vacuum recovery and pressure discharge pump. The system is designed to operate in hazardous locations, safely collecting and pumping materials such as drill cuttings, tank bottoms, heavy crude sludge and sand slurries. Unlike other conveyance systems, the SupaVac system can work with dry, damp or liquid materials. Because it is pneumatically operated and contains no electrics, it can be installed anywhere on location. The smaller SupaVac SV60 unit is available for handling small volumes of drilling waste and liquid recovery and transfer.

Ahmed Sattar-Operations Manager for Baroid Surface Solutions (Africa), Dave Simpson-Regional Operations Manager for Europe and Gordon Bennett-Business Development Manager- Halliburton

Compact SupaVac SV400 cuttings transfer unit.

Unprecedented Arab oil revenues ring alarm bells for Israel

By Mohamed El-Sayed

"SOMEONE's gain is another one's pain," thus goes the proverb which precisely applies to the current political atmosphere in the Arab-Israeli conflict. A report recently issued by the International Monetary Fund following its annual conference showed that the Arab oil-exporting countries – Algeria, Bahrain, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Emirates, and Syria – have achieved $700 billion profits from oil and gas exports this year, and these profits are expected to hit $850 billion in case oil prices reached $100 a barrel. To the chagrin of Israeli politicians, these countries have achieved $2.1 trillion in oil exports in the past three years.

Expecting that oil revenues in the Arab countries will hit $1 trillion in 2008, the report pointed out that since oil prices have taken an upturn, poverty rates in these countries have decreased by 25%. It added that the per capita share of gross domestic production has increased, and water and electricity services have now reached 90% of the citizens of these Arab countries.

All these positive figures have rung alarm bells for the Israeli government which, according to the *Yediot Ahronot* newspaper, cannot ignore them. According to the widely circulated paper, the entire world will knock the doors of these countries, and will do without the services of Israel.

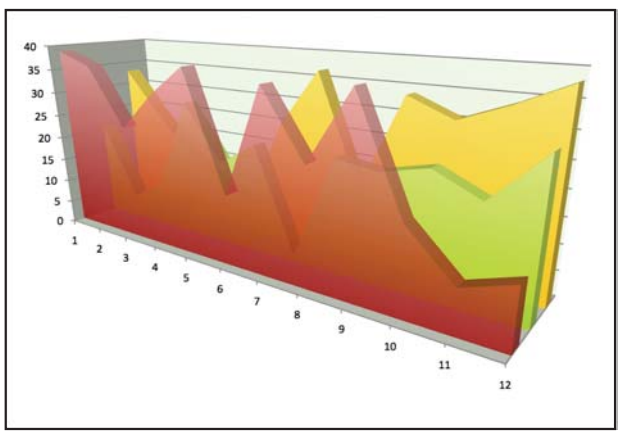
The paper added that a country like the Arab United Emirates, whose coming five-year investment plans are estimated at $800 billion, would be a key player in the world economy. The paper pointed out that the signing of a peace treaty with the Palestinians could pave the way for the normalization of relations with these rich Arab countries.

The growing economies of the Arab oil-rich countries are creating a new Middle East in which the Israeli role could be marginalized. The Israelis, in fact, are eyeing trade and joint investments with these countries, according to observers. The paper reported that opening new markets for Israeli products in these countries could spur annual growth from 5 to 10 percent. The paper went as far as describing as anti-Zionist those who prefer to keep Israeli settlements in the occupied West Bank to opening embassies in Riyadh and Doha and markets for Israeli products in Arab countries. Keeping away from these rich countries, observers say, will endanger the Israeli existence.

The subsidies debate... is this the time to face the truth!

FOR over a month now, debate about government subsidies has dominated the political scene. The debate sparked after government officials announced that it is studying the possibility of cutting government subsidies to basic commodities, including petrol.

Newspapers have been awash with reports about the cancellation of the subsidies, and replacing them with cash subsidies to be granted to the poor category that really deserve them. However, the government's move aroused fears among all society categories, which later on prompted President Hosni Mubarak to stress that there would be no cutting of subsidies.



