Egypt Oil & Gas Newspaper

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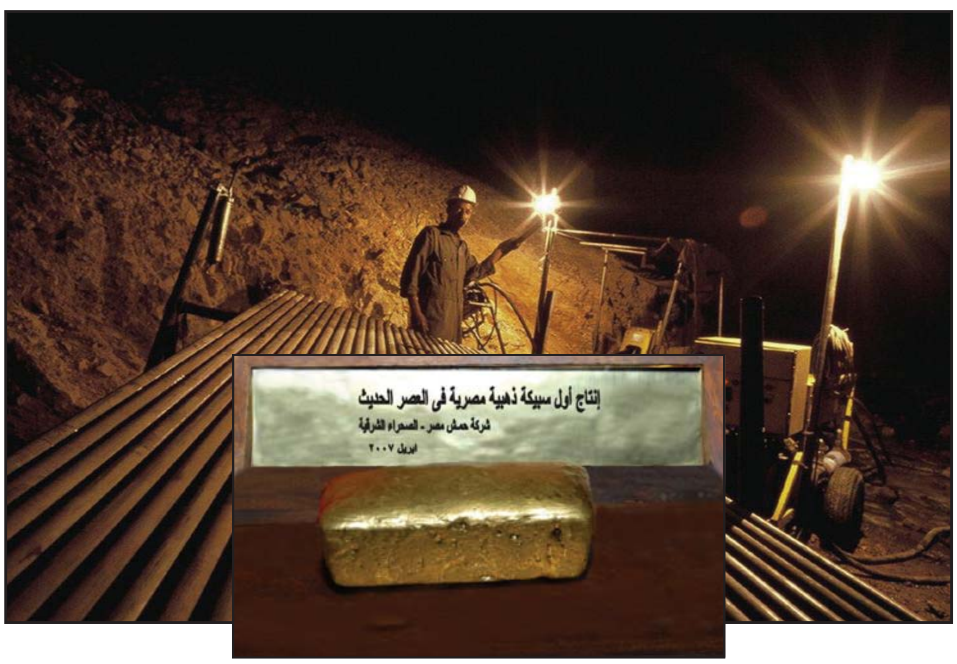
Opening the community chest for the best

By Yomna Bassiouni

Egypt is one of the pioneers in the Middle East to penetrate the oil and gas industry. The Middle East's first oil refinery was built in the Egyptian port city of Alexandria in 1911. Since then, the petroleum industry has almost covered every part of the country; but some territories were not ready for exploration yet, such as Upper Egypt. However, this is no longer the case as a national plan has been set to explore this area. Nevertheless, during this process we are faced with several questions related to the future of oil and gas projects. How will the Ministry of Petroleum and the Egyptian government solve the obstacles hindering the achievement of this national plan?

Continued on page 11

Entering the gold era



WITH a high purity degree of 99.99%, Egypt has achieved its first unprecedented step to invade the world of gold and revive its mining drive by announcing the production of the first experimental Egyptian gold bar in Egypt, after 50 years of hard work.

Dr. Hussien Hamoudah, Chairman of the Egyptian General Mineral Resources Authority (EMRA) clarified that the bar is produced by Hemsh Misr Company from its concession area in the Eastern Desert, which is located 100 km South-West Marsa Alam city.

Last January, Eng. Sameh Fahmy, Minister of Petroleum and the International Finance Corporation (IFC), the private arm of the World Bank group signed a memorandum of understanding (MoU) with the objective of reconstructing the Egyptian mining sector. Some officials predicted that this MoU is to generate more than $10 billion into the country.

New policy framework is expected to be finalized within one year, through which the old laws prohibiting foreign mining firms to exploit the reserves will be modified as the current local expertise are not enough to develop this important sector alone.

Currently, two Australian companies are operating in the Eastern Desert. The largest, Centamin, claims proven resources of more than 7.7 million ounces of gold, according to the *Daily Star*.

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Fostering investment, creating success

SIX months have already passed since we first started our newspaper. It's true that good times do fly and in Egypt Oil and Gas, we have experienced the best of times. Not only are we blessed with a work environment full of friends, rather than mere colleagues, we have established a healthy atmosphere where managers and employees collaborate together for the company's benefit.

We were present at Intergas this month, as we were keen to speak to our clients about their potential plans for the future, how *Egypt Oil and Gas Newspaper* can meet their needs and their comments regarding our newspaper. Most of the feedback we received was very supportive and impressive, encouraging us to improve our work and giving us ideas about topics you wish to know more about. We promise you that in our future issues you will find the improvements you have requested, as well as coverage of the topics you are interested in.

Following the Minister of Petroleum's visit to Upper Egypt and the decision to develop the area's oil and gas infrastructure, this issue investigates the country's oil and gas potentials there. Furthermore, our feature explores the German-Egyptian relations and how they mutually benefit each other, with a focus on three of the larger German companies in the sector, namely RWE Dea Egypt, Uhde, and Rurhpumpen.This month, we have had the pleasure of interviewing Mr Jean-Louis Chenel, Gaz De France General Manager, who spoke to us about the company's expectations and ambitions for the future. We also debut two of HSBC's most prominent oil and gas representatives who explain to us the bank's strategy in this field. This section is a look at the financial world or the oil and gas industry and what it can mean not just for the internal players, but also for the general public in terms of their energy consumption and needs.

Last but not least, our academic section this month tackles the important issue of securing jobs for the future generation and the efforts some companies in Egypt are exerting to prepare college graduates for their professional lives. Weatherford Egypt has established a new program that promises to train and prepare petroleum engineering students, initially from three Egyptian universities, for the challenges they will face following their graduation. *Egypt Oil and Gas* spoke to Mohamed Hemeda, General Manager of Weatherford Egypt, about the company's new initiative.

Finally, we thank our readers and remind you that your comments and suggestions are always welcome at info@egyptoil-gas.com.

Editor-in-Chief


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Egypt

Dana Gas: revenues rise to AED 202 million

Dana Gas, the Middle East's first private sector regional natural gas company, has achieved its first quarter of operating profits, with total revenues for the quarter ended 31st March 2007 rising to AED 202 million from 80 days of gas production operations, resulting in Gross Operating Profit of AED 105 million and Cash flow from Operations of AED 68 million, announced the company in a statement.

The first quarter of 2007 witnessed Dana Gas' completion of the $1.1 billion acquisition of Centurion Energy International in early January, establishing Dana Gas as the 6th largest gas producer in Egypt and launching the company into the exploration and production sector of the Middle East's natural gas industry. Dana Gas also built upon this position in April last month by signing important gas agreements with the Kurdistan Regional Government of Iraq.

The long-term assets of the company grew by nearly 100% from AED 4 billion to AED 7.8 billion during the first quarter of 2007, with total assets increasing 28% to AED 8.8 billion and shareholders equity rising to AED 6.84 billion. Net profit for the quarter stood at AED 21 million, after one-time transaction fees of approximately AED 20 million and non-cash depreciation charges, including those related to the Centurion acquisition.

"We are pleased with the first operating results of the company - in just over a year since its formation, Dana Gas has already established itself as an important regional player in the Middle East's rapidly growing natural gas industry," said Hamid Dhiya Jafar, Executive Chairman of Dana Gas.

"Last year was the foundation year for the company in which Dana Gas grew its organization, its international office network, and its business development activities in all areas of the gas sector across the region. This year, 2007, is a year of major investments and expansion of our operations in Egypt, Northern Iraq, the UAE, and elsewhere, in the exploration and production of gas, through its processing and transportation, to its marketing and utilization as a feedstock of value-adding industry. We look forward to continued future growth and expansion in the years ahead."

