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First Issue

My name is Julie Herrick and I am the new Editor in Chief of Egypt Oil and Gas Newspaper. I am a long-term resident of Cairo and relative newcomer to the industry. As such I look forward to the knowledge and instruction I will receive in my new position.

Entering a new work environment is never easy. In addition to new challenges and opportunities one must simultaneously contend with differing personalities and work dynamics. It has been an interesting three weeks. At the first printing of our newspaper under my editorial instruction I would like to thank all my new friends and colleagues for their patience and hard work.

I hope I bring fresh insight and perspective to the publication both digital and print. The benefits of an outside perspective are often useful, painful at times, but constructive.

I have many goals for this newspaper. In terms of content-based revisions I would like to craft more substantive, organized and polished stories for a sharper focus. For our website I hope to bring increasingly original, current and relevant updates for both the upstream and downstream sector.

I look forward to many more issues at Egypt Oil and Gas Newspaper.

Julie Herrick
Editor in Chief

CARTOON

By Mai Gamal

Prices

Bullion Market

GOLD	SILVER
1722.09	32.80
-1.47%	-1.35%

Crude Oil

BRENT	WTI
109.27 USD/BBL	86.78 USD/BBL
-1.81%	-3.13%

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- Casing & Cementing Solution (CCS)
- Wellbore Technology Solution (WTS)
- Integrated Oilfield Supplies (IOS)

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SPONGE-JET
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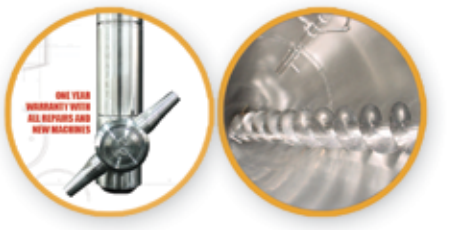
From delicate cleaning to selective coating removal to aggresive profiling of industrial substrates, Sponge-Jet offers a wide range of surface preparation solutions – and benefits.

GAMAJET®



Gamajet's rotary impingement tank cleaning machines combine pressure and flow to create high impact cleaning jets. Cleaning occurs at the point in which the concentrated stream impacts the surface. It is this impact and the tangential force that radiates from that point which blasts contaminants from the surface, scouring the tank interior.

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Khalda Drills Four New Western Desert Wells

Khalda Petroleum Company recently concluded drilling four wells, three of which are developmental, and one exploratory. Khalda is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache Corporation.

The drilling operations occurred in the company's concession area in the Western Desert as part of its 2012 / 2013 plan for development.

The AG-106 oil producing developmental well attracted investments of approximately $2.5 million. The drilling operation utilized a ST-10 rig reaching depths of 12,100 feet.

The company also drilled another developmental well-labeled KHE-PRI-39 located in the Baharyia formation. It was drilled to the depths of 7,500 feet utilizing the EDC-61 rig. Project expenditures approximated $463,000.

The company also drilled the W.RZK-88 an oil producing developmental well. The well was drilled to a depth of 6,800 feet using the EDC-67 rig. Drilling expenditures on the projected amounted to $466,000.

As for the exploratory wells, Khalda drilled the ADAM-2X ST-1. It was drilled to a depth of 16,800 feet via the EDC-54 rig, project expenditures estimated $3.494 million. This well is under appraisal.

Khalda's production rates during the month of November 2012 stood at 4,513,491 barrels of crude oil and condensates while its natural gas production stood at 4,658,750 barrels equivalent during the same month.

Apache Plugs Two New Western Desert Wells

American Apache Corporation concluded drilling of exploratory wells located in the company's concession area in the Western Desert.

The WKAL E-1X exploratory well was drilled using the EDC-59 rig to the depth of 16,458 feet at a cost of $5.1 million. Apache also drilled the WKAN-T-1X exploratory well to a depth of 12,128 feet utilizing the EDC-57 rig. Drilling expenditures related to the well reached $4.1 million. Both were determined to be dry.

The Apache Corporation is an oil exploration and development company with operations in various countries including the US, Australia, Canada, Argentina, the UK, and Egypt. The company produces an approximate 265,000 barrels of oil and 1.5 billion cubic feet of natural gas per day. The company operates in Egypt through Khalda Petroleum and Qarun Petroleum, both of which are jointly owned by the Egyptian General Petroleum Corporation (EGPC).

Petrosannan Expands its Western Desert Portfolio

Within the context of its 2012-2013 drilling plan, Petrosannan Petroleum Company concluded drilling two new developmental wells in its concession area in the Western Desert. Petrosannan is a joint venture between the Egyptian General Petroleum Company (EGPC) and the Ukrainian Naftogaz.

The HG 34/9 developmental well was drilled using the ZJ-47L rig to the depth of 11,516 feet. The well attracted investments of approximately $2.9 million.

The company drilled another developmental well labeled AESE-3. It drilled to a depth of 11,385 feet utilizing the ZJ-47L rig investments surrounding the project amounted to approximately $2.9 million.

The company's production rates during the month of November 2012 stood at 146,765 barrels of crude oil.

PetroSilah Concludes Drilling Developmental Well

PetroSilah Petroleum Company recently concluded drilling of a developmental well. PetroSilah is a joint venture between the Egyptian General Petroleum Corporation and Merlon International. The drilling operation occurred in the company's concession area in the Western Desert.

The N.SILAH D1-2 oil producing developmental well was drilled to a total depth of 8,200 feet utilizing the EDC-53 rig. Operational investments neared $2.6 million.

The Company's production rates during the month of November 2012 stood at 107, 516 barrels of crude oil.

Two Developmental Wells Drilled in the Western Desert by Qarun

Qarun Petroleum Company (QPC) recently completed drilling two new developmental wells in its concession area in the Western Desert. Qarun is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache Corporation.

The RAHMA-32 is a developmental well located in the Abul Gharadiq Basin. It was drilled to a total depth of 6,175 feet via the EDC-64 rig. Investments stemming from the well counted for $695,000. Drilling commenced on a new oil producing developmental well, labeled HEBA - 24, located in East Bahariya West development lease. It was drilled to a total depth of 6,800 feet utilizing the EDC - 49 rig. The operation's investments reached $800,000. The well was also added to the company's overall production.

The Company's production rates during the month of November 2012 stood at 1,565,681 barrels of crude oil.

Dana Gas Ceases Activities on Exploratory Well

Dana Gas Company recently completed drilling of an exploratory well in its Nile Delta concession. In Egypt, Dana Gas is 100% operator of production, exploration and developments in the Nile Delta and 50% joint operator in Upper Egypt.

The company drilled the NW BASARTA - 1 exploratory well to a total depth of 9,514 feet utilizing the AMAK-1 rig. Eventually the project was abandoned, as the well was considered dry. Drilling investments on the project reached $1.320 million.

Petrodara Abandons an Exploratory Well in the Eastern desert

Within the context of its 2012-2013 drilling plan, Petrodara Petroleum Company has concluded drilling of a new exploratory well in its concession area in the Eastern Desert. Petrodara is a joint venture between the Egyptian General Petroleum Company (EGPC) and Dublin petroleum Company.

The new E.ARTA- 45 was drilled using the ST-7 rig to the depth of 5,180 feet at a cost of $760,000. The well was abandoned and considered dry.

The Company's production rates during the month of November 2012 stood at 374,174 barrels of crude oil.

El Hamra Oil Company Drills Developmental Well in Western Desert

El Hamra Oil Company has concluded drilling of a development well in the company's concession area in the Western Desert. El Hamra Oil Company is a joint venture between the Egyptian General Petroleum Company (EGPC) and the Canadian IPR Company. The drilling operation occurred in the company's concession area in the Western Desert. The NE AL-4X oil producing developmental well was drilled to a total depth of 7,200 feet, utilizing the ZJ-50 rig. The operation's investments reached $1.9 million.

The company's production rates during the month of November 2012 stood at 92,867 barrels of crude oil.

Choice Words

"There are major challenges facing Egypt now, such as the Egyptian budget deficit that reached 42% . In addition, Egypt imports petroleum products at a cost of $1.5 billion per month."

Dr.
Hisham Qandil
Prime Minister, to Al-Eslah News Website

"The economic situation should not be associated with the political situation. Since, the problems that face some governorates such as shortage in petroleum products are caused due to the difficulty of conveying them to these remote areas."

Eng.
Osama Kamal,
the Minister of Petroleum and Mineral Resources to Akhbar El youm Electronic Gateway

"The Investment Ministry and the Malaysian Patroness Oil Company agreed to new investments in the Egyptian market including the establishment of a massive plant for producing and packaging oil and lubricants with $100 million investments."

MR.
Osama Saleh
Investments Minister, to Egypt State Information Service.

"The Egyptian state owes the Egyptian General Petroleum Corporation around 150.5 billion Egyptian pounds."

Eng.
Hany Dahy
EGPC's Chairman to El-youm 7 Electronic Gateway.

GUPCO Abandons Developmental Well in the Gulf of Suez

In the context of its 2012 - 2013 drilling plan GUPCO Petroleum Company has concluded the drilling of a new developmental well in its Gulf of Suez concession. It is worthy to note that GUPCO is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and British Petroleum.

The GS 301-1 ST-2 oil producing developmental well was drilled to a depth of 14,402 feet via the BENNEVIS rig. Drilling expenditure in the well, which was abandoned as dry reached $ 8.956 million.

GUPCO's production rates during the month of November 2012 stood at 2.246,853 barrels of crude oil and condensates while its natural gas production stood at 239,154 barrels equivalent during the same month.

Dana Gas Plugs an Exploratory Well

Dana Gas Company completed drilling of an exploratory well in its Nile Delta concession. The drilling operation comes within the context of its 2012-2013 drilling plan. Dana Gas is the Middle East's leading private sector natural gas company. It produces approximately 65,000 barrels per day of oil and natural gas liquids from its operations in Egypt and the Kurdistan Region of Iraq. In Egypt the company is 100% operator of production, exploration and developments in the Nile Delta and 50% joint operator in Upper Egypt.

Dana Gas drilled the NW BASARTA - 1 exploratory well and eventually categorized the well as dry. Total drilling depth is estimated at 9,514 feet utilizing the AMAK-1 rig. Investments stemming from the well reached $1.3 million.

Commencement of Naftogaz Exploration Agreement in Egypt

Roman Fuchy, the General Manager of Naftogaz stated that the company began implementation of the first phase of the agreement between Egypt's state-owned Ganoub Al-Wadi Petroleum Holding Company (GANOPE) and the Ukrainian company Naftogaz Overseas. The National Joint Stock Company Naftogaz of Ukraine is the leading enterprise in Ukraine's fuel and energy industry and one of the biggest Ukrainian companies.

The agreement's first phase is comprised of geological, geophysical and aerial surveys and studies that cover an area of 21,000 km of GANOPE's concessions in South Maharith Valley in Eastern Assiut. The first phase of the agreement will cost $40 million with a projected time frame of three years. The implementation of all agreement stages will cost an estimated $200 million. The second phase of the agreement is comprised of a two dimensional seismic survey as to study the concession's geological content. This survey will be finished one year after initial implementation of the first phase.

Ashpetco Drills two Exploratory Wells in the Eastern DesertEast Owainat

The General Director of Esh El Malaha Petroleum Company (Ashpetco), Geologist Hassan Ahmed recently spoke to Egypt Oil and Gas enthusiastically commenting that the company had completed 100% of its operations plan in the Eastern Desert region. Asphetco is a joint venture between the Egyptian General petroleum Corporation (EGPC) and Lukoil International Corporate.

The company drilled the East Rabeh-38 oil producing developmental well to a depth of 5,000 feet via the EDC-6 rig. The well attracted investments of $2 million.

In addition, the company drilled the oil-producing developmental well-labeled East Rabeh-39. Drilling expenditure reached $2 million as well. It was drilled to a total depth of 5,250 feet utilizing the EDC-6 rig.

New Egyptian-Italian Factory Inaugurated by the Egyptian Petroleum Minister

On behalf of the Egyptian Prime Minister, Egyptian Petroleum Minister Engineer Osama Kamal recently inaugurated a joint Egyptian-Italian factory located in Badr Industrial City. The factory represent a joint venture between the Italian based Breda Energia S.P.A (50%), the Tharwa Petroleum Company (40%), and The Egyptian Holding Company for Natural Gas EGAS (10%). The factory will manufacture essential drilling components such as valves, cap components, control units and a variety of other service equipment for the oil and gas sector. Minister Kamal expressed enthusiasm concerning the project stating that the new factory will inject momentum into the Egyptian manufacturing sector. Minister Kamal also expressed that the factory presented a unique opportunity to acquire knowledge and expertise from Italy's advanced manufacturing sector in an effort to modernize Egypt's stagnant manufacturing sector.

Zeitco Drills Three New Exploratory Wells in the Eastern Desert

Zeitco Petroleum Company concluded the drilling of three exploratory wells in its Eastern Desert concession. Zeitco is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and the British Dana Petroleum Company. The company drilled the oil producing well-labeled East Matar-4, the East Matar-2 and the Fin3X. The wells were drilled at around 7,500 feet utilizing the Sino-Tharwa and Ranmia rigs.

Dublin Expands in the Eastern Desert

Dublin Petroleum Company concluded drilling of an exploratory well in its concession area in the Eastern Desert. Borapetco is a joint venture between the Egyptian General Petroleum Corporation (EGPC) and the German Dublin Petroleum Company.