Perhaps the energy subsidies top the list of all government expenditures; expected to hit LE50 billion at least in the new state budget, according to the Egyptian Minister of Petroleum Sameh Fahmy.

> **"The value of petroleum products expected to be consumed in the fiscal year 2008-2009 is estimated at $26 billion according to current prices"**

"The value of petroleum products expected to be consumed in the fiscal year 2008-2009 is estimated at $26 billion according to current prices," said Fahmy in a session held at the Shura Council, the lower house of parliament, to discuss the issue.

While Fahmy pointed out that the oil sector would not resort to the ministry of finance to pay for the purchase of petroleum products, he stressed that the ministry of petroleum "will be able to pay $16 billion." He added that the rest of sum will be paid by the surplus oil exports as well as the funds that would be available after increasing the prices of gas and oil to foreign partners.

Fahmy called upon all concerned parties to start a serious debate about the issue of subsidies "without any sensitivity". He argued that had the government and the people failed to come up with a solution for this subsidies conundrum, the coming generations would face difficulties in obtaining oil, gas, and even water.

The skyrocketing oil prices combined with the fall of the value of the US dollar have constituted mounting pressures on the government's budget. However, the Minister assured the people that "the energy subsidies will remain, but only for those who deserve them. We really have to rationalize energy consumption."

Some members of the Shura Council called for canceling subsidies granted to steel and cement companies, which, they argue, achieved very high profits due to selling their products according to international rates. Other members called upon the ministry of petroleum to provide all local projects, especially petrochemical and fertilizers plants, with gas first and then export the rest.

Other members, like Essam Abdel-Sattar, gave voice to the public's fears that a day might come when people would not find liquefied gas for household purposes.

With the discussions about the subsidies issue going on in the parliament and among ordinary people, the subsidies debate is highly unlikely to show any sign of abating soon.

In pursuit of energy independence


Nancy Pelosi, the speaker of the Congress

A new bill passed in December by the US Congress with the aim of increasing car fuel efficiency is widely believed to be a step towards cutting the amount of oil imported from the Arab Gulf countries by half in by 2020. The new law imposes new measures to increase the efficiency of fuel used in vehicles, and car makers will have to manufacture vehicles that use less amounts of fuel.

Nancy Pelosi, the speaker of the Congress who championed the passing of the bill, said that the new law "will put us on the right path towards achieving energy independence." Pelosi considered energy independence not only a national security issue, but an environmental, economic, health, and even ethical issue.

According to the new law, car makers are requested to manufacture cars that consume one gallon of petrol for 35 miles by 2020. This, in fact, means that America's consumption of petrol will decrease by 1.1 million gallons daily. This figure represents half the amount consumed now by vehicles in America. This also represents more than half the amount of oil imported by America from the Arab gulf region.

The law also urges car manufacturers to invest heavily in biofuels and grants tax discounts to those who use cars that consume mixed fuel and reduce petrol consumption. Encouraging the use of vehicles that use petrol-saving technologies, the law also urges energy companies to produce 15% of electricity from renewable energy sources such as wind, sun rays, sea waves…etc. by 2020.

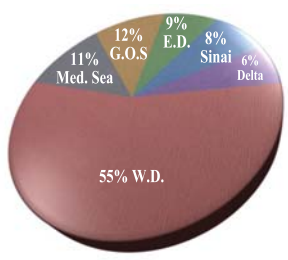
Many observers saw the law "a historic decision". A campaigner for car fuel efficiency hailed the law as "a historic agreement that put an end to the controversy that has persisted in the Congress for the past thirty years over the efficiency of car fuel."

Other observers think that if the law was passed by the Senate and endorsed by the American president, it will definitely serve the interests of petrol consumers as well as providers. They also argue that one of the reasons behind the passing of the bill was the skyrocketing oil prices that bordered on $90 a barrel. Having negatively affected American petrol consumers, the high prices prompted citizens to send angry messages to pressure lawmakers to pass the law.