Dana Gas recently held its first Annual General Meeting (AGM) and Extraordinary General Meeting (EGM), where all the resolutions and recommendations were approved unanimously by the company's shareholders. The shareholders were presented with the Director's Report, which outlined the major milestones achieved by the company in its first year of establishment, and its growth into an international energy company with the services of over 300 professional staff, offices in Canada, the UK, Egypt, Saudi Arabia, and soon Iraq, and with business activities across the wider Middle East region, including North Africa and South Asia. (*Dana Gas Press Release*)

BG plans to spend $3 billion in more gas explorations

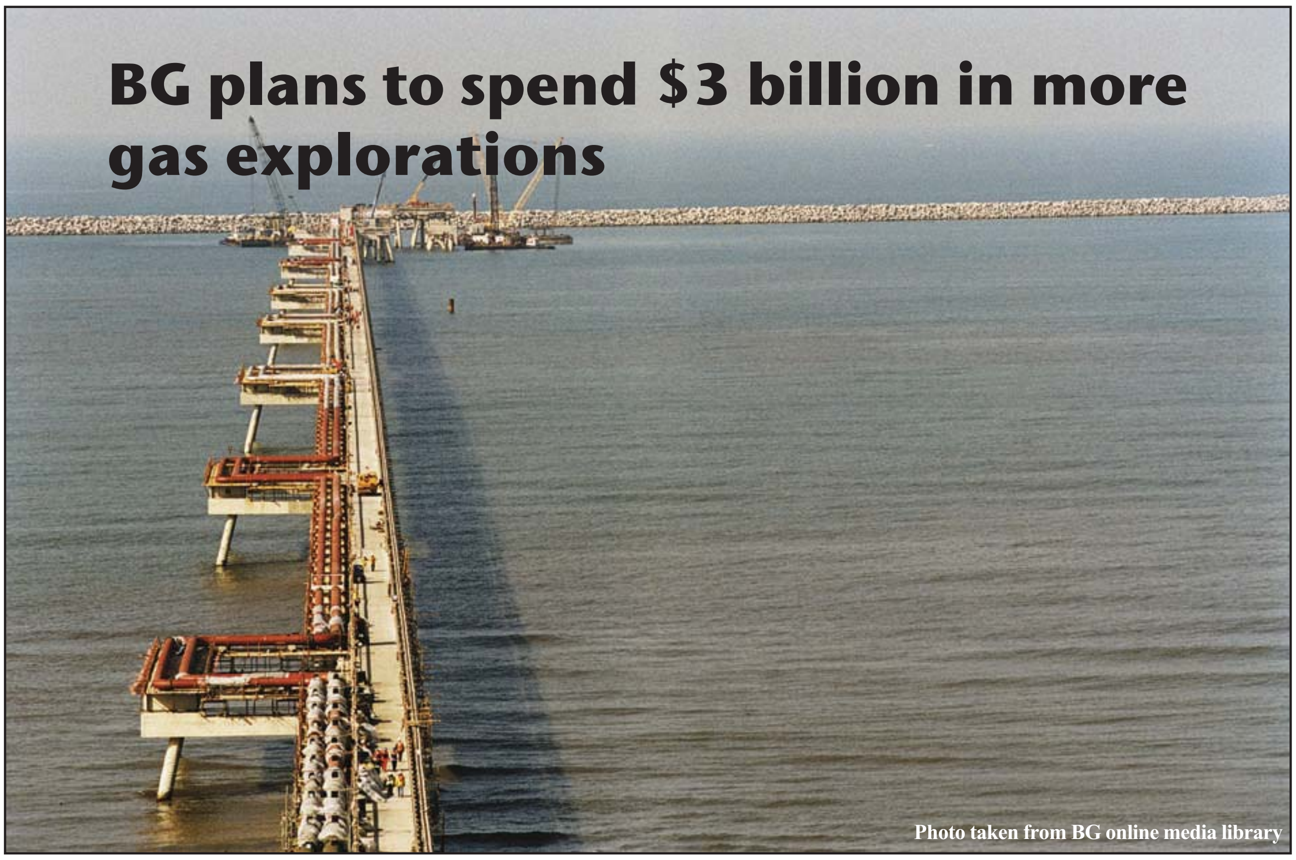


Photo taken from BG online media library

BG Egypt president, Ian Hewitt, announced that BG is planning to invest over $3 billion in its intensified gas exploration and production in Egypt over the next three to four years.

Speaking at the Intergas IV Conference, held in Cairo, on "The Role of International Operators in Egypt's Hydrocarbon Sector," Hewitt explained how Egypt has built a successful model based upon international risk capital of IOC's with benefits shared equitably. In a true win-win situation, Egypt has built a successful economy while the IOC's have built profitable business.

Hewitt outlined the benefits of gas development in Egypt notably; building one of the most sustainable, diverse and fast-paced energy markets in the world; using gas an industrial feedstock fuelling economic growth; offering environmental gains, industrial diversity, regional cooperation and new trading opportunities and relationships with the rest of the world.

Hewitt addressed several key issues to attract international risk capital and to retain competitiveness in an international marketplace, particularly in the face of escalating prices. He spoke about revising domestic gas prices, gradual elimination of subsidies, the streamlining of procedures in addition to managing energy consumption.

"These simple steps will reduce the burden on the economy and maximize Egypt's revenues, without sacrificing the hard won record of sustainable development that has made Egypt a model of success for the wider region," said Hewitt.

(BG Press Release)

Eni to invest $12 billion over the coming five years

Italian Eni Co. revealed its intentions to invest $12 billion in Egypt's natural gas industry during the next five years, said the Egyptian Ministry of Petroleum in a statement.

Eni also intends to access an extra 180 million barrels of oil reserves in its Balayem onshore field in the Gulf of Suez during the next 12 years through the use of advanced extraction techniques. This extracted oil is worth approximately $9 billion, of which the Egyptian state's share would be about $6 billion, according to the signed agreements.

The announcements came during the meeting held between the Egyptian Minister of Petroleum Sameh Fahmy and Antonio Fila, Eni Vice President for North Africa and the Middle East region, and Enrico Cingolani, General Manager and Managing Director of the Italian IEOC in Egypt to discuss the company's strategy and development plans in the country.

Eni is a partner in a liquefied natural gas plant in Damietta and currently plans to expand the plant's capacity to approximately 14 billion cubic meters per year.

The Italian corporation has also approved financing and implementing an experimental project to produce heavy oil, which will lead to the increase of the Egyptian oil reserves and production, besides increasing its economic value.

(*MoP*)

QAPCO inaugurates regional warehouse in Egypt

Qatar Petrochemical Company (QAPCO) has officially opened its regional warehouse in Al-Adabia, Egypt which signals the second presence of the Qatari firm as its liaison office was opened in 2002 by HE Abdullah bin Hamad Al-Atiyah, Deputy Prime Minister and Minister of Energy and Industry.

QAPCO aims, behind opening liaison offices and regional warehouses all over the world, at real existence in the world strategic markets, where it can get closer to its customers, knowing their needs and thus working to meet them, discuss with them any anticipated problems and in the end offering better services.

Commenting on the new inauguration, the company said in a statement that such a step would help the company better understand the requirements of the Egyptian market, gaining new customers and keeping up its leading position, as a pioneering producer and exporter of Low Density Polyethylene (LDPE) in the world.

QAPCO has previously established offices in China (Hong Kong, Shanghai, and Beijing), India (Mumbai, Delhi, and Chennai), Egypt (Cairo) and a regional warehouse in Syria (Damascus), the UAE (Dubai) Lebanon (Beirut) and in Taiwan (Taipei). Two other offices were officially opened in Pakistan (Karachi and Lahore) as well.

Eng. Mohamed Yousef Al-Mulla, QAPCO's new GM, indicated that this decision of opening liaison offices and regional houses all over the world were a result of a precise reading of all changes and a true translation of the policy adopted by QAPCO's Board of Directors.

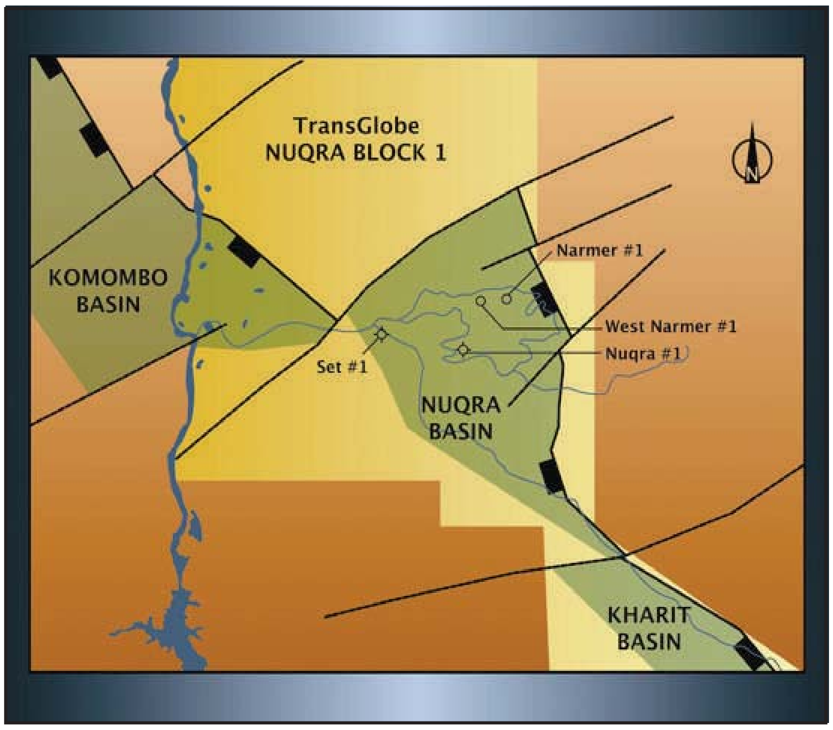
"We believe that these offices and warehouses could save time and shorten the distances, and thus create a direct relationship with our customers, and consequently we would be able to better meet their requirements and expectations," added Al-Mulla.