The N-1X FADL oil producing exploratory well was drilled to a depth of 4,770 feet using the SHAMS-1 rig. The operational investments reached $790,000.

Petrobel's production rates during the month of November 2012 were 3,678,391 barrels of crude oil and condensates while its natural gas production stood at 8,311,095 barrels equivalent during the same period.

SinoTharwa Occupies the Second Largest Drilling Contractor Position in Egypt

Engineer Ibrahim Khedr, Chairman of SinoTharwa Company recently sat down for a brief interview with Egypt Oil and Gas Newspaper stating:

"Thanks to the efforts exerted and to the organized operational process within the company, we reached a total number of $583 million investments in Egypt. This makes us the second largest drilling company in Egypt after El Masrya. Sino Tharwa's profits during the last year reached around $26 million with projected revenue of $30 million for this year. We have successfully occupied one of the forefront market positions occupying 14% of the Egyptian market." Engineer Khedr also mentioned that Sino Tharwa was simultaneously able to maintain one of the highest safety ratings in the Egyptian petroleum sector.

Khedr added that the company has a variety of offshore and onshore drilling devices. There are four onshore drilling devices in the Sinai Peninsula, and three additional devices on the east coast of the Gulf of Suez. The remaining devices are located in the Western desert. The company also posses the Bahari One, the largest rig in the Middle East, capable of reaching drilling depths of 30,000 feet. Engineer Ibrahim Khedr also expressed commitment to increased technological development and innovation in an effort to streamline efficiency amongst service companies and suppliers.

Engineer Ibrahim Khedr concluded stating he owed significant thanks to the Ministry of Petroleum, EGPC, EGAS and GANOPE for considerable support on a variety of projects.

Story Board

Investments and Partnership Discussion between the Egyptian Petroleum Minister and CEO of Edison

Petroleum Minister Osama Kamal and CEO of Edison Oil Company Bruno Lescoeur recently discussed investment opportunities in the Egyptian oil and gas sector as a means of enlarging mutual partnerships in the coming period. Kamal stated "the meeting comes within the context of the government's policy to support cooperation and partnerships with international companies investing in Egypt." Lescoeur asserted his company's willingness to increase investments in the Egyptian petroleum sector. Edison has been working in the field of oil and gas exploration since the mid-nineties with investments approaching two billion USD during the past four years.

Edison holds a one hundred percent participating interest in the Abu Qir concession in the area offshore of the Nile Delta, and a twenty percent participating interest in production licensing in the area offshore of Rosetta.

Total production from Abu Qir currently exceeds thirty-three kboed and Rosetta gas production currently exceeds four hundred mmscf/d. The concession area is entirely dedicated to the domestic market. Edison operates, with a sixty percent working interest, in the Western Desert of the West Wadi El Rayan licence that is currently undergoing long-term production tests. Edison also operates offshore the Nile Delta in the Sidi Abd El Rahaman area with a forty percent participating interest and exploration licensing.

Vegas Oil Acquires 82% of Dover's Share in Gabal El Zeit Concession Area

Engineer Mohamed Mahmoud Al Jezery of PetroZeit Petroleum Company recently discussed coming exploration and development plans for the Gabel El Zeit concession area, noting that the company was hopeful for increased exploration and prosperity in the area. Al Jerzery stated, "PetroZeit will work on the development of the concession area labeled as Ras El Esh or Gabel El Zeit."

Engineer Al Jezery's optimism is the result of Vegas Oil acquiring 82% of Dover Petroleum's share in the concession area. Al Jerzery noted that the UK based Vegas Oil is organizationally and financially prepared for increased investment and exploration, bringing a renewed momentum to efforts in the concession area.

Melrose Egypt Expands in El Mansoura and East Owainat

Geologist Abdel Hakim Hashem, General Manager of Melrose Egypt Exploration has enthusiastically declared that the company has fully executed its 2012 - 2013 drilling plan.

The company successfully drilled the oil-producing Mesaha-1 exploratory well located in the East Owainat concession. It is the first well of its kind in this area. The well was drilled to a total depth of 11,000 feet using the EDC rig. Drilling expenditure reached $13 million. Melrose also drilled two new exploratory wells in El Mansoura Governorate, the oil-producing West Dakarna and the West Aboukhadra, both drilled utilizing the Tanmia-1 rig. The two wells were drilled at a total depth of 11,000 feet.

Geologist Hashem also noted that the company is now amalgamated with the Irish PetroCaltex and will soon be labeled in Egypt as PetroCaltex.

The Egyptian Petroleum Minister Meets with CEO of the Chinese Sinopec Star Company to Discuss Mutual Partnership

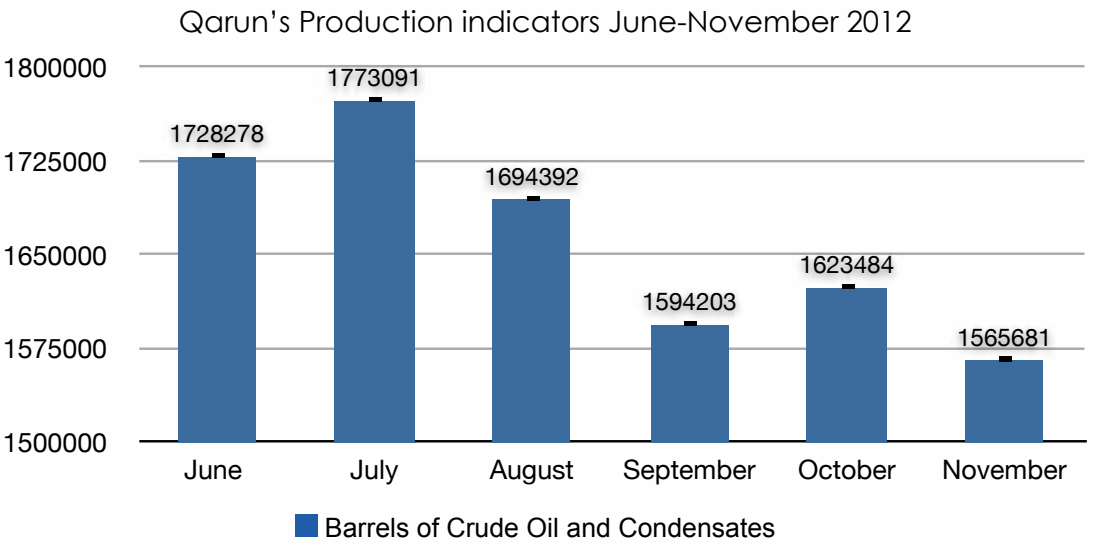
The Egyptian Petroleum Minister Osama Kamal and CEO of Chinese Corporation Sinopec Star Petroleum Company Fu Chengyu discussed investment opportunities in the Egyptian oil and gas sector as a means of expanding mutual partnerships in the coming period. The company's Egyptian subsidiary, Sino Tharwa, has enjoyed great success since its activities in Egypt began in November 2005.

The Minister pointed out that the meeting served as a mechanism to facilitate and encourage increased investment by international oil companies in the Egyptian oil and gas sector in an effort to meet long-term production and development goals.

Minister Kamal added that cooperation with Tanmia Petroleum Company was also discussed, inferring that the coming period will witness an intensification of drilling and exploration activities.

The CEO of Sinopec asserted his company's willingness to increase investments in the Egyptian petroleum sector.

Qarun Indicators Show Consistent Production

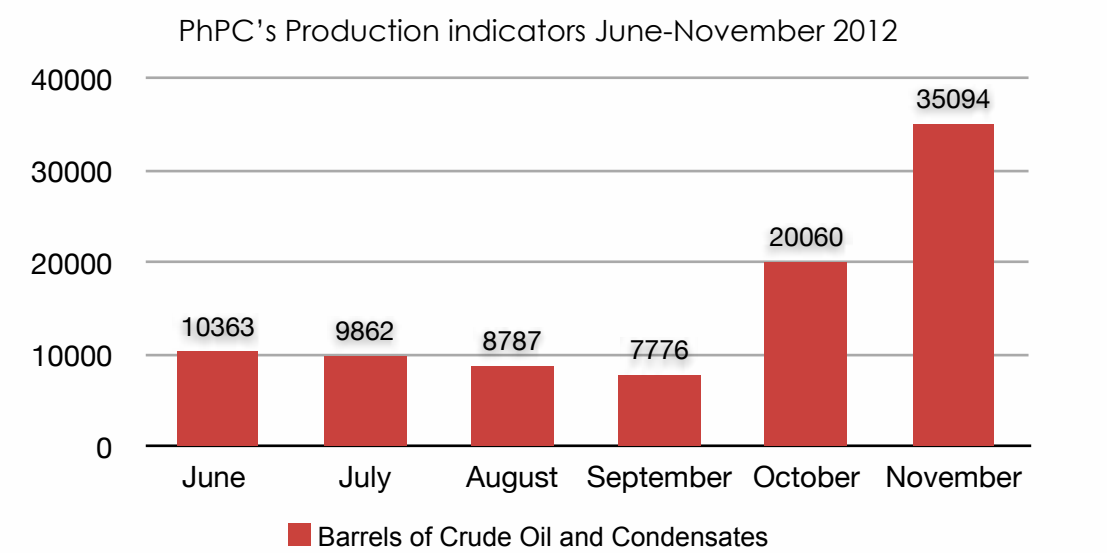


Qarun Petroleum Company demonstrated steady production levels for the six-month period from June 2012 to November 2012.

An assessment of the company's crude oil and condensates production indicates an average of 1,663,188 barrels per month during the selected period.

The highest production level achieved during the period of analysis was 1,773,091 barrels in July. Its lowest production month was November with corresponding production of 1,565,681 barrels.

Significant Rise in PhPC's Crude Oil Production



Pharaonic Petroleum Company (PhPC) demonstrated a relative increase in production over the six-month period from June 2012 to November 2012.

During the designated period of analysis production was at its lowest in September 2012 with 7,776 barrels of crude oil and condensates. Production rose intermittently reaching a high in November 2012 with 35,094 barrels.

The company's production numbers of crude oil and condensates during the specified period averaged 15,323 barrels per month.

PhPC Ventures Further into Mediterranean Sea

Pharaonic Petroleum Company (PhPC) has concluded the drilling of a developmental well in its Mediterranean Sea concession. Pharaonic Petroleum Company (PhPC), a joint venture company between EGPC and BP Egypt gas production companies in Egypt.

Egypt Oil and Gas recently learned that PhPC drilled the HA'PY-12 oil-producing developmental well to a total depth of 11,171 feet via the SCARABE-4 rig. Drilling expenditures are estimated at $43.8 million. The well was eventually abandoned as dry.

In an interview with Engineer Hesham Bahaa, PhPC's Operations Manager stated that the company owns three fields in its Mediterranean concession labeled as Ha'py, Taurt and Sis. The Ha'py field consists of seven wells and its production reaches 220 million cubic feet of gas per day. The Taurt field consists of five wells with estimated production of 230 million cubic feet of gas per day. The Sis field consists of three oil-producing wells and its production reached 200 million cubic feet per day.

Engineer Hesham Bahaa stated that the company's total investments in the Mediterranean Sea reached an estimated $400 million for this fiscal year. He added that 95% of the company's production plan was executed. Additionally, half of the company's drilling plan was currently executed, with full implementation within the first six months of 2013.

The company's production rates during the month of November 2012 stood at 35,094 barrels of condensates, while its natural gas production stood at 2,420,179 barrels equivalent during the same month.

Decrease in the Mediterranean Sea Natural Gas Production

Sources revealed that Egypt's natural gas production has declined during the month of November 2012 in comparison with that of October 2012.

Natural gas indicators show that Egypt produced around 23,300,235 million barrels equivalent during November 2012. Indicators show that Egypt produced 25,229,820 million barrels equivalent in October 2012.

The decline in production is largely due to plugging several wells operating in the Mediterranean for maintenance.

It is estimated that the natural gas production of the Mediterranean Sea will increase again during the next months, especially after announcing the results of EGAS's bid round.

Guest Column

A Discussion with Geologist Abu Bakr Ibrahim on the Development of El Gilf El Kebir

Egypt Oil and Gas newspaper recently spoke to Abu Bakr Ibrahim, Vice Chairman for Agreements and Exploration at the Ganoub El Wadi Petroleum Holding Company. Ibrahim enthusiastically highlighted ongoing developments concerning a project located in the Western Desert. Ibrahim spoke of the El Gilf El Kebir / Owainat area located in the far southwest corner the Egyptian Western Desert.

A concession agreement was issued for the area authorizing petroleum exploration and exploitation between Arab Republic of Egypt and Ganoub El Wadi Petroleum Holding Company. The concession agreement went into effect September 2010 for two exploration phases each lasting three years.

Ibrahim discussed the various goals set for each stage of development. The initial development phase began in September 2010 and will last through September 2013. The financial parameters of the initial phase were set with minimum financial commitments of three million USD in order to conduct a variety of technical surveys aimed at the acquisition of geographic, seismic and technical knowledge concerning the area. During this initial phase aeromagnetic and aerogravity surveys were conducted in a two-dimensional format to seismically survey the area.