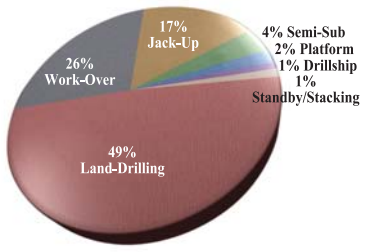
Table 1 Egypt Rig Count per Area - December 2007

Area	RIG COUNT	Total	Percentage of Total Area
Gulf of Suez		12	13%
Offshore	12		
Land	0		
Mediterranean Sea		11	12%
Offshore	11		
Land	0		
Western Desert		55	60%
Offshore	0		
Land	55		
Sinai		8	9%
Offshore	0		
Land	8		
Eastern Desert		9	9%
Offshore	0		
Land	9		
Delta		6	6%
Offshore	0		
Land	6		
Total		101	109%

Rigs per Area December 2007



Rigs per Specification



Source: Egypt Oil & Gas

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

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC-12[5]	OPEC-11[5]	World
2007 January	E	8,462	22,924	**23,955**	34,541	32,933	**84,018**
February	E	8,351	22,815	23,974	34,457	32,833	**84,344**
March	E	8,460	**22,902**	**24,054**	34,513	32,849	84,112
April	E	8,506	22,948	24,110	34,719	33,016	**84,587**
May	E	8,566	**22,948**	**24,152**	34,570	32,853	**84,323**
June	E	8,520	22,865	**24,105**	34,463	32,761	**84,503**
July	E	8,526	**22,921**	24,179	**34,713**	32,981	**84,887**
August	PE	8,360	22,875	24,128	34,682	32,929	83,920
September	PE	8,324	23,430	24,709	35,318	33,504	84,929
2007 9-Month Average	PE	8,454	22,963	24,156	34,665	32,962	84,389

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.
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-12: Organization of the Petroleum Exporting Countries: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar,
Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC-11 does not include Angola.
E=Estimated data. RE=Revised estimated data. PE=Preliminary estimated data.
Revised data are in ***bold italic font.***

Source: EIA

Table 3 World Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Venezuela	Vietnam	Yemen	Other[1]	World	OPEC-12[2]	OPEC-11[2]	Persian Gulf[3]	North Sea[4]
2007 January	2,380	332	418	2,655	73,045	31,277	29,693	20,471	4,298
February	2,383	336	358	2,696	73,317	31,191	29,591	20,351	4,447
March	2,445	301	356	2,720	73,260	31,247	29,607	20,440	4,300
April	2,445	321	354	2,687	73,537	31,452	29,773	20,489	4,354
May	2,444	321	344	2,672	73,054	31,304	29,609	20,489	4,084
June	2,444	281	344	**2,702**	**72,827**	31,189	29,509	20,398	3,755
July	2,444	301	343	**2,701**	**73,218**	**31,488**	29,778	20,503	**4,107**
August	2,444	304	351	2,726	72,512	31,456	29,726	20,457	3,717
September	2,440	317	358	2,715	73,499	32,089	30,298	21,012	3,914
2007 9-Month Average	2,430	313	358	2,673	73,134	31,411	29,732	20,517	4,106

2 OPEC-12: Organization of the Petroleum Exporting Countries: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC-11 does not include Angola.
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 North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
Revised data are in ***bold italic font.***

Source: EIA

Table 4 OECD[1] Countries and World Petroleum (Oil) Demand (Thousand Barrels per Day)