(*Rigzone, QAPCO Press Release*)

Transglobe Energy announces well results at Narmer #1

Transglobe Energy has announced its updates concerning its drilling activities at the Nuqra Block 1, in which it owns 50% working interest. The Narmer #1 exploration well was drilled to a total measured depth of 2,701 meters (8,860 feet) and subsequently plugged and abandoned. Strong hydrocarbon shows were encountered in the Cretaceous sands from 380 to 840 meters (1,250 to 2,750 feet); however, the log analysis indicated the reservoir sands were water-bearing. No hydrocarbon shows were encountered in the Jurassic sands.

Narmer #1 was targeting Jurassic sands and was not optimally located for a Cretaceous target. The hydrocarbon shows and well logs indicate the presence of a 460 meter (1,500 foot) interval of mature source rocks in the Cretaceous section of the Nuqra basin. The identification of mature source rocks, at this shallow depth, reduces the risk and the cost of future exploration drilling. Narmer #1 has confirmed that hydrocarbons are being generated in this under-explored basin. The seismic data will be remapped to attempt to identify Cretaceous targets for a possible future drilling program.



Map taken from Transglobe Energy

The contingent well proposed for West Narmer #1 will not be drilled as it was targeting a Jurassic prospect similar to the Narmer #1 well. The drilling rig was released on May 11 to the operator of the adjacent exploration block located west of the Nile. The Narmer #1 well was the second of a two-well commitment targeting Cretaceous and Jurassic prospects in the Nuqra/Kom Ombo rift basin located near Aswan, Egypt. The current exploration period expires on July 17, 2009 and may be extended to July 17, 2012 with an exploration commitment of two wells.

TransGlobe Energy is an oil and gas producer with proved reserves and production operations in the Republic of Yemen and in Alberta, Canada. Transglobe has an active exploration and development program planned for 2007 in The Republic of Yemen, the Arab Republic of Egypt and in Canada. The Company owns working interests in more than 6.6 million acres across their operating regions. In 2006, the Company set new records for total proved reserves and annual production.
(*Transglobe Press Release*)

Velosi wins contracts in Egypt and Nigeria

Velosi Limited has been awarded a two-year contract, with an option to extend a further year, with Gulf of Suez Petroleum Company to service BP in Egypt and also an interim contract by Shell Petroleum Development Company of Nigeria Ltd., announced the company.

Wining the Egyptian contract marks the first time Velosi will act as a full service provider in the country, providing inspection, maintenance, risk assessment, spare parts control and training combined in one contract.

Concerning the Nigerian agreement, Shell Nigeria awarded Velosi a six-month contract in March 2007. According to the terms of agreements, Velosi will deliver quality control and inspection services to Shell Nigeria. The contract commenced in April 2007 as an interim solution while Shell Nigeria awaits approval from the Nigerian National Petroleum Corporation for a longer-term contract, which may or may not be awarded to Velosi.

“We have significantly expanded our relationship with Shell since the beginning of the year with the award of two contracts in Europe and in Nigeria, demonstrating Shell's confidence in our ability to deliver cost effective solutions on a global basis. The contract with Shell is also a valuable extension to our client base in our growing Nigerian operations,” said Nabil Abdul Jalil, Chief Executive of Velosi. “The contract in Egypt further endorses Velosi's strategy to increase its global presence and to provide the increasing range of services offered by the Group in new markets.”

The Velosi Group, founded in 1982, provides asset integrity and HSE services to a number of leading national and multinational oil and gas companies. The Velosi Group operates globally through four principal offices in the USA, the UK, Malaysia and the UAE and has operational or representative offices in a further 27 countries worldwide.
(*Velosi Press Release*)

SUMED: LE 1.2 billion Egyptian revenue from petroleum transportation

The Arab Petroleum Pipeline Co. (SUMED) recorded exceptional figures in its net profit which counted for LE 1.2 billion and the quantity of crude oil shipped last year.

The announcements came during the company’s general assembly, attended by the Egyptian Minister of Petroleum Sameh Fahmy. SUMED, 50% owned by Egypt and the remaining share owned by Saudi Arabia, Kuwait, United Arab Emirates and Qatar, marked its highest revenue rate on its head count since its establishment, totaling to 50%.

Mustapha Gomaa, SUMED Chairman, clarified that the company is classified as one of the leading corporations in the international petroleum transportation field especially after the inauguration of 320 km-pipelines linking Al-Ain Al-Sokhna Port in the Gulf of Suez to Sidi Kerir Port in the Mediterranean Sea to transport crude oil. The quantity of shipped crude oil in 2006 counted for nearly 113 million tons, which represents the highest quantity rate since 1999. Also, it makes up around 96% of the total company's maximum transport capacity, which is 117 million tons.

Fahmy referred to the success achieved by SUMED to shed the light on the vitality of supporting the mutual Arab cooperation in the petroleum field is one the main strategic goals being considered as one of the main economic sector.

The cooperation and coordination between SUMED and the Suez Canal resulted in boosting the revenues for both; 98% of the exports of Arab Gulf to Europe and the United States passed through Egypt first, said Gomaa.

Focusing on SUMED, the total company’s revenue during 2006 counted for approximately $397 million, which represents the highest rate SUMED has ever achieved since its establishment. As for the net profit, it was about $200.5 million.
(Al-Ahram)

Indian ONGC plans to buy 33% stake in Shell’s Egyptian block

Indian state-run explorer Oil and Natural Gas Corp is firming up a proposal to buy up to 33% in an Egyptian deepwater gas block from operator Royal Dutch Shell.

“Talks are at an advanced stage. Very soon a high-level government panel will take a decision whether to allow ONGC to go ahead with the offer or not,” said a source involved in the planned deal.

Shell’s North East Mediterranean Deepwater block is not being opened to bidding, and no swap arrangement between the two firms is involved, said an industry source.

According to a US Department of Energy website, Shell has announced the block, in which it holds 84%, has probable reserves of 15 trillion cubic feet. The block holds initial in-place reserves of more than 1 tcf with “sizeable upside”, said the industry source.

It is worth mentioning Petronas, Malaysian state oil and gas company owns the remaining 16% in the deepwater concession, which was awarded in 1999.
(*The Economic Times*)

Egyptian contract leads WTR to "significant international growth"

Aberdeen-based WTR has won a two year contract the Gulf of Suez Petroleum Company (GUPCO), which signifies the rapid expansion of WTR into the fast growing Egyptian market, said WTR in statement.

WTR provides engineered composite pipe repair services to the oil and gas industry, as well as water, defense, power and other industrial sectors.

This contract will result in the need for larger premises and warehouse space in Egypt, as well as 6 new appointments in the region, added the statement.

GUPCO, a joint venture owned in equal shares by BP and EGPC, is responsible for oil and gas production in the areas of Gulf of Suez, the Western Desert and the Nile Delta. The scope of work covered in the contract between GUPCO and WTR is for supply of materials and the installation of cold repair for leak fixation in the Gulf of Suez, Western Desert, Port Said, Dashour and Ras Bakr.

John 'Tiny' Langler, WTR chairman said, "this contract win gives recognition to the significant investment WTR has made, updating our current business processes to ensure we work to the highest industry standards. BP is pushing forward these standards in Egypt with the help of companies like WTR."

WTR has developed some of the most advanced composite products in its field - the range coming under the trademark name Technowrap, is a cost-effective, engineered composite solution for pipeline and pipe-work repairs

"WTR achieved a world first at the end of 2006, by being the only Oil and Gas Service Company, both in the UK and internationally, to achieve BSI IMR and Lloyd's Register Type Approval for a composite pipe repair system. These accreditations give third-party re-assurance that all applicable legislation and international standards are being complied with and allows WTR to offer an outstanding level of service that is unrivalled globally," said Graham Birnie, managing director of WTR.

(*WTR Press Release*)

Fahmy: new initiative to bolster Euro-Mediterranean cooperation

From left:EU President's envoy Andrea Cannito and Egypt's Minister of Petroleum Sameh Fahmy

Eng. Sameh Fahmy, Egyptian Minister of Petroleum and Andrea Cannito, the European Union President's envoy discussed the work program of bolstering cooperation of the Mediterranean Basin states, comprising Italy, France, Portugal, Spain, Egypt, Libya, Algeria, Tunisia, and Morocco, through an economic perspective achieving the targeted interest of all parties.

Fahmy highlighted that there is an initiative to establish a group of the Mediterranean Union states (G9) similar to the European Union's. Fahmy and Cannito believe that this initiation carries the target of bolstering the Euro-Mediterranean partnership and attracting the investments, availing the required funding for the infrastructure, securing energy supplies along with speeding up the preparation of the joint projects' plans and executive studies in this field.