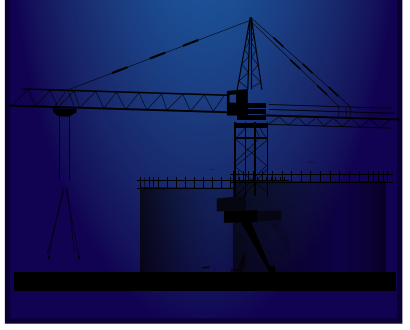
In June 2011 processing and interpretation of the collected aeromagnetic data was analyzed. Geologist Ibrahim discussed the results noting they were promising. The data showed two sedimentary basinal areas both extensions of the El Mesaha area, one located to the southwest and one to the north. The area demonstrates a basement depth of approximately four-kilometer and consists of Jurassic and Paleozoic sediments. Such sediments are considered as a prolific basins for hydrocarbon production in Algeria / Libya. Considering the preliminary and promising assessment of the survey data, Ibrahim expressed optimism for the current stages of exploration and development. During the current exploration phase Ganope has completed acquiring the aeromagnetic survey totaling 18.000 Km covering about 34.000 Km².

Geologist Ibrahim discussed the second exploratory phase of the project that will commence in September 2013 and continue though September 2016. The second phase of the project seeks to drill two exploratory wells in an effort to ascertain the developmental viability of the area. The minimum financial parameters of the second phase of the project are set at five million USD.

A Discussion with Geologist ***Abu Bakr Ibrahim*** *on development of the El Gilf El Kebir*

Mediterranean Fact

- During the past 10 years (from 2000 to 2010) there were 241 wells drilled, demonstrating the interest in the Mediterranean's drilling potential.
- The number of wells drilled in the Mediterranean Sea since 1968: 468. In addition to 9 wells currently being drilled.



Mediterranean Oil and Gas Signs Two Production Sharing Contracts for Malta Offshore Area

Mediterranean Oil & Gas (MOG) recently signed exploration contracts with Genel Energy to facilitate the acquisition of a 75% working interest in MOG's wholly owned subsidiary, Phoenicia Energy Company Limited.

This follows the government's decision to grant a one-year extension on the first exploration phase of the production-sharing contract for Malta Offshore Area 4. The extension will go to January 2014.

The Chief Executive of Mediterranean Oil and Gas, Bill Higgs said: "The signing of these two key contracts cements the relationship between MOG and Genel for the exploration of Area 4 in Malta and delivers on the Company's key objectives regarding its Malta license. We intend to start awarding drilling related contracts early in the New Year, including contracting of a drilling rig for the operations. We are excited to be leading this new phase of exploration activity offshore Malta."

MOG has an exploration license for Area 4 in Malta. The company's initial studies on seismic data the area may contain between 130 million and 200 million barrels of oil.

Mediterranean Statistics

Production/ Barrel

Equivalent Gas		
November-10	November-11	November-12
21067321	22790179	21708929

Liquefied Gas		
November-10	November-11	November-12
406146	471790	370311

Oil		
October-10	October-11	October-12
N/A	N/A	N/A

Condensate		
November-10	November-11	November-12
1308240	1341980	1221595

Mediterranean Rig Count 2012

Total	Percentage of Total Rigs
8	7 %

New Exploration Activities Offshore South Africa by ExxonMobil

ExxonMobil Exploration and Production South Africa Ltd recently signed an agreement with Impact Africa Ltd, a subsidiary of Impact Oil & Gas Ltd., which will give it a 75% stake in the Tugela South Exploration Right. ExxonMobil will also become the operator of the concession.

Stephen M. Greenlee, President of ExxonMobil Exploration Company said "We look forward to working with Impact and the South African government to explore for oil and gas in this new area for ExxonMobil. We believe South Africa has significant potential and we will continue to look for additional opportunities there."

Under the agreement, the company's affiliate also has the right to acquire 75% participating interests in future exploration rights in three offshore areas covered by technical cooperation permits currently held by Impact. These exploration rights and the affiliate's participating interest in them are subject to South African government approval.

The Tugela South Exploration Right covers approximately 2.8 million acres offshore Durban on the east coast of South Africa with water depths extending from the coastline to approximately 6,500 feet. The future exploration rights cover an additional 16 million acres offshore with water depths extending from the coastline to approximately 9,800 feet.

The ExxonMobil affiliate also has executed a technical cooperation permit with the South African government to study the hydrocarbon potential of the Deepwater Durban Basin covering approximately 12.4 million acres offshore Durban. Under the technical cooperation permit, ExxonMobil had the exclusive rights to study the area for one year. The ExxonMobil affiliate can apply to the South African government for an exploration right if it chooses to explore this area further.

AKE Launches a New Libyan Partnership

AKE Ltd. announced the launch of Global Skills Ltd, a partnership between AKE Ltd. and the Almegerab Family in Libya.

Claire Fleming, who heads AKE's office in Aberdeen commented that;"I believe that the formation of this partnership reaffirms AKE's commitment to the energy sector and Libya's reconstruction. There are many companies here in Aberdeen and other energy hubs that have an eye on Libya but remain tentative about working there. I believe that AKE's experience with the oil and gas sector and in challenging operational environments will not only aid companies in the mitigation of risk, but the mitigation of fear of operating there too. "

The range of services offered by Global Skills includes: medical, travel management and specialist training courses focusing on risk management consultancy, response, recovery and training. John Hutton, AKE's Regional Operations Manager for Libya highlighted that "Global Skills is ideally placed to provide support that complements both Libyan and international enterprises and corporations as Libya re-asserts itself as a key energy producer and seizes its opportunity for stability and prosperity."

AKE Ltd. has consistently proven that training and planning actually mitigate risk, increasing effectiveness of personnel, providing duty of care, commercial and competitive benefits and peace of mind in challenging operating environments globally.

Hutton is positive about Libya's future and commented that;"Libya is open for business and while there are challenges facing those looking to return or enter the Libyan market, these are far from insurmountable and a thorough understanding of the Libyan operating environment will, I am sure, alleviate fears and encourage market entry."

Two Dimensional Seismic Program in Madagascar by Caravel Energy

Australia's Caravel Energy has launched a 2D seismic program on its Behaza Oil Project (Block 3114) in Madagascar's Morondava oil basin. The Behaza Oil Project is located near multi-million barrel oil fields to the north and has potential for considerable benefits.

The Ambatry and Behaza leads are being tested in the current 288 km seismic program, with the Ambatry lead alone estimated to contain between 211.2 million barrels (P90) and 2.48 billion barrels (P10). The seismic program will be used to refine the structural interpretation over the leads in the block. The mobilization of equipment and materials for the seismic program has been successfully completed and a base camp has been established.

Caravel's independent technical experts have reported that Behaza has significant potential for the discovery of large light oil and gas accumulations. The first wells are scheduled for drilling in 2013 once Caravel has identified and assessed drilling targets. The two-dimensional survey is expected to take sixty days to complete.

International News

Cyprus's Develops its Offshore Exploratory Drilling

Cyprus announced progress concerning its second round of licensing for exploratory drilling aimed at exploiting offshore oil and gas deposits. In October drilling permits were approved for blocks 2, 3, 9, 11, block 10 was also added to the list. "Negotiations with applicants for blocks 2 and 3 have made significant progress while progress has been made in negotiations for block 11" said government spokesman Stefanos Stefanou.

Talks with preferred bidders for block 9 - Total ENP Activities and Novatek - have ceased. The cabinet will direct negotiations towards ENI SpA and Korea Gas. The Cypriot government is also negotiating a deal with the same Italian-South Korean partnership for blocks 2 and 3. France's Total SA is still in the running to exploit block 11 on its own and the government has also decided to negotiate directly for the adjacent block 10.

US firm Noble Energy Incorporated was awarded Block 12 and announced last year that it discovered gas reserves of up to 8 trillion cubic feet (226.5 billion cubic meters) at an estimated value of 100 billion Euros ($129 billion). This would satisfy domestic gas needs for decades. Media reports predict there could be greater riches, not only of gas but also of oil, in adjacent blocks. Cyprus hopes its booming energy sector will assist in pulling the country out of a recession as it seeks a European Union bailout.

Partnership between Anadarko and Colombia's Ecopetrol in two Caribbean Sea Blocks

Colombia's state-run oil firm Ecoeptrol SA will partner with Anadarko Petroleum Corporation in offshore exploration in two blocks in the Caribbean Sea. Ecopetrol considers the area strategically important to oil exploration.

The agreement signed on December 7th outlined that each company will have a 50% stake in each block, named Fuerte Norte and Fuerte Sur respectively. "The blocks are located in one of the key zones for the exploration strategy of Ecoeptrol," the company said.

Colombia has seen a boom in oil production over the last few years and is nearing one million barrels per day production mark, which the government has presented as a milestone for the industry. While production has surged, new reserves haven't kept pace with output growth, putting pressure on oil companies in the country to find new oil sources.

InterOil Completes a Successful Drillstem Test in Papua New Guinea

InterOil Corporation has successfully completed a drillstem test in the Antelope -3 well located in Petroleum Retention License 15 in Papua New Guinea. The test assessed natural gas and condensates with a maximum gas rate of 44.8 million cubic feet per day with a flowing tubing pressure of 2,331 psi.

The well produced 10.4 to 14.9 barrels of condensate per million cubic feet through a 64/64-inch choke. The analyzed gas composition is similar to Antelope-1 and Antelope-2, stated the operator. The company added that the downhole DST equipment and the surface separation package significantly limited the gas flow rate.

"InterOil is pleased to have encountered the reservoir higher than anticipated and to confirm continuity of highly productive reservoir at the Antelope-3 location," said Interoil General Manager of Exploration David Holland in a statement. "We are encouraged by the similarities to the Antelope-2 well with extended lateral development of this upper limestone unit."

The testing was conducted in order to confirm reservoir depth and continuity as well as provide samples for analysis in an effort to further assist in development and planning. Antelope-3 is located about .6 miles south of the Antelope-1 well and 1.6 miles north from Antelope-2

New Agreement to Enhance Collaboration on FLNG Projects between Shell and TSC

Shell and the Technip Samsung Consortium (TSC) have drafted a heads of agreement document in an effort to increase collaboration in the realms of engineering, procurement, construction as they relate floating liquefied natural gas (FLNG) projects. "The agreement builds on the existing relationship, formed in 2009, to ensure the parties can capitalize on collective insight concerning the design and construction of Shell's Prelude FLNG facility" Technip said in the statement. The collaboration aims to expand technological possibilities in the energy sector. "This heads of agreement will enable Samsung, together with partners, Shell and Technip, to further strengthen its reputation as a leader in the FLNG business with the successful completion of FLNG projects to come … I am confident that Samsung is ready to construct multiple FLNG's in its Geoje shipyard and is fully committed to achieving the highest quality and on-time delivery of Shell's FLNG facilities in accordance with the spirit of the partnership," Samsung Heavy Industries' President and CEO, Dae Young Park, said in the statement.

The landmark Prelude LNG project off Western Australia is the first of what Shell hopes to be many FLNG projects. Shell signed a global master agreement in July 2009 with TSC to design and build multiple Shell FLNG facilities over a period of fifteen years.

Technip noted that construction of Prelude is underway, the first steel-cutting was celebrated in October this year. Once operational in 2017, the facility will produce at least 5.3 million tonnes per annum (mtpa) of liquids (3.6 mtpa of LNG, 1.3 mtpa of condensate and 0.4 mtpa of LPG).

Douglas-Westwood's Associate Director Jason Waldie said in a natural gas conference in November that Asia Pacific is expected to dominate the FLNG market, with Australasia receiving a large sum of investment capital.

Douglas-Westwood estimated in 2010 that over $23 billion would be spent on FLNG development from 2010 to 2016. During this period, Australia is expected to dominate the FLNG market with $5.3 billion in projects, followed by Africa with $5.2 billion in projects and Asia with $4.7 billion in projects.

In addition to Shell numerous other companies seeking to develop liquefaction FLNG facilities include Flex LNG, Petrobras, SBM Offshore, Bluewater, Hoegh LNG, Excelerate Energy, ConocoPhillips and Sevan Marine. All the aforementioned companies are developing FLNG liquefaction design concepts.

Riyadh Refinery Shut for Maintenance by Saudi Aramco

Saudi Arabian Oil Company (Saudi Aramco) will shut its Riyadh refinery for maintenance in 2014 and stop producing gasoline and other light fuels at a similar facility in Jeddah. Saudi Aramco will close the processing plant in Riyadh for scheduled maintenance in April 2014 for approximately forty-five days. Aramco will modify the 124,000 barrel-a-day refinery to produce low-sulphur gasoline and diesel.

The company will reconfigure its 88,000 barrel-a-day Jeddah refinery by 2016 to maximize output of fuel oil and stop making light fuels. Aramco, the world's largest exporter of crude oil, plans to reduce the sulphur content in gasoline and diesel it processes in the kingdom. By 2016, the company's locally made gasoline and diesel will contain 10 parts per million of sulphur, down from about 1,000 and 500 parts, respectively.

Middle Eastern oil producers often import refined products because they lack domestic processing capacity. Aramco is building three refineries at Yanbu, Jazan and Jubail that together will add 1.2 million barrels a day in output. Exxon Mobil and Aramco are investing $2.5 billion to produce cleaner burning fuel at Yanbu in the Red Sea, the US-Saudi Arabian Business Council said.

Aramco also plans to modify Ras Tanura, its largest refinery in the country, to make clean fuels by 2016.

Saudi Arabia's First Major Solar Farm

Following the completion of the UN Conference on Climate Change in Qatar attention has been focused on how the oil and gas-rich Gulf States are responding to climate change. As such it is unsurprising that Saudi Arabia chose to announce the implementation of its major solar farm early next year as part of an ambitious plan to become the world's largest oil exporter of solar energy within twenty years.