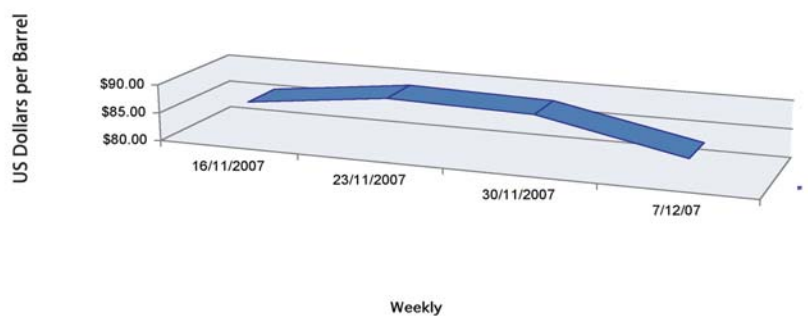
	France	Germany	Italy	United Kingdom	OECD Europe[2]	Canada	Japan	South Korea	United States[3]	Other OECD[4]	OECD[1]	World
2007 January	2,033	2,340	1,614	1,827	15,100	2,272	5,214	2,390	20,559	3,366	48,900	NA
February	1,954	2,408	1,756	1,787	15,371	2,448	5,562	2,387	21,271	3,421	50,461	NA
March	1,923	2,509	1,712	1,786	15,295	2,307	5,404	2,282	20,529	3,530	49,346	NA
April	1,854	2,370	1,631	1,776	14,778	**2,198**	4,876	2,215	20,579	3,302	**47,948**	NA
May	1,788	2,419	1,704	1,801	14,932	**2,318**	4,405	2,071	20,631	3,497	**47,854**	NA
June	1,900	2,482	1,670	1,766	**15,090**	**2,392**	4,568	2,063	20,737	3,579	**48,429**	NA
July	1,941	2,526	1,687	1,775	15,429	2,444	4,564	2,047	20,641	3,512	48,637	NA
August	1,908	2,581	1,552	1,709	15,272	2,430	4,597	2,091	21,051	3,888	48,829	NA
2007 8-Month Average	1,912	2,432	1,665	1,778	15,182	2,338	4,892	2,191	20,744	3,451	48,799	NA

1 OECD: Organization for Economic Cooperation and Development.
2 OECD Europe consists of Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.
3 U.S. geographic coverage is the 50 States and the District of Columbia.
4 Other OECD consists of Australia, Mexico, New Zealand, and the U.S. Territories.
NA=Not available.
Revised data are in ***bold italic font***.
Notes: The term Demand is used interchangeably with Consumption and Products Supplied.