Also, a plan to establish a leading committee compromising leading experts from the G9 has been tackled by the two sides as well. The target behind this committee lies in being able to lead and make changes that enable the group to achieve success from an economic perspective and bolster the exchange of technical expertise.

From his side, Cannito added that the issue of world level trained technical cadres shortage has been discussed in the meeting, pointing out that the Arab states of the Mediterranean Basin, participating in this group is qualified to play a role in contributing to the provision of specialized cadres.

(*MoP*)

Rally Energy achieves first oil production from West Issaran

Photo taken from Rally Energy website

Rally Energy Corp. announced its drilling activity in West Issaran-1 resulted in having a "new dual zone heavy oil discovery" on a separate structure, located approximately three kilometers from the existing Issaran Field.

The presence of another reservoir that can be developed by thermal recovery methods has been proven through the conduction of Petrophysical analysis of the Upper Dolomite. As for the lower one, it was significantly fractured providing the potential for this zone to produce conventionally.

Rally has announced placing the zone of Lower Dolomite on production and is currently generating an average rate of 150 barrels of oil per day (bpd).

The Calgary-based company is to continue its discovery development plan at the West Issaran through a drilling program of offset Lower Dolomite development wells, combined with two delineation wells that will evaluate the aerial extent of the Upper and Lower Dolomite accumulations and evaluate the ultimate reserves potential from thermal and conventional methods in this area.

In Egypt, Rally has a 100% operating interest in the Issaran oilfield, a significant heavy oil development opportunity with strong growth potential. In Pakistan, the Corporation holds a 30% interest in the Safed Koh Block, where it is participating in the development of a large natural.

(*Rigzone*)

International

Color for all in BP

Xerox upgrades the printing system of BP

XEROX

Xerox is continuing to work with BP to provide state-of-the-art office devices, and customized solutions and services. Phase I of the cooperation with BP involved the installation of 20 of the latest multifunction devices and color scanners. The two companies recently initiated phase II of their cooperation aimed at providing each employee with the capacity to print, copy, and scan in color.

Like any multinational company, BP is made up of specialized departments, each with different printing needs. Within BP, the printing requirements ranged from A5 booklets with true color to powerpoint print outs and financial reports. BP needed a printing system designed to handle all these needs with optimum efficiency without sacrificing the quality they needed to perform technical analysis, such as printing satellite photos with a high level of detail and accuracy to enable them to identify the type of soil, see the different layers of earth, and detect the existence of petrol. But it needed a system that was versatile enough to meet the requirements of many users on the network, as well as easy to use.

The key component of phase II is the installation of Xerox WorkCentre 7245 multifunction devices. The WorkCentre 7245 has the capacity to print, scan, fax, email and copy on oversize paper, delivering business efficiency and higher levels of productivity to people who work in offices. The company will benefit from the device's advanced toner technology resulting in high quality print detail and reduced waste. BP employees will appreciate the large, colorful and easy-to-use graphic interface. Because of the rated speed, page-volume capacity, superior color and productivity, the new Xerox MFDs support in-house use and can print jobs that otherwise would be sent to a commercial copy shop. Printing at A3 size, they offer the versatility to produce folded booklets and finished products to a highly professional standard.

The other vital component of phase II is the introduction of the Xerox Scan System, which includes the color scanner Synergix. Synergix is the only scanner on the market that can be networked through AccXES Controller, and has the capability to scan, print, and copy wide-format documents such as engineering charts. Xerox Scan System provides flexibility, and high scanning speed at 6 meters per minute. It is easy to upgrade and can support additional functions on demand, such as monochrome or color scanning, or be upgraded to a complete integrated system for imaging and printing.

Xerox focuses on serving the petroleum sector as one of the country's vital industries. Under a managed services agreement with BP, Xerox is responsible for tracking, maintaining and managing all devices in all the company's departments to guarantee efficient productivity and high availability.

Aramco and Dow to build a $20 billion plant in Saudi Arabia

State oil giant Saudi Aramco and US firm Dow Chemical signed a memorandum of understanding to build a huge petrochemical plant in Saudi Arabia representing the largest foreign investment in Saudi Arabia's energy sector, announced Aramco in a statement.

The final negotiation phase is expected to take place in order to set up a joint venture company responsible for the implementation and operation of the plant. Although Aramco did not state the total value of this investment, industry sources said the plant would have an investment cost of at least $20 billion.

This chemicals and plastics production complex will be located near an oil refinery complex and gas treatment facility at Ras Tanura, Saudi's main oil terminal, in the northeastern area of Saudi Arabia, added the statement.

The two companies plan to float a 30% stake in Ras Tanura and raise the rest through debt, Aramco's President Abdallah Jumah told reporters.

The joint petrochemical plant, scheduled to start operating in 2012-2013, is expected to produce 4.5 million tones of basic chemicals and 7 million tones per year of derivative plastic and chemical products, said Jumah.

The investment is Dow's largest in the region and its biggest joint venture, said Chief Executive Andrew Liveris.

"We have other investments in the Middle East... but nothing rivals the scale, size and breadth of this project. (It is) the largest proposed joint venture in our 110-year history."

(*Middle East News & Khaleej Times*)

OMV hits new oil discoveries in Libya

OMV Aktiengesellschaft, the leading oil and gas group in Central Europe, achieved two oil discoveries characterized by high quality oil in Block NC 200 in the Murzuq Basin, 1,000 km south of the Libyan capital Tripoli.

The first discovery at well E1-NC 200 tested 589 barrels per day (bbl/d), the second discovery was encountered by well G1-NC 200. The well flowed 334 bbl/d. These are the first discoveries of commercial quantities of oil in this contract area. Appraisal of the discoveries is under way. The giant El Shararah oil field and Block NC 186, where already seven discoveries have been made in the recent years, are less than 100 km away.

Helmut Langanger, OMV Executive Board member responsible for Exploration and Production stated, "I am very pleased with these new discoveries. It confirms the potential of this exploration area and further strengthens our position in Libya which is the most important country of our Northern African E&P core region."

Block NC 200 forms part of a package of exploration blocks including NC 201 and 202 (offshore), NC 199 (Cyrenaica) and NC 203 and NC 204 (Kufra Basin) which has been awarded to Repsol and OMV in June 2003. OMV holds a 14% interest in this package. The other partners are the National Oil Corporation of Libya (65%) and Repsol as operator (21%).

OMV owns a balanced international E&P portfolio in 20 countries organized around six core regions, namely the Danube and Adriatic region, Northern Africa, Northwestern Europe, the Middle East, Australia/New Zealand and Russia/Caspian. OMV's daily production volume is approximately 324,000 boe/d, and the company's reserves are approximately 1.3 bn boe.

(*OMV Press Release*)

Naimi aims at boosting Saudi NG reserves


Saudi Petroleum Minister Ali Naimi

Saudi Minister of Petroleum Ali Naimi expressed the intentions of Saudi Arabia to step up exploration in order to bolster the country natural gas reserves by 40% throughout the coming 10 years and meet the domestic demand.

Saudi Arabia holds the world's fourth largest natural gas reserves at 252 tcf, Naimi said. However, it faces a rising demand for natural gas from its rapidly growing population and new petrochemical and industrial projects.

"We are planning to add in the next 10 years 100 trillion cubic feet to our current reserves of gas," *Reuters* quoted Naimi as telling a conference on economic development in Riyadh.

International firms have been given the chance to operate in the gas fields of the Kingdom since it plans to drill 186 exploration wells for gas and 332 development wells by 2012.

Naimi highlighted that "domestic gas sales were expected to rise by 40% through 2012 from the current level of around 7 billion cubic feet per day."

(*Upstream Online*)

China announces the largest oil discovery over decades

China National Petroleum Corporation (CNPC) announced finding the largest oilfield discovery in the country over four decades, with a reserve of one billion tons, situated in Bohai Bay.

The oilfield lies in the Nanpu block of the CNPC's Jidong Oilfield in Caofeidian in Tangshan City, north China's Hebei Province, said the company.

The Nanpu block, partly offshore, covers an area of 1,300-1,500 square kilometers and is expected to produce light crude.

According to the Chinese Ministry of Commerce, the country's oil dependency, or net oil imports against oil consumption, went up 4.1 percentage points to 47% in 2006. Last year, China produced 183.68 million tons of crude oil, reflected an increase of 1.7%, and imported 138.84 million tons, up 16.9%. Its oil consumption (crude plus oil products) amounted to 346.55 million tons, scoring an increase of 9.3%. It is predicted that China's crude oil imports will reach 160 million tons.

It is worth mentioning that CNPC had discovered five onshore oil fields in 2004 in the Jidong area with a total reserve of 735 million barrels and an annual output of 7.35 million barrels.

The company previously estimated that the reserve of the new oilfield was 2.2 billion barrels and the daily output would be 200,800 barrels in three years.