Khalid al-Suliman, Vice President at the King Abdullah City for Atomic and Renewable Energy told the state-owned Saudi Press Agency that work on the country's first solar farm is poised to start as soon as the government signs off on his department's high profile renewable energy strategy.

He added the project was on track to begin feeding electricity into the grid by 2015 and will mark the first step on the government's path towards delivering 41GW of solar capacity by 2032. The agency hopes to achieve its goal for solar energy production through a combination of solar PV and solar thermal technologies.

Saudi Arabia announced this year that it is to become the latest Gulf state to adopt a wide-ranging solar strategy outlining plans to invest $109bn over the next twenty years in order to take advantage of its excellent solar resources and diversify its energy mix. Its stance echoes that of several countries in the region including Qatar, Abu Dhabi and Dubai all of which have recently unveiled new plans for accelerating investment in renewable energy. "Saudi Arabia's ambitious solar plans are one of the keystones for the wider success of the solar industry in the MENA region," says Nick Thomson, Exhibition Director of GulfSol 2013.

Development of World's Largest Offshore Wind Farm

The East Anglia Offshore Wind (EAOW) could become the world's largest offshore wind farm. A development proposal was recently submitted for review to the National Infrastructure Directorate.

With 325 turbines, the farm has the potential to power an estimated 770,000 homes. Swedish Utility company Vattenfall and Scottish Power are providing support to the project. Vattenfall and Scottish Power Renewables have been granted the rights to develop up to 7,200 MW (7.2 GW) of offshore wind power off the coast of East Anglia. Though 1,200 MW (1.2 GW) of wind is substantial and only a fraction of the potential wind. The area being considered for development is about 6,000 square kilometers, and is about 14 km off the coast of Norfolk and Suffolk.

"East Anglia ONE is a major project that could make a significant contribution to the UK's carbon reduction targets. The farm is larger than any offshore wind farm currently in operation," said Andy Paine program director for East Anglia Offshore Wind.

This area has a low population density as such resources could be diverted to larger cities. The area is also a tourist destination known for the best beaches in Britain and as such brings in significant revenue vital to the economy. Some argue that the project has the potential to hurt tourism as the project could spoil coastal views, but turbines can be located in areas with few coastal residents or visitors.

Renewable Energy

By EOG

At a pivotal juncture in Egypt's political and socioeconomic landscape Egypt Oil and Gas Newspaper obtained an exclusive interview with Abdullah Ghorab, former Minister of Petroleum to discuss the current and ongoing revision of international petroleum contacts or agreements.

What is your opinion on the current contractual agreement model?

It is quite well known that petroleum agreements operate based on the premise that a foreign investor enters into such investments with a reasonable threshold for financial risk. Long-term risks specifically, as there are inherent risks until the last barrel is produced. The Egyptian oil and natural gas industries operate and revolve around prospects, expectations and information. We always look to the foreign partner after research and exploration, never before.

Currently a drilling project is underway in the Mediterranean, this particular project has a total cost of over four hundred and fifty million dollars. At this juncture the foreign partner is the entity who takes all the risks while the government does not bear any. The government comes in after the initial development stage to help shoulder the risk. By establishing a joint venture company for production the government enters the arrangement post-agreement and then begins to bear some of the risks. Then the foreign company is entitled to recovering his expenses in the form of cost-recovery. This is stated in the agreement model. If no production is made, the investor does not recover his costs. This simply shows that the investor is taking the majority of the risks. It is also worth mentioning that the petroleum model for the investor is simply an economic project where he invests capital and, eventually, achieves a return. Therefore, the agreement model format applied in Egypt is the main concern of the government and not the investor.

In the past, Egypt has applied several different contractual models like tax royalty, participation and others. These models were convenient and perhaps more advantageous for the investor during that period. Then we applied the current production-sharing model. I believe this model has shown great success and more equability. The investor makes a marginal profit and recovers partial costs injected from production. As for Egypt, if we look at all the mature fields produced and developed in the past years, you'll find that the net profit reached eighty percent for Egypt after investor share and costs have been paid.

How do you see the future of the oil and gas sector in Egypt?

From my perspective Egypt's future is full of potential. Throughout the past fifty years we have produced from a variety of major areas such as the Gulf of Suez. This area is geographically limited but the amount of information gathered is substantial. In the future, higher quality information will decrease the amount of risk.

We have produced oil and gas from the Western Desert from near surface wells that produce an average of five hundred to one thousand barrels a day, as these hydrocarbon groups are small as this is the nature of this area. As for the deeper layers in the Western Desert, we started to find wells that produce five thousand to eight thousand barrels a day. These resources are six to seven kilometers from the surface. Of course, the deeper the drilling the higher the production cost, but also the return is much greater. Therefore I see a lot of future potential for development in the Western Desert.

As for the Mediterranean, today we drill wells approximately seventy to eighty kilometers from the Alexandria shore that contain an abundance of gas. The Red Sea is another example, exploration in this area is still very amateur, we only drilled two to three wells in this area while neighboring countries have drilled extensively and made considerable discoveries in the Red Sea. I feel this indicates potential. We should focus our energy in that locale in an effort to make our own discoveries.

As for the South Valley, we have made one discovery there. Again this indicates potential, perhaps the presence of resources. I can say there is a distinct possibility supported by increased investment in the area on behalf of international oil companies. These companies have begun to

An Interview with Abdullah Ghorab

A Complicated Agreement: A Discussion of Transparency, Subsidies and the Power of Pricing

drill a number of wells. I feel this is an indication that further information is warranted in an effort to develop more precise information concerning the resources in the area.

At this juncture, Egypt has produced primary and secondary recovery of hydrocarbons that are produced naturally or through the utilization of water and gas injection. Potential recovery of hydrocarbon is an unknown factor. I would estimate that we actually produce thirty five to fifty percent of what really is available in ground. Can we produce more? Yes we can. The reasons why we do not produce more can be summarized in the price.

Do you believe we will have an energy crisis in Egypt?

Shortage of energy supply simply does not mean the difference between what we produce and what we consume. From my point of view, the energy crisis is the inability to obtain access to energy. All countries will have an energy crisis at some point. Egypt doesn't have an energy crisis, it has a lack of liquidity as a result of subsidizing petroleum products to the domestic market and then buying the same petroleum products at a price approximately two-hundred percent above the subsidized price. I understand that the Egyptian people are a significant consideration. However questions remain, who and what should we be subsidizing, and until when? These are relevant questions. I support subsidies with conditions. We cannot subsidize petroleum products at an estimated cost of twenty billion pounds and sacrifice our long-term interests such as health, education, food and clothing.

This is rational thinking but what are the mechanisms?

If you have oil wealth, what is the ultimate goal or long-term benefit of this wealth? Spend it on development. Currently, we give away all the oil wealth without utilizing it for the sake of development. We cannot have cheap petroleum products and services and simultaneously employ strange financial mechanisms and regulations for the importation cars. It is hard to reconcile those points. There must be priorities and we must deal with things logically. We must help people understand very clearly that we will do such and such and have total transparency with the public. We have lost confidence in those who govern us, in those we have chosen by our own votes to rule us. We must give those that we have democratically elected an opportunity so that we can assess and judge based on their performance. In return the government must also use the principle of transparency and a detailed announcement of what they do. On the other hand – the subsidizing and support of gasoline has reached more than twenty billion pounds per year. We must deduct and invest a portion of this and strengthen our infrastructure. I don't want this investment revenue going straight to the general budget of the state. If Egypt had a plan for developing infrastructure and investing, not just for the foreseeable future, but long-term, the budget deficit could be mitigated.

We need to decrease expenditures, but we must look into increasing the added value of our GDP. The problem is our budget deficit comes from surplus spending. If we are not able to control the spending we must allocate money from subsidized petroleum products in the right place for the development of infrastructure such as public transportation. This is a crisis within a crisis suffered by the Ministry of Petroleum. During my tenure as Minister of Petroleum I was advised to avoid the subsidy issue as it might upset many people. However I could not dismiss a problem with such far-reaching consequences. Money must be allocated and distributed wisely and properly. Of course questions will arise concerning how Egypt got into this situation, what were the main reasons? Certainly corruption plays a role, but I do not agree with the logic that the problems Egypt is facing can be tied to a particular act, policy or political vision that was wrong. It is time to move forward and the government must use openness and transparency in opposition to previous policies that sought to please emotions and ignore harsh realities.

No one denies that your ministry is facing challenging times, as are all government entities in transitioning Egypt. How do we achieve transparency in policy and action?

Did the former regime provide tools access for print and media in an effort to help and inform the people about the actions of their government? No they did not, government policy has always been convoluted and vague. Looking toward the future, we must be patient and give an opportunity to the man we democratically elected as president. Concerning the usage of the petroleum products as a burning fuel? I feel that we need to find a balance between the current system and one more in line with our long-term interests for growth and development. We need to find this balance.

Can you elaborate on the amendments to the agreements? Based on your experience and knowledge what amendments would facilitate the sale of natural gas to the industrial zone at a free market price? Such measures would surely encourage investments in the Mediterranean zone.

To answer the first part of your question, my goal and conviction concerning the amendments to natural gas agreements revolved around simultaneously, producing and acquiring more natural gas to meet domestic consumption. Now, Egypt's production of natural gas is estimated at 6000 million cubic feet of gas and this number is not insignificant, although it is not enough, I want further development.

To address the second part of your question, we implemented alternative policies to allow our foreign partners to either export their share of gas to the international market or sell it in the domestic market. I feel that increased efficiency in this regard would surely resolve the issue of payment delays. Another element of the investment equation concerns Egypt's reserves and the public perception concerning natural gas. You need to understand that transparency concerning natural gas reserves significantly factors into potential investments. Transparency concerning this information, meaning the actual number of reserves would facilitate investment. Potential investors look at this number when contemplating investment plans. In the past, the government has demonstrated a lack of transparency concerning reserves. The government's hesitancy concerning this information relates to public perception. Meaning, some segments of the population do not understand why Egypt is importing natural gas, as we are a producer of natural gas. They do not understand the extent of domestic and industrial consumption. Naturally, in this politically charged environment this could be a problem as certain people could claim corruption, etc. The result is a lack of transparency on behalf of the government to avoid public misperception. This may be a factor that inhibits potential investment. It is a complicated dynamic as such, the government has a role to play, but cannot be held wholly accountable.

In regards to the Mediterranean, the current agreement model is unsustainable with rising technological and operational costs for exploring and developing resources. In the future if the government is financially stronger and capable of buying all the gas produced domestically, we shall do so. If not then the international oil companies should have the right to export their gas and sell it on the open market. If we are not able the purchase the resources they should be able to sell to local market or international market.

In regards to the Mediterranean, do you feel there is a dilemma concerning the price? If we are trying to encourage investments in the Mediterranean should price be based before or after discovery?

The main obstacle for developing Mediterranean resources concerns the cut-off percentage after costs. Concerning cost recovery, we need to agree on the cut-off percentage. Also the government's main goal should be securing a consistent supply of technology and developing infrastructure to secure these investments. In an environment where these elements are secure, meaning technology and infrastructure, attracting investments shouldn't be a problem. The price would be a small issue, not a major obstacle.

Can the following amendments made be applied to other area besides the Mediterranean?

These big companies have the financial and technical capability to withstand high risk

Fundamentally, foreign investors do not care about what the amendments are. The investors care first and foremost about the return on their investment. Most of the larger oil companies have the financial and technical capability to withstand the risk, and with out a doubt this is surly beneficial to Egypt. As a government we have a problem deciding on the price and that shouldn't be the case.

Why did you agree to be responsible for the Egyptian petroleum industry during this difficult period of transition?

I would have taken the position in better times, so why wouldn't I take it during a challenging time for my country? I honestly thought it would be a short-term appointment during a transitory period. I did not think it would last for as long as it did. I believe the petroleum industry is vital for Egypt's socioeconomic stability, as well as its growth and development. Considering the importance of the sector I felt responsible and obligated to take the position. I firmly believe that the petroleum industry is essentially about exploration and production. Considering my knowledge and familiarity with the upstream sector not to mention the industry's overall importance to Egyptian economy, I felt obligated to take the position. I also considered it an honor.

Do you see corruption in the petroleum industry, specifically the product distribution system?

Any commodity in the world sold for less than the market price would surely provide an opportunity for corruption. If you have distributors that are selling a commodity at a price that does not allow them to recover costs and simultaneously make a marginal profit, then you have designed a process and situation that will likely end in corruption.

I sincerely wish we could have resolved the issue during my time as Minister of Petroleum. I did submit a proposal to the Council of Ministers aimed at identifying and rectifying some of these issues, but it is an ongoing problem.

What advice can be directed to the current Minister of Petroleum Engineer Osama Kamal?

I would advise him to pay more attention to the petrochemical industry as growth and development in this sector can bring long-term and far-reaching benefits for Egypt.

"I would estimate that we actually produce thirty five to fifty percent of what really is available

A Brief Interview with John Evans, General Manager of Fugro

By EOG

Fugro SAE was established in 2004 as a subsidiary of Fugro Corporate. Fugro's specializes in the acquisition and synthesis of data. Their activities fall under the broad headings of geotechnical, survey and geosciences divisions. Fugro utilizes sophisticated technology and expertise to survey land, costal lines, and offshore as well as deep-water environments. Supplementary to surveying, data collection and analysis, Fugro also provides a variety of other services that facilitate infrastructural development and maintenance to ensure smooth transition amongst project phases of exploration, extraction, development and production. In this vein Fugro offers a wide variety of services to the oil and gas sector, the construction sector as well as the mining industry.