Source: EIA

Fig 1

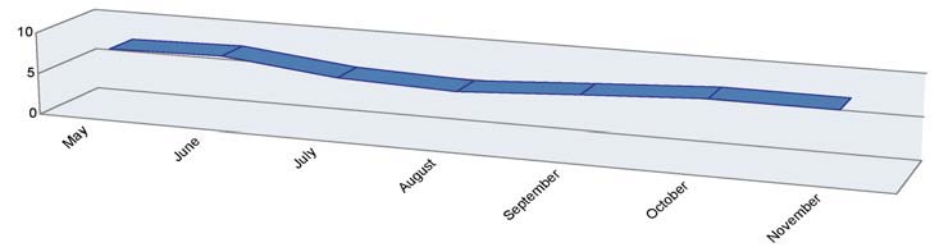
Egypt Suez Blend Price



Source: Egypt Oil & Gas

Fig 2

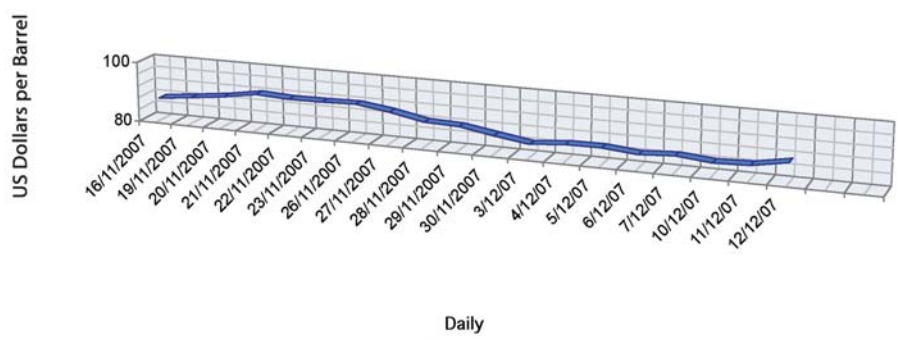
Natural Gas Price



Source: Egypt Oil & Gas

Fig 3

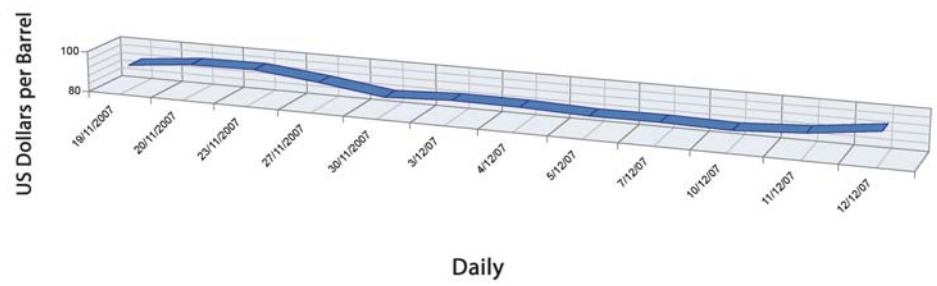
OPEC Basket Price



Source: Egypt Oil & Gas

Fig 4

IPE Brent Price



Source: Egypt Oil & Gas

Table 5 World Natural Gas Liquids Production (Thousand Barrels per Day)

	Algeria	Canada	Mexico	Saudi Arabia	Russia	Former U.S.S.R		United States[1]	Persian Gulf[2]	OAPEC[3]	OPEC-12[4]	OPEC-11[4]	World
2007 January	341	712	411	1,427	422	_	E	1,670	2,343	**2,802**	3,126	3,102	**7,932**
February	340	762	405	1,427	427	_	E	1,706	**2,355**	**2,810**	3,128	3,104	8,017
March	340	680	416	1,427	426	_	E	1,767	2,352	2,807	3,127	3,103	7,932
April	340	661	420	1,427	427	_	E	1,749	2,349	**2,805**	3,128	3,104	7,949
May	340	670	412	1,427	429	_	E	1,787	**2,350**	2,805	3,128	3,105	**7,923**
June	340	621	418	1,427	424	_	E	1,775	**2,358**	2,813	3,136	3,113	**7,883**
July	340	624	401	1,427	425	_	E	1,778	2,308	2,764	3,087	3,064	**7,857**
August	340	619	378	1,427	428	_	PE	1,755	2,309	2,764	3,087	3,064	7,770
September	340	636	372	1,427	428	_	PE	1,795	2,309	2,764	3,091	3,068	7,792
2007 9-Month Average	340	664	404	1,427	426	_	PE	1,754	2,337	2,793	3,115	3,092	7,887

[1] U.S. geographic coverage is the 50 states and the District of Columbia. Excludes fuel ethanol blended into finished motor gasoline.
[2] The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.
[3] OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
[4] OPEC-12: Organization of the Petroleum Exporting Countries: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC-11 does not include Angola.
- - = Not applicable. E=Estimated data. PE=Preliminary estimated data.
Revised data are in ***bold italic font***.

Source: EIA

Average Currency Exchange Rate against the Egyptian Pound (November / December)

US Dollar	Euro	Sterling	Yen
5.514	8.107	11.329	5.041

Stock Market Prices (November / December)

Company	High	Low
Alexandria Mineral Oils (AMOC.CA)	83.94	78.21
Sidi Kerir Petrochemicals (SKPC.CA)	21.97	20.04