PetroChina, the CNPC's holding company, boasted Asia's highest profitability last year with 18.5 billion U.S. dollars in annual net profit.

(*AP Petromin*)

Germany: The "Hidden Champions" of the Global Market

Plant supplied by Uhde for Qatar Vinyl Company in Qatar. Source: Thyssenkrupp website

A look at German investment in the Egyptian oil and gas sector reveals a tale of global encouragement for Egypt and untapped opportunities for Germany

By Diana Elassy

THE European market presents immense opportunities for Egypt at large and for the oil and gas sector in specific. While Italy, France, and Spain have ceased the prospects of the sector, with Eni, Gaz de France and SEGAS's gas liquefying factory in Damietta, respectively, many see Germany as lingering in the "middle field" of the sector. However, recently the country has expanded its presence in the sector. Germany as one of the mightier elements of the EU illustrates a good example of what cooperation can mean for the future.

Egypt and the EU at Large

On March 27, 2007, the International Cooperation Committee at the American Chamber of Commerce hosted H.E. Dr. Klaus-Dieter Ebermann, Head of Delegation of the European Commission to Egypt, at a talk entitled "Egypt-European Union: neighborhood in motion." Dr. Ebermann discussed the European Neighborhood Policy (ENP) and the EU-Egypt Joint Action Plan.

The talk essentially revolved around two current realities: first, that the EU now constitutes the world's largest consumer market and second, that Egypt is one of the faster growing markets of the world as has been noted by the Economic Reform Forum, which placed Egypt among the top reformers of investment climate and business environment. With these two realities in mind it is only natural that a means of cooperation mediate between the two: enter the Joint Action Plan.

The EU will be providing Egypt with a ¤558 million package of assistance for 2007-2010 based on the Joint Action Plan which was adopted at the 3rd EU-Egypt Association Council in Brussels on March 6, 2007. Part B of the Section 2.3. entitled "Transport, energy and environment" in the Plan discusses cooperation between Egypt and the EU on the long term energy strategy in relation to the EU's energy policy objectives.

In specific, part B discusses the strengthening of institutions and financing, the free exchange of information, cooperation on electricity and gas markets, development of energy pricing methodologies, cooperation on the development of an oil and gas Regulatory Agency, the restructuring of the sector in order to converge with the principles of the EU internal electricity and gas markets and the development of a regional Gas Master Plan in order to assist in the transportation of gas between the EU and Egypt.

German Prospects in Egypt

One of the forces of the EU that are currently present in the oil and gas sector in Egypt is Germany. In 2003 some of the members of the German-Arab Chamber of Industry and Commerce (GACIC) held a meeting under the title "Future of Petroleum and Gas Industry in Egypt." The meeting addressed the need for German companies to pursue further investment in the flourishing sector. At that time, it was calculated that direct German investments in the oil sector reached $ 2.6 billion. Since the meeting German companies have bolstered their presence in the sector.

On February 3, 2007 GACIC organized an Egyptian-German Business Talk, this time however, it revolved less on the needs on the German market and more on the needs of the Egyptian market. It was noted that Egyptian energy consumption would soon surpass production. Solutions to this dilemma were three fold, first to increase imports; second, to focus on renewable energy; and third, to develop nuclear energy. It was mentioned that Siemens will invest one billion Euros in this sector. One of the more important revelations made at the talk, was that Germany is seen by many, in terms of Foreign Direct Investment (FDI) in Egypt as remaining in the "middle field" where potential is present for additional investment.

Nonetheless, while Germany presents opportunities for Egypt in terms of investment and transfer of knowledge, Egypt presents for Germany a means of sustainable energy through natural gas more than petroleum. Currently, Germany does not have domestic terminals for the transportation of natural gas, but with the rising demand for energy consumption, the country will have to begin thinking of building the necessary structures or of alternatives means of getting its energy.

In an interview with GASWINNER, the monthly magazine of WinGas Deustschland, Hilmar Rempel, deputy head of the energy raw materials unit at the Federal German Institute for Geosciences and Raw Materials, stated that while Germany "at the moment [has] no facilities for landing LNG…if the financing was right and approvals were given, then terminals and tanks could be in place in one to two years." Rempel continued to state that since German companies are active in Egypt, among other areas that "both delivery types, transport per pipeline and LNG, could be used" there.

It would seem, based on the above information, that Germany has a ways to go before claiming victory of future security in terms of energy. Nevertheless, conferences and interviews can, at times, be far removed from reality and German economic tactics can be deceiving in the short term, and quite effective in the long term.

German Investment in Egypt

On June 6, 2006 the Deutsches Weltbank-Forum in Hamburg featured Dr. Matthias Mitscherlich, Chairman of North Africa Middle East Initiative of German Business (NMI) and Chairman of the Board of MAN Ferrostaal AG, as its keynote speaker. The discussion was entitled "Germany and the Middle East – The Perspective of German Business." In his speech, Dr. Mitscherlich responded to the claims that German businesses were not ceasing the opportunities presented by the Middle East by explaining that the German economy is unlike any other.

Dr. Mitscherlich states that "the backbone of the German economy is formed by what we in German call the “Mittelstand”, small- to medium-sized companies, often family-owned and managed. Because of this, the management and financial capacities of these companies are limited. They apply more caution to avoid problems which might cost them their independence or even existence. Nevertheless, these companies have also successfully internationalised in the last decade, especially into the new markets in Eastern Europe and Asia.

“A number of them are so-called “hidden champions” of the global market. There is no reason why the “Mittelstand” should not invest in the MENA region, if the region can present conditions which support these companies in their expansion.”

While the Mittelstand have yet to fully embrace the energy prospect that is Egypt, there is undoubtedly a German aura in Egypt’s oil and gas sector. Not all are Mittelstand, but some carry the characteristics of the “hidden champions.” The Egyptian investment environment is also transitioning, and this transition into a more hospital atmosphere will assuredly attract the cautious Mittelstand.

Nevertheless, at the moment there are three German companies in specific that have left their mark on the Egyptian oil and gas sector and remain a beckon of hope of what Germany can bring to Egypt, but also of what Egypt can bring to Germany and the EU at large. These companies are RWE Dea, Uhde, and Ruhrpumpen.

RWE Dea Egypt

An RWE Dea Egypt land rig while drilling in the West El Tayifah area.

RWE Dea, a member of the major German energy group RWE, has more than a hundred years of experience in its pocket and can hardly be described as a Mittelstand. The company began its operations in Egypt in1974 as an exploration and production company.

RWE Dea currently has five concessions. The concessions are operated by the Suez Oil Company (SUCO) a joint-venture between the Egyptian General Petroleum Corporation (EGPC) and RWE Dea. In the years that RWE Dea have operated in Egypt, they, along with their partners have invested more than US$ 3 billion and their concessions have produced more than 580 million barrels of oil.

The four concessions are: North Idku offshore concession, Asyout Upper Egypt concession, Disouq concession, North El Amriya (NEA), and Tanta. RWE Dea holds 100% interest in the latter four concessions and 70% interest in the former North Idku concession. North Idku has had four discoveries which tested for gas and condensate, while Asyout, Disouq, NEA, and Tanta are still undergoing evaluation.

RWE Dea also has stakes as a non-operator in a number of onshore and offshore concessions. The onshore concessions include East Kalasha with IEOC as operator and 25% interest for RWE Dea, East Yidma with INA as operator and 50% interest for RWE Dea, West Med onshore with Apache as operator and 35% interest for RWE Dea, and East Delta with IEOC as operator and 25/45.5% interest for RWE Dea. As for offshore concessions, these include North Alex with BP as operator

The Social Side of German investment: A School in the Abu Rawash area renovated by RWE Dea Egypt in the frame of their social activties achieved in 2006.

and 40% interest for RWE Dea, West Med Deep Water with BP as operator and 20% interest for RWE Dea, and West Med offshore with Apache as operator and 35% interest for RWE Dea.

RWE Dea operations in Egypt do not only amount to direct investment in the country but also employment opportunities for the country. In total, the company along with its joint venture, SUCO, employs 1,254 Egyptian nationals and 35 expatriates.

Also, keeping in the spirit of the previously mention Joint Action Plan, Section 2.1.3. entitled “Social Development” to be precise, which endeavors to combat illiteracy and achieve education for all in Egypt, RWE Dea has sponsored several schools in Greater Cairo area through Corporate Social Responsibility program. In 2006, RWE Dea extended its efforts to 13 schools in informal communities in Greater Cairo. It ranged from improving basic school facilities such as chalkboards and desks, to total building renovation in co-operation with the GTZ (Deutsche Gesellschaft fur Technische Zusammenarbeit / German Technical Corporation) as the implementation organization. As a result, RWE Dea spent approximately half a million EGP in 2006 and will continue to spend at least the same amount in future.