Egypt Oil and Gas Newspaper recently sat down with John Evans, General Manager of Fugro SAE to discus a variety of issues impacting Fugro's activities as a service company in the Egyptian Oil and Gas sector.

During this period of transition in Egypt what are the most common challenges facing Fugro SAE?

Liquidity is the biggest challenge facing the industry. Delayed payments from the government - estimated to be seven billion dollars - will negatively impact the sector as a whole. As a service company we are not directly affected. However, in the future delayed payments will impact big players in the industry, British Gas and BP for example. This will result in significantly delayed projects in the next year. The joint ventures working with the Egyptian companies are suffering and will suffer more in the future in 2013.

How does the political situation factor in?

I think people are very concerned about the political situation not only because of the unpaid and delayed payments but also due the absence of a plan or schedule concerning when these dues will be paid.

Are people in the industry facing anxiety concerning contractual responsibilities in Egypt?

I don't think it has reached that point yet. Payment is what is concerning. For example, we just started working with Gupco but we can see that their operations have been hindered by lack of payment. They aren't getting their money back as a result of cost recovery issues. Gupco's operations have also been limited due to an inability to obtain diesel fuel for the ships they operate. The payment issue will have an impact on every entity within the sector. Its cyclical, its an acute issue that trickles down and affects operations. Another example, it will be difficult to get new concession agreements approved because they must be approved by Parliament. At this point, I am not sure if Egypt will have one in time.

In researching the international petroleum contracts or agreements the bulk of content revolved around financial mechanisms, very little about environmental regulations. What kind of environmental regulations do you encounter in Egypt?

There is environmental regulation in Egypt. I don't know how strict you would describe it. All oil companies are required to conduct an environmental baseline survey before they start their activities in a concession; it is compulsory to do that. Several oil companies in the past have gotten into trouble by not doing it thoroughly. However if you are government company working in Egypt you don't have to adhere to the regulations as much as a foreign company working in Egypt. The foreign entities need to be squeaky clean in terms of environmental regulations and activities, whereas an old established company, a government company would be able to find ways around such requirements. I'm not saying the Egyptian companies would bypass these things it just wouldn't be such a high priority. The mentality applies to other realms as well, HSE, for example. As an international company we have pretty high standards of health and safety, however for certain domestic companies standards wouldn't be so high. There is a definite difference in working with a multinational company as opposed to an Egyptian company.

Furthermore, Fugro is about to be recognized by British Petroleum for health and safety performance, no incidents. We have worked with them for five or six years and just completed one hundred and forty days project in the West Nile Delta. No lost time, no incidents.

We've made continual development and improvement since we were established in 2004. We are accredited to ISO 14001 standards and we have environmental improvement programs which we run, but it can be difficult in the surrounding environment. If we want to dispose of our waste in a safe manner we have to find contractors to do that for us and its not always easy to find the right contractor. Our operating standards in Egypt are as high as they would be anywhere else in the world. We have been recognized by the Fugro group and received a Golden S.A.M Award (Safety Always Matters) an award for health and safety compliance given out amongst sixty or so Fugro subsidiaries.

What are your plans for the Mediterranean, a new bid round coming in?

The Mediterranean bid round is good for us in the long-term. I think that will be a good indication of the way the country is going. If there is a lot of interest from the foreign oil companies, that bodes well, a positive indicator. There is a lot of interest concerning how the Israeli – Cypriot border dispute will turn out. Generally, the Mediterranean is quite promising. British Petroleum has big plans for the area and British Gas needs to keep investing to get the gas flowing because Egypt is now short of gas. We see the area of the Mediterranean as quite promising, it's a deep-water environment. It's a good environment for us, a company with technological expertise and experience. It's a good environment to be working in to develop business and differentiate yourself from your competitors.

WHEN EXPERTISE COUNTS...

Fugro collects and interprets data related to the earth's surface and the soils and rocks beneath and provides advice, for purposes related to the oil and gas industry, the mining industry and the construction industry.
Fugro operates around the world at sea, on land and from the air, using professional, highly-specialised staff and advanced technologies and systems.
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Political Perplexity and Egypt's Oil and Gas Sector

An atmosphere of political perplexity has deepened in Egypt since the vote on constitution referendum, with many Egyptians rushing to take out cash from banks and hoarding hard currency savings at home. Egypt's Oil and Gas sector is not immune from the latest controversial political developments. Investors and local companies operating in the field are waiting to see if the transitional period will end any soon.

By Ethar Shalaby

The recent months of political turbulence have undermined Egypt's policy as it relates to the country's most significant economic sector. Now that President Mohamed Morsy has assumed his position one thing is apparently clear with regards to Egypt's gas sector. It is evident that domestic needs will take priority over exports. This comes as the decision to end gas supplies to Israel is confirmed. This will inevitably impact the pricing climate for international oil companies operating in Egypt's gas sector, potentially making it more of a struggle to secure internationally competitive rates when selling gas.

According to the latest 2012 report of research and markets concerning the Egyptian oil and gas sector, it is expected that Egyptian oil production will decline from 637,000 barrels per day (b/d) in 2012 to 578,500b/d in 2021. At the same time, consumption is expected to rise significantly from 814,000b/d to 1.09mn b/d over the same period, essentially quadrupling the cost of oil importation in Egypt.

The report adds that despite several proposals to increase capacity refineries are not keeping pace. With refining capacity set to remain flat, imports of refined products are set to rise from 83,000b/d in 2011 to over 370,000b/d by 2021. Gas production is expected to grow from 64.4bn cubic metres (bcm) to 86.5bcm in the 2012-2021 periods. However, consumption will rise at a faster pace, from 47.6bcm to 70.3bcm. It is also expected that gas exports will rise modestly in the period up to 2015 but then gradually fall to below 14bcm by the end of the forecast period.

The report states that the cessation of Egypt's gas sales agreement with Israel in April 2012 will end a significant portion of Egyptian exports. Though flows to Jordan, the main Arab Gas Pipeline customer will likely persist albeit at lower levels than compared to the period prior to the Arab Spring.

President Morsy is expected to offer much when it comes to the oil and gas sector in the country. "The Egyptian General Petroleum Corporation (EGPC) and the other state companies will continue to push their own licensing rounds, hoping that the political challenges will not ensnare investment in upstream hydrocarbons projects" reads the report.

National contracts with international oil companies (IOCs) are managed by the state hydrocarbon ministry and licenses also require legislative ratification before they can be approved. According to Revenue Watch Institute, despite these measures there is no requirement to publicize details of contracts while they are moving through the approval process. Contracts with IOCs are reached through open bidding as well as negotiated deals, the latter providing more opportunities for corruption.

Egypt does, however, publish NOC contracts and license. The interim Egyptian government has taken steps to review the oil and natural gas activities of the Mubarak regime. But the challenges are made worse by energy shortages, which bring further attention to the value of such energy contracts. Dissatisfaction over the terms of one controversial Israeli deal has led to multiple bombings of the natural gas pipeline between Israel and Jordan.

A report published jointly by Transparency International and the Revenue Watch Institute notes that of the major IOCs operating in Egypt, including BP, BG, Eni, INPEX, KPC, Lukoil and Petronas, none provide country-specific information on payments to governments for oil- and gas-related activities.

However, according to the 2012 British Petroleum Statistical Energy Survey, "Egypt had proved oil reserves of 4.3 billion barrels at the end of 2011, equivalent to 16 years of current production and 0.26 % of the world's reserves while the country produced an average of 735 thousand barrels of crude oil per day in 2011, 0.87% of the world and a change of 0.3 % compared to 2010."

It adds that Egypt has consumed an average of 709.46 thousand barrels a day of oil in 2011, 0.82% of the world and a change from 2010 of -7.16%.

The survey also reports that in 2011 "Egypt had proved natural gas reserves of 2.19 trillion cubic metres, 1.05% of the world and equivalent to 35.7 years of current production; had 2011 natural gas production of 61.26 billion cubic metres, a change of 0% versus 2010 and equivalent to 1.86% of the world total; and had 2011 natural gas consumption of 49.62 billion cubic metres, 1.53% of the world total."

Egypt's overall oil production has been declining more slowly than in the Gulf of Suez fields due to new output from independent producers like Apache and Seagull Energy at smaller fields, especially in the Western Desert and Upper Egypt.

Crude oil production in the Qarun block in southern Egypt reached around 60,000 bbl/d by early 2000, but has since fallen to 34,000 bbl/d. Apache and Seagull have developed the Beni Suef IX field in the East Beni Suef concession in Upper Egypt, which produces over 5,000 bbl/d.

"The field is said to contain around 100 million barrels of crude oil. Apache and Seagull also have developed the Wadi El-Sahl field in the South Hurghada block, which is producing around 20,000 bbl/d," reads the report. A joint venture between EGPC and Agip is producing about 40,000 bbl/d from an area in the Qattara Depression in the Western Desert, in the Meleiha and West Razzaq blocks. Khalda Petroleum, a joint venture between Apache and EGPC, produces around 50,000 bbl/d in the Western Desert in the Khalda and East Bahariyya areas.

Recent media reports state that Egypt has changed from a gas exporting to a gas importing country after a decision was made by the Petroleum Minister and has gone into effect on 17 December.

According to the ministerial order, " the Egyptian Natural Gas Holding Company would either import the gas itself from international markets or via contracting companies. The gas would be transferred via national networks with necessary approvals."

Petroleum expert Medhat Youssef told Al-Masry Al-Youm newspaper that the decision was "unprecedented," especially as Egypt would import gas from international companies in Qatar, not the Qatari government.

According to Al-Masry Al-Youm, the import price is expected to reach US$14 per 1 million thermal units, whereas the government sells gas to factories for no more than $4. The Egyptian government exports gas to Jordan at $5.50 per one million units, while Qatar exports it at more than $9, Youssef said, arguing that Egypt administers its petroleum supply poorly and should reconsider prices.

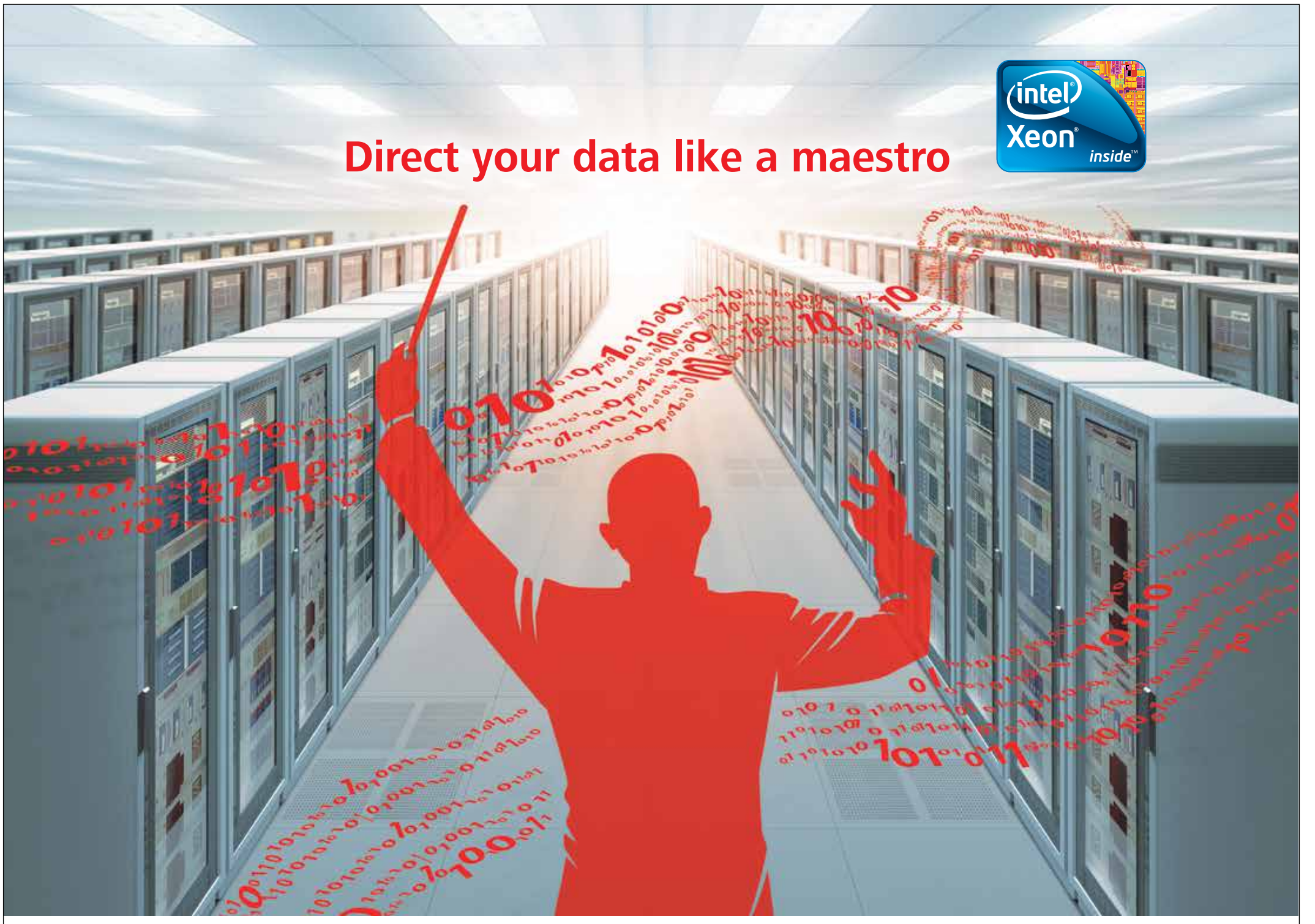
In his last interview on Egyptian TV, the Minister of Petroleum affirmed that the coming state will focus on gas. "Gas is the solution," the minister said. He repeatedly stated that the dire economic situation would soon fade away, especially after the new constitution is passed.