Table 6 International Stock Prices Mid-November-Mid-December

International Stock	High	Low
Schlumberger (SLB) NYSE (US Dollars)	98.45	89.17
Halliburton (HAL) NYSE (US Dollars)	38.60	35.08
Exxon Mobil (XOM) NYSE (US Dollars)	92.03	84.11
Atwood Oceanics (ATW) NYSE (US Dollars)	91.25	74.90
Weatherford (WFT) NYSE (US Dollars)	77.64	60.50
Shell (RDS.A)NYSE (US Dollars)	82.73	79.95
Apache (APA) NYSE (US Dollars)	104.87	95.62
Baker Hughes (BHI) NYSE (US Dollars)	84.99	78.23
BJ (BJS) NYSE (US Dollars)	25.57	24.00
Lufkin (LUFK) NYSE (US Dollars)	54.65	51.44
Transocean (RIG) NYSE (US Dollars)	138.66	116.86
Transglobe (TGA) NYSE (US Dollars)	5.40	5.08
BP (BP.) LSE Pence Sterling	619.50	572.00
BG (BG.) LSE Pence Sterling	1123.00	958.00
Dana Gas (DANA) ADSM US Dollars	2.22	1.87
Caltex (CTX) ASX Australian Dollars	22.600	21.120
RWE DWA (RWE AG ST) Deutsche-Borse Euros	97.68	89.20
Lukoil (LKOH) RTS (US Dollars)	92.500	84.200

Source: Egypt Oil & Gas

Events & Recommended

Gulf of Aqaba Pipeline crossing... a story of success

THE Society of Petroleum Engineers (SPE) in Egypt has resumed its series of monthly seminars with a presentation entitled "Gulf of Aqaba Pipeline crossing… a story of success".

The presentation covered several aspects concerning the East Gas Offshore Pipeline, such as the design and installation of the pipeline, main milestones, key challenges, summary of the annual survey findings, in addition to a review of how the condition of the pipeline has changed over three annual surveys.

It is worth to mention that The East Gas Company (EGC) is the owner of a natural gas pipeline system that delivers processed gas from existing facilities near El-Arish to industrial and power customers in Jordan and Syria. The main onshore section of the pipeline system crosses the Sinai Peninsula, from the Mediterranean coast of Egypt to a point near Taba. From there, the offshore section of the pipeline crosses the Gulf of Aqaba to reach the Aqaba Industrial Port facilities. During the development and construction stages of the offshore section of the pipeline, KW Ltd acted as the Owner's Technical representative for EGC.

KW Ltd was EGC's representative during the first, second and third annual surveys undertaken by Impresub Diving and Marine Contractors in May/June 2004, June/July 2005 and June/July 2006 and has examined the survey reports and their findings. As part of this program, its scope to business was to provide annual engineering support for the Operation, Inspection, Maintenance and Repair (OIMR) of the subsea section of the pipeline.

The presentation was given by Dr. Kevin Williams, who enjoys over 20 years experience in pipeline engineering, as Project Manager, Lead Engineer and Technical Specialist, on a number of sub-sea and pipeline related projects. Moreover, he has an extensive technical and commercial experience, including; economic evaluation, definition engineering, project costing and risk assessment, contract strategy and bid package development, conceptual and detailed design, procurement and construction management of offshore and onshore oil and gas production and pipeline facilities.

Events and Conferences

World In 2008 Executive Forum

Emirates Palace, Abu Dhabi, UAE
January 15, 2008
Tel: +44 (0)20 7576 8385
Email: weurope customerservice@economist.com
Description: The World in 2008 is a global, interactive forum featuring senior editors from The Economist and the Economist Intelligence Unit. They will join key players from the worlds of business, finance and politics to identify the trends and future predictions that will shape the course of the coming year.

The European Gas Conference 2008

Vienna, Austria
January 23-25, 2008
Tel. +44 (207) 067 1800
Email: a.ward@theenergyexchange.co.uk
Description: The Energy Exchange Ltd will launch the European Gas Conference 2008. Bringing together leaders from across the region's major gas companies, governments and regulatory bodies, to examine the key issues and challenges at the heart of current European energy debate.

Offshore West Africa Conference & Exhibition

International Conference Centre Abuja, Nigeria
January 29 - 31, 2008
Tel. +44 (0)1992 656 651
Email: janeb@pennwell.com
Description: The mission of Offshore West Africa Conference & Exhibition is to provide an annual forum that addresses those exact needs -- the technical, environmental and business challenges associated with oil and gas exploration and production offshore West Africa. The conference provides a unique networking opportunity for attendees to share technology and address issues with experts in their respective fields and to gain an understanding of the changes that are taking place within those technologies.