Uhde

Uhde is a company which specializes in a full range of services involved in the construction of industrial plants. The company’s activities focus on the engineering and construction of chemical and other industrial plants in the following fields: fertilizers, electrolysis, gas technologies, oil, coal and residue gasification, refining technologies, organic intermediates, polymers and synthetic fibres, and also coke plant and high-pressure technologies.

The company was founded by Friedrich Uhde at Böavinghausen in 1921. Uhde is a good example of a Mittelstand, which has internationalized. From a small operation, Uhde today is responsible for 2,000 plants and is considered one of the world’s leading engineering companies in the design and construction of chemical, refining and other industrial plants.

In the beginning of 2007 Uhde was commissioned with the task of building a turnkey petrochemical complex in Port Said. The complex will consist of a propylene plant and a polypropylene plant with respective annual production capacities of 350,000 tonnes as well as all appurtenant utilities and off-sites, including an air fractionation and refrigerating unit, and the required storage tanks.

The Egyptian Propylene & Polypropylene Company (EPPC) requested Uhde for the task. The contract between EPPC and Uhde was signed at the end of 2006 and officiated by Ahmed Nazif, the Egyptian Prime Minister and Sameh Fahmy, the Egyptian Minister of Petroleum.

For Uhde this complex marks a breakthrough for the company’s propane dehydrogenation technology because it will be the first time that their patented STAR process® will be used for the commercial-scale production. The process will be used to dehydrogenate propane to propylene and/or butane to butylenes.

For Egypt, the complex will be used to produce a wide range of high quality polypropylene plastic pellets, which then can be turned into rigid and flexible packaging, consumer goods and automotives. These products will be produced for both export and domestic markets.

EPPC has invested close to US$ 680 million for the project which is scheduled for completion late 2009.

An example of the variety of pumps produced by Ruhrpumpen. Source: Ruhrpumpen website.

Ruhrpumpen

Ruhrpumpen GmbH was established in 1950 in Witten, Germany. The company develops and manufactures Centrifugal Pumps, including pumps for use under extreme conditions. They have sales and services facilities across the world and manufacturing facilities in Monterrey & Celaya, in Mexico; Tulsa, OK, USA; Witten, Germany, Bogotá'87, Colombia and Cairo, Egypt.

One of the more successful divisions of the company is the Corporacion EG, which started operations in 1979 and has evolved into an integrated global pump supplier. One can only hope that the Egyptian division be as successful and turn the country into a regional hub for pump exports.

The manufacturing facility in Egypt was established in 2005. The contract between Egypt and Ruhrpumpen allots 67% share of the project to the foreign partner and 33% to the Egyptian component. Thus far 20 million euro have been invested in the factory, which will produce pumps used in petroleum and petrochemical industries in accordance with world standard specifications (API610) as well as producing and maintaining their spare parts.

For Egypt, the factory will provide greater opportunities for exports as well as creating new job opportunities for Egyptian nationals.

When Occident Met Orient

German investment in Egypt's oil and gas sector is an interesting tale because it essentially encapsulates two dichotomous points: Egypt's potential for growth and its propensity for diminution. The above mentioned companies present the aforementioned potential for growth. These companies have invested large amounts of money, infrastructure, and knowledge in the country. They have provided not only job opportunities, but also attempts at social welfare, as was seen with RWE Dea, and a prospective for an increase of export capital, as was seen with Uhde and Ruhrpumpen.

However, these are three companies. They might not be the only companies in the sector, but they are the largest and most noticed companies. Dr. Mitscherlich's insight into the German economy is not only an explanation for the small amount of German companies in Egypt, it is also a somewhat veiled suggestion for Egyptian decision-makers. Political, economic and social developments must ensue in the country before more and larger foreign investment is to enter the country. The Mittelstand of Germany might not be solely native to Germany, there are other cautious companies that want to be assured their investments are placed in a stable environment before they enter any market. This is also the partial reasoning behind the Egypt-EU Joint Action Plan.

While RWE Dea's decades long investment of US$ 3 billion, or Uhde US$ 680 million, or Ruhrpumpen's 20 million euro amount to a figure to truly behold, these companies are just the tip of the iceberg in terms of what Germany can offer Egypt. On the global front, the MENA region is the largest producer of oil and gas, while Germany as part of the EU is a fragment of the largest consumer market; cooperation between the two is rational if not imminent.

At the end of his speech, Dr. Mitscherlich translated a part of Goethe's *West Eastern Divan*: "Who knows himself and others must also recognize Orient and Occident can not be divorced." The West and the East have much to offer each other; however, the full realization of this very lucrative unification has yet to be. Egypt must concentrate on streamlining its market with the international market in order for companies to feel comfortable enough to enter it. The country has taken grand strides towards this end; nonetheless, bureaucracy and the lack of transparency still pose a problem for many interested investors.

Opening the community chest for the best

Continued from page 1

Current projects

The petroleum sector does share an outstanding role in this national plan. For instance, Ahmed Nazif, Egypt's Prime Minister has stressed on the necessity to deliver natural gas to Upper Egypt within the coming three years and implement this grid in order to revive the industrial development. Sharing the same goal, Egyptian Minister of Petroleum Eng. Sameh Fahmy clearly stated on several occasions the importance of attracting more investments to support the national plan to promote oil, gas and other mineral resources in Upper Egypt.

Hence, the Ministry of Petroleum (MoP) has already conducted several projects in Upper Egypt and more are yet to be initiated soon.

Although such a focus has been intensified throughout the last six months, this does not deny the fact that there have been exploration and drilling activities led by international companies in this area. Over the past three years, drilling licenses were granted to foreign corporations, such as Groundstar, Centurion and Transglobe, in order to operate a number of exploratory wells.

Hassan Akl, Chairman of Ganoub El-Wadi Petroleum Holding Company responsible for the supervision of drilling and exploratory activities in this area said that the Canadian Companies, TransGlobe and Centurion Energy plan to expand their drilling activities throughout the coming three years once they fulfill the mission of research and studies in the fields of Kom Ombou and Naqra.

Focusing on Groundstar Resources Limited, it has decided to increase its working interest in a Farm-in Agreement with Pan Pacific Petroleum Egypt Pty Ltd. ("PPPEgypt)" in respect to West Kom Ombo Block-3 in Upper Egypt, last July.

The Canadian company increased its share in Block 3, which approximately covers 10.5 million acres, to 60% from 42.5% by agreeing to pay 100% of the cost of the first two exploration phases ($7.1 million net to Groundstar) over a five year period.

Kam Fard, President and CEO of Groundstar said in a statement, "We are delighted to have obtained majority interest in Block 3.

Groundstar will be actively involved in technical, operational, and administrative aspects of the exploration phase of the block.

We have an extremely experienced technical staff capable of managing all phases of the exploration program on the block and we look forward to the exciting challenge ahead."

As for Centurion Energy, a subsidiary of Dana Gas has been awarded the Ganope Block 2 Kom Ombo in June 2003, situated east of Groundstar's Block 3. The company owns a 100% working interest in this block which covers approximately 5,600,000 acres. According to the latest company's statements, drilling exploration operations are supposed start in May 2007.

Back to July 2004, TransGlobe Egypt, a wholly owned subsidiary of TransGlobe Energy Corporation, entered into a Farmout Agreement with Quadra Egypt Limited ("QEL"), a subsidiary of Quadra Resources Corp. Under the terms of this agreement, TransGlobe Egypt earns a 50% interest in the Nuqra Concession, located in Upper Egypt near the city of Luxor, by paying 100% of the initial $6 million of expenditures in the Period One and the Period Two work programs.

Two years later, the company moved the Nuqra project ahead to the drilling stage during 2006 by completing seismic, identifying locations and carrying out extensive drilling preparation work. A three-well exploration program consisting of two firm wells (Set #1 and Narmer #1) and one contingent well (West Narmer #1) was approved by the joint venture partners and the government.

The company chose to proceed with the first-three year extension to the exploration period, effective July 18, 2006. The extension requires a mandatory relinquishment of 25% of the Block and completion of a two-well drilling program, with a minimum expenditure of $4 million over a period of three years. The area relinquished was considered non-prospective by the company. The total area of the Nuqra Block 1 concession is approximately 5.5 million acres following the relinquishment.

At the beginning of this year, drilling commenced on the first exploration well Set #1 to a total depth of 1,372 meters, targeting a 30 million barrel gross unrisked prospect. However, Canada's TransGlobe Energy has plugged and abandoned its Set-1 exploration well in Egypt's Nuqra Block 1 after failing to find hydrocarbons. This did not challenge the company to resume its planned drilling activities as the drilling rig was moved during March 2007 to the second exploration commitment well at Narmer #1, targeting an unrisked gross 10 million barrel Jurassic prospect at approximately 2,400 meters.