Importing gas at international prices would affect industries such as cement and fertilizer production.

Meanwhile, Hany Suleiman, former Petroleum Ministry deputy for gas affairs, also told Al-Masry Al-Youm newspaper that gas production in Egypt does not meet demands, referring to expectations that the deficit would reach 3.7 billion cubic feet by 2018.

It is expected that the daily consumption, according to Suleiman, will double by the fiscal year 2014/2015 reaching 25 million cubic feet, compared to around 12 million cubic feet in 2011/2012. Importing gas requires infrastructure and facilities that would cost around $600 million to develop.

Looking forward and in an effort to attract future investors Ganoub El Wadi Petroleum Holding company, which is an Egyptian state-owned energy company, is now offering 20 concessions for oil and gas exploration from December 30, 2012. The company said that the deadline for bids is May 30, where as the blocks are located in the Gulf of Suez, Eastern and Western Deserts and the Red Sea. The news might push one to think that, or hope, the next few months will induce more production and investment within the energy sector.



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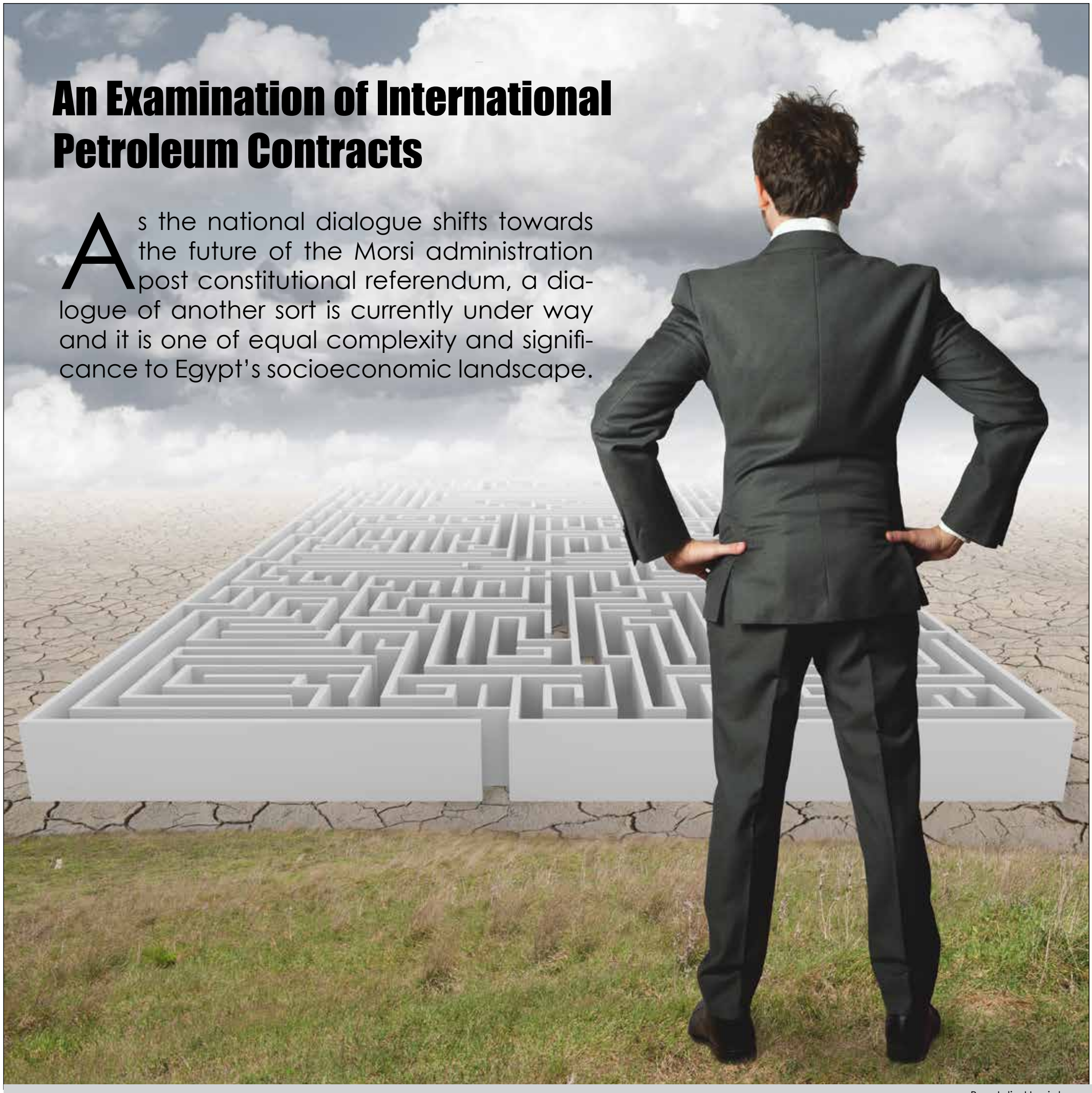
An Examination of International Petroleum Contracts

As the national dialogue shifts towards the future of the Morsi administration post constitutional referendum, a dialogue of another sort is currently under way and it is one of equal complexity and significance to Egypt's socioeconomic landscape.



By Julie Herrick

Contractual agreements that govern the nature and operations of the Egyptian oil and natural gas sectors are currently under revision. The agreements, or international petroleum contracts (IPC's), are made between foreign oil companies (FOC's) and the nationalized oil companies (NOC's) governing the oil and natural gas sectors (EGPC, EGAS and GANOPE) via the Egyptian Ministry of Petroleum. Naturally, IPC's contractually frame the financial nature and fiduciary dynamics of the Egyptian Petroleum sector.

The contractual revisions obviously come at a crucial stage in Egypt's political and economic landscape. Set against the backdrop of recurrent political instability and uncertainty, several flailing economic sectors, calls for subsidy reduction, and arrears estimated at seven billion dollars, the importance of the amendments cannot be understated.

In an effort to frame the current challenges facing the oil and natural gas sectors in Egypt, and in preparation for our upcoming Roundtable Discussion on January 16th , Egypt Oil and Gas Newspaper offers a comprehensive and longitudinal examination of the historical context, existing content, and future challenges for oil and gas agreements in Egypt.

Historical Context

International Petroleum Contracts (IPC's) are contractual mechanisms that govern the dynamic relationships between Foreign Oil Companies (FOC) and host countries (HC). Early examples of IPC's can be found in the 1948 Venezuelan contract which initially introduced the profit sharing principle and the 1950 agreement between Saudi Arabia and Aramco. By 1952 the product sharing principle was implemented in most oil producing countries. Iran served a notable exception and opted for a more radical approach by nationalizing its petroleum industry. The result was an international oil embargo, the demise of the Mossadegh government and the eventual reinstatement of the Shah. Aside from the longer term domestic political results of these events, the more general culmination of this process resulted in a spillover effect that drastically altered broader

relationships between FOC and HC's. Specifically, nationalist sentiments rose in oil producing countries accompanied by a very palpable resentment of foreign interference in domestic economic affairs. These formative events also highlighted the importance of petroleum revenue and the inherent complexity of forging agreements between foreign oil companies and host governments. The creation of OPEC in 1960 can be clearly contextualized as a reaction to this dynamic as well as a milestone event aimed at the reevaluation and adjustment of dynamics between FOC's and NOC's.

Broadly speaking the nature and content of IPC's has shifted based on the interplay of two factors: market fluctuation and political volatility in oil producing nations. For example, during periods of low production and high prices, 1979 and 1980 being prime examples, FOC's accepted less favourable contractual terms as competition was fierce and resources low. In the 1980's and 1990's, as a result of increased political risk in host countries with natural resources, numerous IOC's relocated investments to the industrialized world in an effort to secure increased political stability. Consequently, host countries revised the content of the IPC's in an effort to make investment attractive and feasible. After 2004, this trend was reversed as oil prices peaked and calls for alternative forms of energy increased. By chronologically examining the fluctuations in oil prices, it becomes clear that the relative negotiating power implicit in the formation of international petroleum contracts can shift depending on the abundance or scarcity of oil resources and well as the levels of political volatility in host countries.

Types of Agreements

In an effort to redefine relationships between HC's and FOC's, early forms of IPC's gave to way to increasingly complex and sophisticated contractual mechanisms. In an effort to understand the current contractual amendments so vital to Egypt's socioeconomic landscape, it is necessary to briefly explore existing forms of IPC's.

IPC's exist in several forms and involve varied applications most commonly resulting in a hybridized mode of construction. Content is protected but trends emerge. Four basic contractual models exist in the petroleum industry: concession agreements, service agreements, joint ventures and production sharing. While all forms have different merits depending upon the context, the primary distinction amongst the models concerns the degree of government control over resources, the level of involvement of FOC's, and the mechanics of compensation.

Concession agreements (CA's) were utilized in Kuwait, Sudan, Angola and Ecuador. This type of IPC was commonly used in the 1940's and 1950's. Under the concession model FOC's competitively bid for certain geographic areas utilizing signing bonuses and licensing fees as additional incentives. Concession agreements grant exclusive rights to contractors for specified amount of time. Contractors can then explore develop, sell, and export petroleum products discovered in the defined geographic area. In the event of discovery commercial production commences and HC's earns royalties based on quantity of production in addition to income tax on profits. In certain contexts, concession agreements are advantageous. These agreements are relatively straightforward and have been used in the past to compensate for a lack of legal and judicial infrastructure or a scarcity of the expertise required to draft more sophisticated contracts.

Distinct from other forms of international petroleum contracts or agreements, service contracts were developed in order to maximize national control over petroleum development and limit foreign investment. Investors operating under service contracts are solicited to accomplish very clearly defined tasks and rarely share in revenue or production. Service contracts are only feasible in HC's where governments have appropriate knowledge, infrastructure, and technology to access and extract natural resources in a commercially viable manner for production. When service contracts are utilized today, they fall into three categories: risk service, pure service and technical assistance.

Joint Ventures and Product Sharing Agreements comprise the contractual bulk of IPC's currently utilized in the Egyptian oil and gas sector. Egypt employs a hybrid model utilizing different contractual mechanisms at varying stages of exploration, development and production.

After rounds of bidding, Egyptian concession licenses are granted to FOC's for geographically defined areas of exploration. Signing bonuses and licensing fees may apply. If and when natural resources are discovered, a development lease is issued and a joint venture (JV) is formed between host countries and FOC's. The JV proceeds to prepare a development plan approved by the Ministry of Petroleum. At this juncture, the FOC operating under the umbrella of the joint venture is responsible for the operational and financial aspects of exploration and development.

Post discovery, a production – sharing agreement (PSA) is drafted between the FOC and the NOC that comprise the joint venture. PSA's are the most common contractual arrangement for petroleum exploration and development. Hybrid models are often employed in order to contend with country-specific issues that arise at varying stages of exploration, development, and production. The PSA model is often referred as the Indonesian model because in 1960 the Indonesian government was the first to implement product-sharing mechanisms for the petroleum sector. In addition to Egypt, PSA's have also been used in Malaysia, Libya, and Sudan. Under a PSA, quite simply, host countries retain sovereign ownership of natural resources, yet solicit operational, technical and financial assistance from FOC's.

The legal construct of a joint venture is malleable yet basic elements and trends emerge. S. Williston in A Treastise on the Law Contracts discusses the flexibility of joint ventures as a contractual tool and highlights several core elements typified in the petroleum sector. Central elements include the expectation of profit, mutual management of the enterprise, and the limitation of the partnership to a single undertaking or objective. This last element is important as it provides contractual parameters to contain risk. After a JV is formed, the FOC effectively acquires ownership of a specified part of production.

The Power of Pricing

The valuation of production revenue is an often-debated feature of IPC amendments. In theory, IPC's are drafted to balance risk and reward in consideration of a mutuality of interests. However, theory is not practice. FOC's desire swift recovery of costs and profit maximization, while HC's want to maximize the economic rent they receive for their natural resources.

Under a PSA, foreign oil companies bear the majority of risk as costs are not recouped if resources are not discovered. Under some production sharing agreements foreign oil companies may be required to pay royalties on gross production and, after royalties are paid, the FOC is entitled to a specific percentage of production revenue to recover costs. This is typically referred to as "cost recovery" or "cost oil". The remainder of production revenue or "profit oil" is split between the host government and the FOC. Percentage splits vary and are dependant on a variety of factors. Foreign oil companies are entitled to sell their share of production for cost recovery and production sharing… however, again, conditions often apply. PSA's may also specify that priority must be granted to satisfying the demands of the domestic market. As such, PSA's can stipulate the preferential sale of the foreign oil company's production share to nationalized oil companies at the negotiated price.

Pricing factors heavily into the readjustment of international petroleum contracts. The pricing of crude oil is formulaic and tied to numerous factors including immediate and actual supply / demand as well as the purveying market attitude toward futures. According to the Egyptian Ministry of Petroleum "cost recovery crude oil is valued jointly by the FOC and the NOC at the international market price for each calendar quarter as determined by a weighted average price realized jointly by the FOC or NOC (whichever is highest)." Also, according to the Ministry of Petroleum, the "value of cost recovery and production sharing natural gas disposed in the domestic market is based on a gas pricing formula that is a function of the price of Brent crude oil according to Platt's Oilgram Price Report." If recent years can tell us anything it is that "Black Swan" events, as well as speculative bubbles can dramatically impact these measures over a relatively short period of time.

Cost recovery also factors heavily into the revision and renegotiation of international petroleum contracts. Most production sharing agreements stipulate different time parameters for different expenses. Expenditures that fall under the heading of cost recovery are first priority in recouping costs. Subcategories exist within cost recovery. Operational expenses may be recovered in annum. Other expenditures over longer-term investments towards infrastructure and technology may offer longer time frames for repayment. However, problems often arise as a result of classification. Several industry insiders indicated that the accounting of expenses related to cost recovery were often disputed as their classification was questionable.

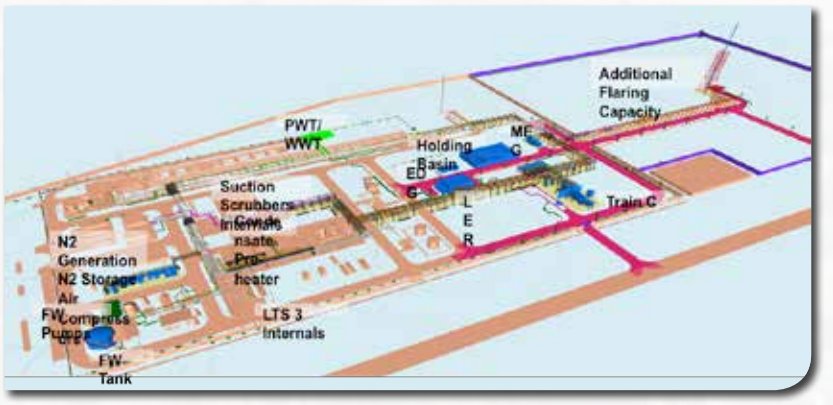
In addition to the problem of manufactured cost recovery, the pricing of natural gas has becoming an increasingly problematic issue related to IPC's contracts. The subsidization of gas by the Egyptian government to the domestic market (including the industrial sector) has created a scenario that has broad implications for the future of the sector. The Egyptian government is currently behind on payments to international oil companies stemming from a lack of liquidity. The delayed payments are the result of the government buying natural gas at international prices and selling the gas at artificially low levels representing large subsidies. Western media outlets report delayed payments in the range of four to seven billion dollars. While the delayed payments directly affect the bigger players in the industry, Dana Gas in particular, the peripheral impacting is starting to be felt. Numerous industry insiders expressed anxiety at the trickle-down impact of the arrears problem on medium to small operators as well as service companies in the downstream sectors. As rumors of suspended projects, cancelled orders, and a general decline in volume persists, it has become clear to numerous entities in the industry that delayed payments may swiftly surpass pricing as the number one issue within contractual renegotiations.

Conclusion

The revision of international petroleum contracts obviously comes at a precarious stage in Egypt's period of transition. The current instability has ostensibly demonstrated little impact upon investment in the Egyptian Oil and Gas sector. Petroleum Minister Osama Kamal recently stated to Al Arabiya Newspaper that investment in the Egyptian oil and gas sector witnessed a five percent increase for the period of 2012-2013 with total investment in the Egyptian petroleum and gas sector estimated at $86 billion. However questions remain concerning the sustainability of the industry's status quo. How long can the sector remain largely unaffected when broader socioeconomic and political issues factor directly into operational elements? The current round of contractual amendments and renegotiation will simultaneously contend with recurrent problems related to subsidies, pricing, and cost transparency while set against the backdrop of socioeconomic and political uncertainty. In short, even if instability continues to reign within the political sphere (or more obviously, on the street), some measure of predictability must be ensured as it concerns the broader political framework, the parliament, the constitution, the judiciary, and the broader business environment.

PhPC – WHX Project

By Eng. Tharwat Abou Shady - PhPC's Operations General Manager



Background

Pharonic Petroleum Company (PhPC) is a joint venture company established in Egypt between EGPC, BP and IEOC. PhPC currently operates three natural gas production fields located offshore the Egyptian sector of the Mediterranean Sea. The fields were coined as the Ha'py, Akhen and Taurt fields.

Production generated from the Ha'py and Taurt fields are exported separately to the onshore PhPC West Harbor Plant. Production generated from the Akhen field is exported to El Gamil Plant, which is operated by the joint venture company PETROBEL.

Ha'py started production in 2000 and has since produced up to 420 mmscf/d. Current production has declined to 290 mmscf/d. Taurt Field started production in 2008 and has since produced up to 270 mmscf/d.

Natural gas produced from the Ha'py and Taurt fields arrive onshore, with associated condensate and free water, via 30" and 20" pipeline and, after processing, the gas is directed to the national gas grid.

Declining reservoir pressure necessitated the reduction of the arrival pressure onshore in order to maintain target volumes. The current compression strategy predicts that a new HP compression stage will be required by 2013. Consequently, the West Harbor Expansion Project will deliver the necessary facilities to allow implementation of the HP compression system for both the Ha'py and Taurt fields.

WHX Objectives & Development Plan:

The WHX Project seeks to improve the reliability, availability and safety of WHX plants by updating existing facilities and systems in an effort to improve functionality, safety and efficiency. We strive to meet these goals while maintaining high quality processing and rates of production.

The primary objective of the West Harbour Expansion Project (WHX Project) is to develop the existing facilities to meet and exceed domestic demand via the following objectives:

HSE: No accidents - No harm to people - No damage to the Environment

Gas Delivery: Ensure that West Harbour Facilities can process, maintain and deliver the target production rates from the Ha'py and Taurt Fields at 585 MMSCFD.

CAPEX: Complete the project for capital investment not to exceed the Master Control Estimate approved by the REB partnership. Identify opportunities and make every effort to reduce the capital expenditure.

People: Develop skills and training amongst Egyptian staff and increase industry specific knowledge within the local sector.

Relationships: Develop and maintain mutually advantageous relations with BP and EGAS.

Project Scope: The scope of the WHX Project comprises a variety of upgrades to the existing plant in an effort to ensure that the West Harbour Facilities can process, maintain and deliver target production rates from the Ha'py and Taurt fields at a maximum of 585 MMSCFD and 728 MMSCFD respectively. This can be achieved by applying the following upgrades:

- The improvement of existing plant infrastructure, outdated pipe work and safety systems, which include fire and gas detection and protection.
- Installation of one additional HP compression unit, as well as associated facilities, utility upgrades and support systems.
- Implementation of new flaring system with increased height.
- Upgrade current electrical and control systems.
- Installation of new state-of-the-art fire prevention and detection.
- New and sophisticated waste water treatment policies and procedures.
- Update open and closed drain systems
- Additional Fuel Gas Start-up Facilities
- Additional Local Equipment Room and Emergency Diesel Generator
- Addition of new PWT/WWT Unit

Pharaonic Project Management System (PPMS)

Pharaonic Project Management System (PPMS) is utilized for the WHX Project as well as other initiatives and projects managed by the PhPC Projects & Engineering department. PPMS has been designed to support PhPC policies and HSE Management systems. These guidelines and procedures are made readily available to the project team for implementation. Additionally, the system has been designed to ensure:

- Sound management methods are in place reflecting best practices.
- Design and construction of facilities in accordance with relevant legislation.
- Specifications and requirements in accordance with applicable regulations.
- Sophisticated quality control and inspection systems.
- Operational and technical integrity confirmed to highest industry standard.
- Projects designed and implemented to increase value to the PhPC business.

WHX Standardization Strategy

Standardization will be achieved through continued relations with vendors who have previously supplied utility equipment to the West Harbour facility and who have continually demonstrated high levels of reliability and integrity. This includes companies such as DCS and Switchgear. Continuation of current vendor relations ensures not only standardisation, but also reliability, operability and scheduling.

Contracting Strategy

As a result of the criticality of the WHX project and in consideration of the good reputation of national contractors, PhPC stakeholders agreed that the preferred model for the WH contracts is to award ENPPI as an EPC contractor with experience in Egypt. Contracting will be undertaken in accordance with the PhPC PSCM policies and procedures. To minimize the level of administrative involvement and potential for cost growth, the contract will be negotiated directly with ENPPI / PhPC management in the form of a lump sum.

Project Challenges:

- *Execute more than 420 mechanical tie-in's*
- *Manage total plant shut down procedures*
- *Integrate existing DCS system with new system*
- *Working in a live plant*
- *Execute and test new complete U/G drain (close and open) system while plant is live.*

Arab Republic of Egypt

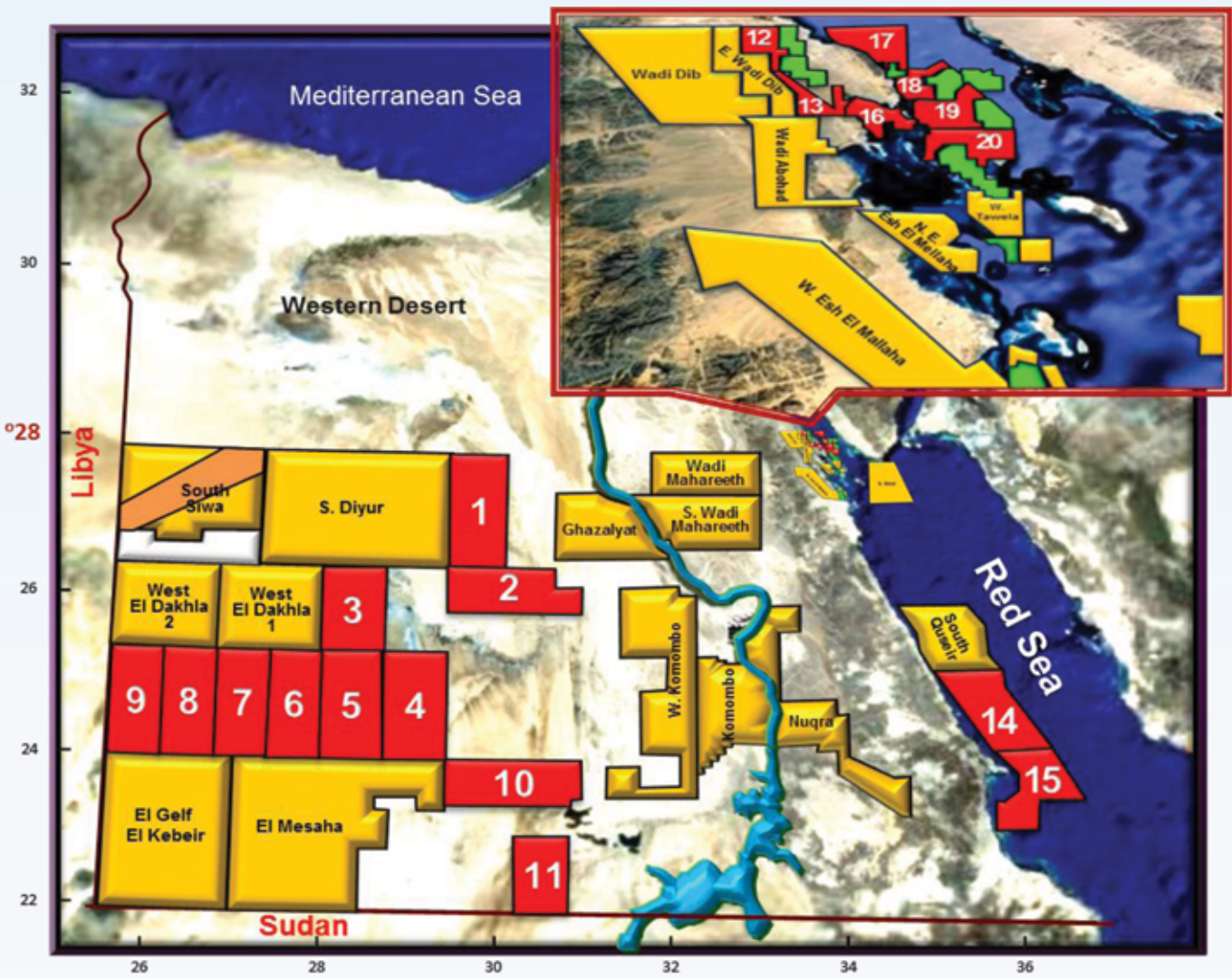
Ministry of Petroleum

Ganoub El Wadi Petroleum Holding Company

Announcement For

The International 2012 Bid Round # 1

Ganoub El Wadi Petroleum Holding Company (Ganope) invites the specialized oil and gas exploration, exploitation and production companies to participate in the international 2012 Bid Round # 1, which includes Twenty (20) exploration blocks in the Western Desert, Eastern Desert, Red Sea and the Gulf of Suez as shown in the map, and according to the Production sharing agreement model applied in the Arab Republic of Egypt.