The Egyptian Minister of Petroleum closely checked during his recent visit to Upper Egypt the work progress in the drilling site of the first well (Set-1) at the Ganope Company's operation location at Al Nakra area, by TransGlobe, within the framework of a program to drill three wells as a first phase in Upper Egypt.

Moreover, Upper Egypt has witnessed the establishment of the first LPG filling plant in the Tod area at Luxor, which is being implemented jointly by Petrogas and the Supreme Council of Luxor with a total cost LE10 million.

Two months ago, Fahmy paid a visit to Al Wadi Al Gadeed, Aswan, and Luxor, during which he has underlined the importance of luring more investments into Egypt to be used for developing oil, gas and other mineral resources in Upper Egypt. Based on this belief, he announced a series of new projects that reflect the petroleum sector's dedication to activate the national plan to revive Upper Egypt. For instance, three new companies will be founded in order to fulfill the goal of developing mineral wealth, oil shales, and producing as well as packing drinking water at Al Wadi Al Gadeed. In Luxor, a new factory for filling LPG cylinders started operation with a capacity of 10,000 cylinders daily. According to the minister, the new mineral resources projects in addition to oil and gas exploration serve the ministry's strategy to revive the area of Upper Egypt and avail the South Valley's requirements of LPG in the governorates of Al Wadi Al Gadeed, Aswan, and Luxor.

Concerning natural gas recent projects, Edko Complex for Natural Gas Liquefaction and Exportation has been classified as the most important petroleum achievement last year, according to Fahmy. This complex includes two units for gas liquefaction with production power of 10 billion m^3 annually, worth $1400 million, in which a consortium of British, Malaysian and French companies contributed to its implementation.

Following the same intention to focus on natural gas, 25 gas stations will be established in Al-Minya, in addition to 15 centers for car gas conversion serving the plan to convert nearly 14,000 vehicles to run with natural gas instead of fuel.

Difficulties and problems hindering the prosperous strategy

General Nabil El-Ezaby, governor of Assiut, referred to the low consumption rate, communications and transportation problems and the lack of clear time plans to finalize the infrastructure projects, as the obstacles demagnetizing investments from this area.

A petroleum expert, who preferred to be anonymous, stated in an interview in *Al-Mal Newspaper* that the activities of international companies in this area are still limited for many reasons. Amongst them are the lack of information and studies about the "drilling" locations where companies operate, lack of deep seismic studies and the absence of previous information or studies concerning previous activities and achievements in the area to encourage public petroleum companies to invest millions in exploratory operations in this location. However, despite promises by the MoP and Egyptian government to dissolve such obstacles to speed up the development cycle, the anxiety and worries of investors remain a key issue that might draw negative effects.

New ventures and policies to achieve booming revitalization in the area

At the beginning of 2007, Fahmy announced that 46 wells in Upper Egypt will be drilled with total investments of $282 million, as the Ganoub El Wadi Petroleum Holding Company succeeded in inking 10 petroleum agreements, besides two others underway, for exploration in a total area of 220,000 square kilometers, representing 50% of the total area of Upper Egypt. This highlights a dramatic increase in the number of wells in this area, as only 12 fields were drilled throughout the history of exploration and drilling in this area.

On the local level, Fahmy has signed a joint cooperation protocol last March, including the cooperation between Al Wadi Al Gadeed and the Egyptian Mineral Resources Authority (EMRA) comprising the establishment of an oil, mining, and administration academy at Al Wadi Al Gadeed governorate to maximize the optimum use of the infrastructure and the available facilities at Abu Tartour phosphate project in cooperation with mining expertise house. During the minister's visit mentioned earlier, three more agreements were signed; one of them was signed by GANOPE, EMRA, Petrojet, and Nile Oil Marketing Co. to establish Al Wadi Al Gadeed Co. for Mineral Resources and Oil Shale, S.A.E., active in exploration works, mineral resources, and oil shale exploitation.

Mohamed Farid Khamees, head of Investment Policies and Upper Egypt Development Group, a subsidiary of the Economic Committee of the National Democratic Party (NDP) declared that incentives have been authorized to revive the development procedure in Upper Egypt, commencing with the establishment of the Upper Egypt Development Company with a net capital of LE100 million. The goal of this company is to better market the industrial projects and highlight the incentives and benefits behind it to attract more investments in the area.

Moreover, Ahmed Nazif, Egypt's Prime Minister has stressed on the necessity to deliver natural gas to Upper Egypt within the coming three years, instead of six years as planned. This project will be carried out on three phases; the first is 145 km length from Beni Suef to Al-Minya, the second is 115 km length from Al-Minya to Assiut and the third is 235 km length from Assiut to Qena. It is worth mentioning that a 738-km-long natural gas network is being established to cover Upper Egypt governorates extending to Aswan.

To minimize funding obstacles, the European Investment Bank (EIB) has joined a group of investors to finance 's south-bound gas pipeline with a 50-million-Euro loan. According to the terms of agreement, EIB and the Egyptian Natural Gas Holding Company are to f inance a 115-km-long gas pipeline between Al-Minya and Assiut.

Magdy Rady, official spokesman of the Ministers' Council, clarified that natural gas was already shipped to nearly 2.3 million households until last July. This number is expected to increase to six million households by year 2012, reaching a total of 8.3 million households.

Chapeau! Gaz de France

Despite its history in the international arena, Gaz de France is considered one of the young exploration and production companies in Egypt. *Egypt Oil and Gas* met with Jean-Louis Chenel, Gaz de France Egypt General Manager, who told us about the company's strategies and expansion plans

By Reem Nafie

Q Could you briefly describe the activities of your company to our readers?

Our company was created in 1946 with laws that nationalized electricity and gas industries in France, so originally we were involved in the gas production and gas distribution businesses. Later on, manufactured gas was gradually abandoned and converted to natural gas (methane). In the early 90s we started to develop internationally and in the mid to late 90s we started to integrate vertically, meaning upstream. The exploration and production division itself was created in the year 2000, which is a recent development. Our main business is still midstream and downstream, we have around 14 million clients worldwide and activities in transmission mainly in Europe and also now upstream activities.

Q What were your major achievements for the fiscal year 2006 and what are your upcoming plans for the future?

On the corporate level, in the fiscal year 2006, Gaz de France had the best operational performance in its history. Sales increased 21% than what it had scored in 2005, reaching 27,642 million Euros. According to Jean-Francois Cirelli, Chairman and Chief Executive Officer, "All of the group's business lines contribute to the 2006 results which reflect, to this day, the best operational performance ever achieved by Gaz de France. These excellent results reflect the strength of its business model and the strategy implemented. The exploration-production activities enjoyed the full benefits of a buoyant energy business environment, the Infrastructure activities confirmed the solidity and recurring-nature of their results and the group successfully took advantage of its unique position in gas in Europe, for its trading and sales activities. Despite difficult weather and market conditions in early-2007, the group is confident in the robustness of its fundamentals. 2007 will go down as the year when the energy markets were fully-deregulated. All of the teams at Gaz de France stand ready to provide our clients with new offers and services, including electricity, to meet their needs in the best possible way. The implemented Gaz de France development strategy will be boosted by our planned merger with Suez, a major undertaking intended to further speed up the pace of our growth."

Q Can you tell us more about the Suez merger with Gaz de France? How will this affect Gaz de France's operations and when should it take place?

Gaz de France and Suez have announced their plan to merge in 2006. The Constitutional Court validated the plan, but ruled that it could be implemented only from 1 July 2007, as the opening of the European gas market will be completed only on that date.

Therefore, the merger could be implemented in the second half of 2007 after the presidential and parliament elections in France (held respectively in May and June 2007).

In any case, it is subject to the French government's approval, as majority shareholder of Gaz de France. Geographically and in terms of business, the two companies appear to be very complementary (for example, Suez is strong in electricity). The merger would create an energy giant.

Suez is not involved in the exploration and production business; therefore the merger would not affect our operations in Egypt.

Q Where does Gaz de France's investment currently stand in Egypt?

As of today, we are the operators of the West El Burullus Concession that was signed and became effective on 15 September 2005. It covers a 1,364 km2 area offshore, east of Alexandria and west of Burullus lake. Further to a seismic campaign carried out last summer, we have now a complete processed seismic cube available and we are interpreting it. Our fist exploration well is planned late 2007 or early 2008 and is budgeted at $24 million if tested. In this regard, long lead items are ordered and we have recently secured the "Ocean Spur" rig from Diamond Offshore for our operations. We also have a 5% participation in some of the Idku Liquefaction Plant companies, they are different companies, so let's say to summarize that we have a 5% stake in Train 1. It is a side agreement of our supply and purchase gas agreement, as we are an off taker of LNG at the plant and with a side agreement we have a minority participation in some of the Idku companies. This applies only to Train 1, we are buying the vast majority of the production of Train 1.

Q Can you tell us more about the exchange deal between Gaz de France and Dana Petroleum (E&P) Limited, concerning the West El Burullus Concession?