Western Desert Blocks	Area
1. W. El Gazaliat-1	(10953 Km²)
2. E. El Dakhla-1	(10110 Km²)
3. El Dakhla-1	(9183 Km²)
4. S. El Dakhla-2	(11747 Km²)
5. S. El Dakhal-1	(11703 Km²)
6. N. El Mesaha-2	(9825 Km²)
7. N. El Mesaha-1	(9870 Km²)
8. N. El Owienat-2	(9719 Km²)
9. N. El Owienat-1	(10000 Km²)
10. S. Abu Tartur-1	(10471 Km²)
11. E. El Mesaha-4	(7143 Km²)
Eastern Desert Blocks	
12. Wadi Dara	(52 Km²)
13. S. Wadi Dara	(52 Km²)
Red Sea Blocks	
14. N. Marsa Alam	(7800 Km²)
15. Ras Banas	(6600 Km²)
Gulf of Suez Blocks	
16. Zeit Bay	(56 Km²)
17. E. Gable El Zeit	(69 Km²)
18. S. Ras El Ush	(34 Km²)
19. E. Zeit Bay	(93 Km²)
20. N. Geisum	(97 Km²)

Interested Companies can review the information and purchase the data packages related to the Bid Round blocks starting Sunday, December 30th, 2012 at Ganope Premises: El Nour Street from El Nozha Street, Nasr City, Cairo, Egypt P.O.B.: 3011 El Horria upon their prior request and according to the relevant stated fees.
Blocks Basic Data, Bid-Round procedures and conditions as well as Ganope's agreement model can also be obtained through Ganope website: www.Ganope.com

The closing data will be Thursday, May 30th, 2013 before 12:00 noon, Cairo local time

For more information, please contact:

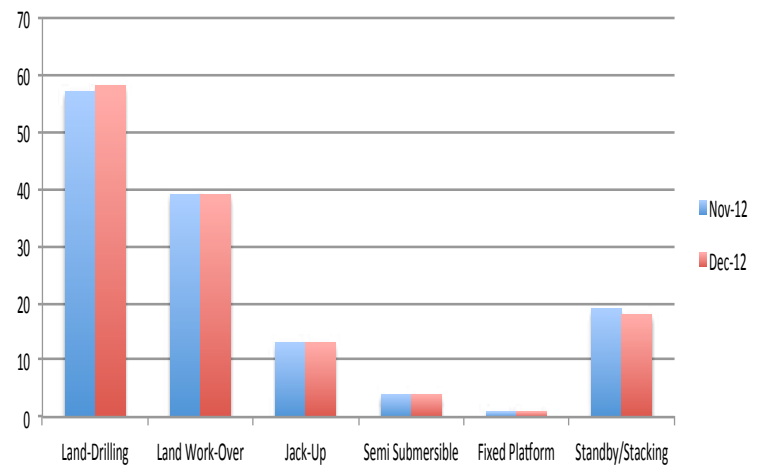
Ganope Vice Chairman for Agreements & Exploration
Tel.: +202 26910185 Fax: +202 26910184
E Mail: a.ibrahim@ganope.com

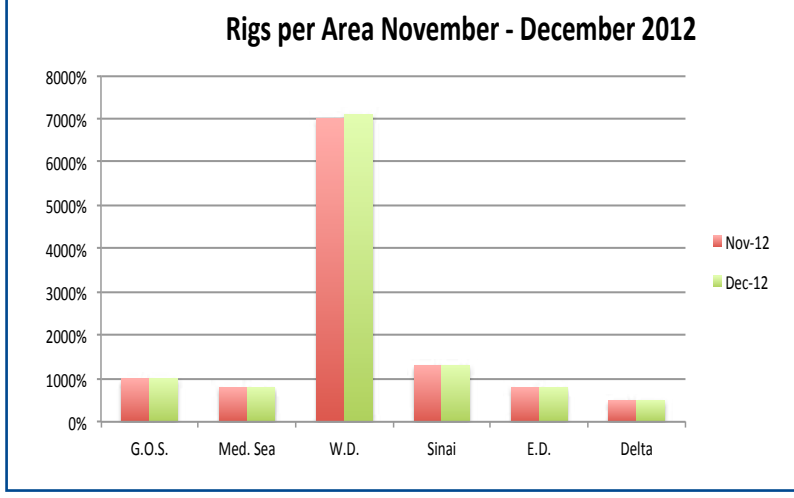
Egypt Statistics

EGYPT OIL&GAS RESEARCH & ANALYSIS

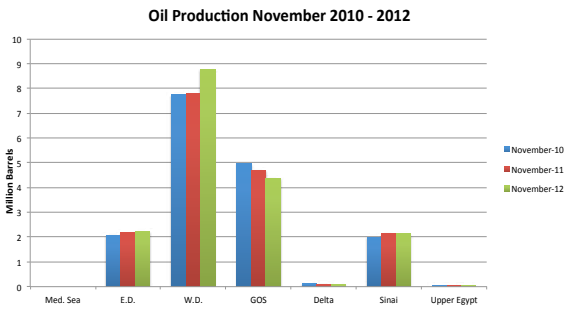
Table 1 Egypt Rig Count per Area December 2012

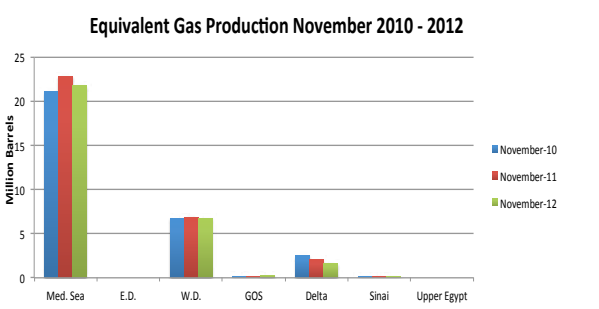
Area	RIG COUNT	Total	Percentage of Total Rigs
Gulf of Suez		10	9 %
Offshore	10		
Land			
Mediterranean Sea		8	7 %
Offshore	8		
Land			
Western Desert		71	62 %
Offshore			
Land	71		
Sinai		13	11 %
Offshore			
Land	13		
Eastern Desert		8	7 %
Offshore			
Land	8		
Delta		5	4 %
Offshore			
Land	5		
Total		115	100%

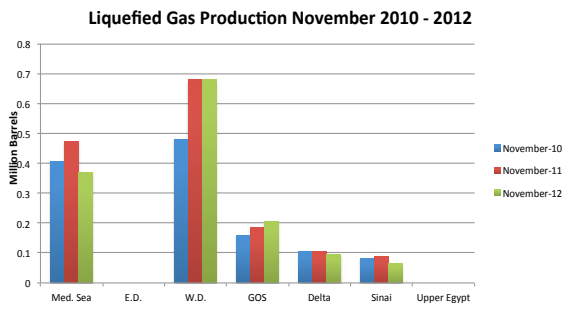


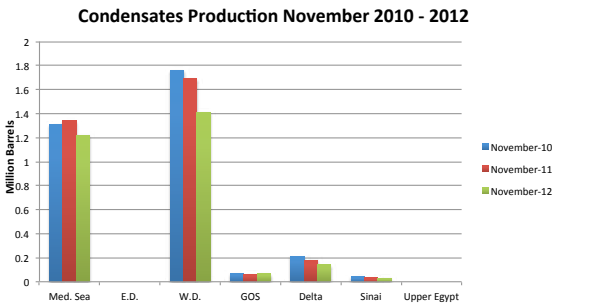


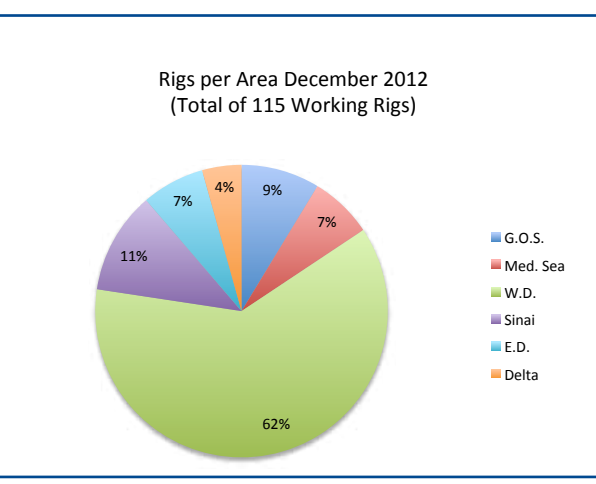
	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	Novem-ber-10	Novem-ber-11	Novem-ber-12	Novem-ber-10	Novem-ber-11	Novem-ber-12	Novem-ber-10	Novem-ber-11	Novem-ber-12	Novem-ber-10	Novem-ber-11	Novem-ber-12
Med. Sea				21067321	22790179	21708929	1308240	1341980	1221595	406146	471790	370311
E.D.	2055482	2193329	2238556									
W.D.	7735917	7784788	8745839	6686429	6783214	6661429	1760930	1689762	1412081	480542	681950	679507
GOS	4953677	4694289	4379301	172500	158750	311071	68690	62980	67551	157648	183791	204964
Delta	117357	97914	79870	2510714	2031429	1647500	210516	179995	140884	105492	104244	94652
Sinai	1988401	2132391	2139566	31786	3214	3929	39582	31279	29621	83065	88984	64154
Upper Egypt	16367	16052	18777									
Total	16867201	16918763	17601909	30468750	31766786	30332858	3387958	3305996	2871732	1232893	1530759	1413588

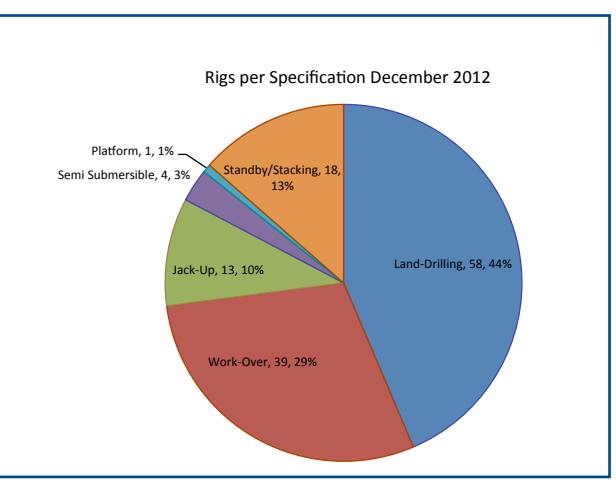


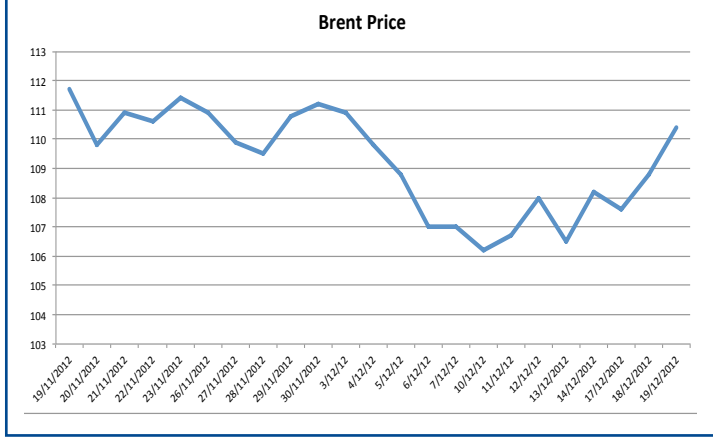


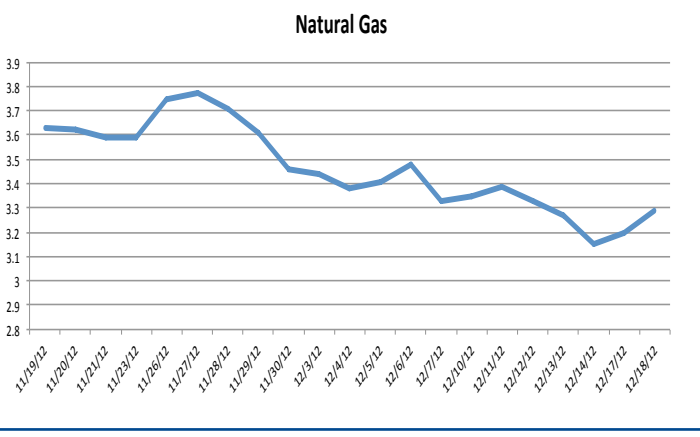


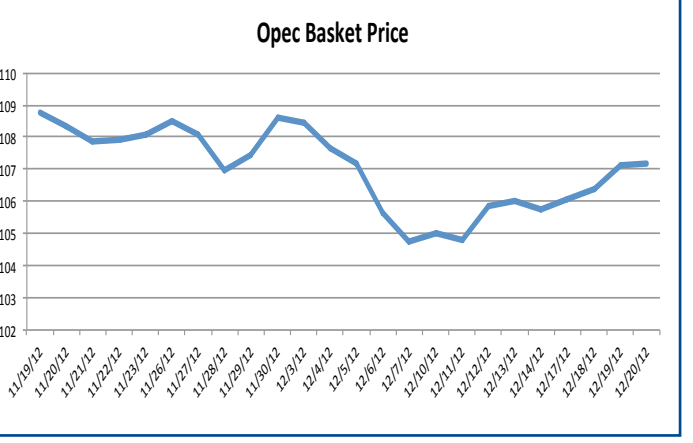












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Weatherford's Tactical Technology™ can better accommodate your service needs.

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Our ***Tactical Technology*** and services span the life cycle of a well: **Drilling** services make well construction safer, reduce nonproductive time and enhance reservoir deliverability. **Evaluation** services combine more conveyance options with industry-qualified measurements. **Completion** services offer systems engineered for all environments—from conventional to the most challenging. **Production** services maximize reservoir recovery with artificial lift, well optimization, and remote monitoring and control technologies. **Intervention** services remediate problems to extend well production life.

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