There was a swap agreement that was signed in November 2005 between several Gaz de France companies and a British company, Dana Petroleum that involved many countries including Great Britain, Mauritania and Egypt. For the Egyptian side of the deal, it included 30% farming in Dana Petroleum in West El Burullus. As of today, we have a 70% stake and are still the operator. In September 2006, we announced the second deal with Dana Petroleum whereby according to which we farm in them a 20% additional stake in West El Burullus, in order to share the exploration risks and, hopefully, rewards. We will then end at a 50-50 and we will keep the operatorship. The second 20% deal has not been approved yet; it has been announced and forwarded to the Egyptian authorities, EGAS and the Ministry of Petroleum. The formal process is expected to be complete mid 2007.

Q What is your current exploration budget?

Up to the end of 2006, we have spent roughly $10 million in exploration expenses. As I mentioned, the aforesaid exploratory well is budgeted at $24 million if tested. There will be, of course, other exploration expenses such as geological and geophysical studies, general and administrative expenses, etc.

Q Securing energy supplies has been a global concern, what is Gaz de France doing to guarantee its supplies?

Worldwide what we are doing is trying to secure gas on a long-term basis. There are two ways to do that, the first way is to secure long-term contracts. We are engaged in a 20-year agreement for LNG at Idku and if the chance arises we will be interested in buying additional volumes. This applies to Egypt and many other countries, in principle we are interested in buying additional LNG volumes. Recently Gaz de France has extended its gas supply agreement with Gazprom up to 2035. The second way to secure supplies is our attempt to integrate upstream in order to have equity gas resources, as we are doing in Egypt.

Q Are there any upstream products of interest for you in Egypt?

It is clear that it is strategic for us to increase our asset base in Egypt. We regularly participate in bid rounds, it is clear that the market is extremely competitive, but we keep trying. We are looking at farming opportunities and we are eager to reinforce our involvement in Egypt.

Q What difficulties did you face in the E&P sector since you became operators in Egypt?

I would say that up till now so far so good, it went quite smoothly, we are in line with our program and our budget. The relationship with the authorities, mainly EGAS and the Ministry of Petroleum, is excellent and we have found good contractors for seismic acquisition for processing. The difficulties we experience is more on the business development side because the market became these recent years very competitive for new concessions and it is a difficulty for us to reinforce our activities. In terms of operating I have not experienced many difficulties.

Q Can you comment on the lack of rigs in the Egyptian market?

It is true that the market is tight. However, we were looking for a jack-up for this well and apparently there were a few openings in the jack-up market. As I said earlier we managed to secure the "Ocean Spur" rig from Diamond Offshore.

Q Do you participate in any social activities?

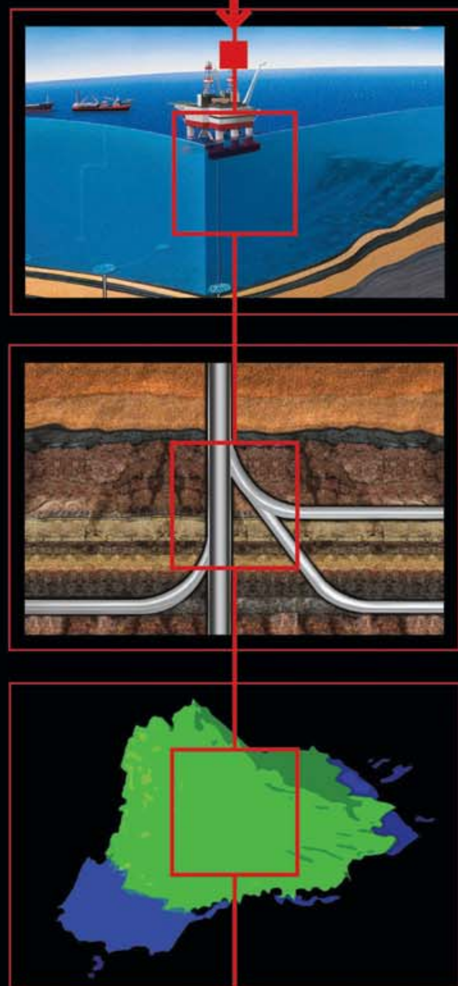
Yes, we do this in Egypt through our participation in Idku, we don't do it directly at the moment but as a shareholder of the liquefaction plant. As we start our exploration in Egypt, it is something that we plan for the future because we think it is beneficial to accompany your presence in the country with social activities. We need some time to identify the areas in need of social activities.

Q How do you see the future of the Egyptian oil and gas industry?

If you look at the future, you will see that Egypt will become a net importer of oil soon and this is the law of nature since oil fields are depleting, consumption is rising and production is decreasing. There will come a point in time when we will reach the breakeven point, and later there will be a growing gap. It is a challenge for Egypt to try to discover as much oil as possible and to replace oil revenues by gas revenues. We all have to be aware that exploration is becoming more and more difficult because all the big and easy fields have been discovered. Now we have to explore deeper horizons and dig deeper in the ground or explore more difficult environments, such as deep offshore zones.

What is important is that in order to make such explorations possible, the issue of gas prices in the local market must be tackled. It is clear that gas prices in the local market were adapted in the past, but now they may not adapted to the more challenging phase we are in.

One of Gaz De France's LNG tankers, "Provalys", during loading at Idku



HSBC: The oil and gas bank

HSBC became Egypt's first oil and gas bank and since has taken great strides in implementing financial assistance to companies within the sector. This section is a look at the financial world or the oil and gas industry and what it can mean not just for the internal players, but also for the general public in terms of their energy consumption and needs

Mr James Bishop, Managing Director, Head of Oil & Gas and Mining & Metals, Project and Export Finance, HSBC Bank plc

Q What is the profit margin HSBC receives from oil and gas transactions in Egypt and worldwide?

Unfortunately, I am unable to answer this question for commercial reasons and also in consideration of client and bank confidentiality. However, I can tell you that the oil and gas industry remains a core business sector for HSBC and continues to provide attractive opportunities for the mutual benefit of both ourselves and our clients.

Q In Egypt, HSBC was one of the first banks to provide export finance to the oil & gas sector. Was this a lucrative step to take? Have many other banks have followed suit? Why or why not?

Egypt is a key country within HSBC's global strategy and as an organization and where it is appropriate; we always endeavour to provide our broad range of products to our clients. Consequently, HSBC is always one of the first banks to approach clients with new and innovative ideas. Our long established presence in Egypt has given us an excellent understanding and appreciation of the local issues so we are well placed to meet our clients' requirements. This means we are always going to find it much easier to lead rather than follow. Fortunately, many banks have followed our initiative and are active lenders and in some cases investors in Egypt. The simple explanation for this interest, is that Egypt is considered to be an excellent environment in which to do business and has, and will continue to provide, many attractive opportunities going forward.

Q You were amongst the lead arrangers of the Egypt Basic Industries Corporation (EBIC)'s project to construct a 2,000 metric ton per day greenfield ammonia plant. What exactly was the role of HSBC in that project?

The debt financing to the EBIC project was provided under two tranches, one which benefited from a guarantee provided by US Exim, an arm of the American Government, and a commercial loan provided by international banks.
Having identified from the outset that this was going to be project which had both sound commercial rational and a high profile, HSBC was keen to be one of the first banks to be involved and initially acted as Financial Adviser to US Exim. Subsequently HSBC was appointment as a Mandated Lead Arranger on both tranches of debt and acts as account bank, security trustee and swap counterparty.
This is a good example of how HSBC aims to lead the market which in this situation was the first project sponsored primarily by the Egyptian private sector but financed by international banks. EBIC is an excellent project and one HSBC is very proud to be associated with.

Q In project finance there are several actors, including Government agencies, Shareholders, Lenders, Multilateral and other official agencies, Suppliers and purchasers, Independent Consultants. In Egypt, which actor is the most problematic and what can be done to improve the project finance scheme in Egypt?

Project finance is very complex and time consuming compared to corporate debt but has significant advantages. It is also relatively new to the Egyptian market and therefore, as is to be expected, many of the counterparties we are dealing with, both as adviser and arranger, are going through a very steep learning curve. Having said this, as more projects are undertaken and successfully concluded, experience and comfort levels are improving so the process becomes more efficient.
There are many companies and institutions keen to enter the Egyptian market to undertake all of the roles you mention in your question. The key to success is to effectively manage all elements carefully by taking full advantage of those who already have an excellent understanding of both specific Egyptian issues and project finance which is where HSBC can help.

Q Project finance relies on cashflow generated by the projects rather than the assets or creditworthiness of the project to repay debts incurred. How sustainable is this type of long term financing?

Project finance is a long term financing tool with debt repayment being wholly reliant on the success of the project and creditworthiness as such, is a function of a bank's ability to assess and predict this success. Let us be clear, project finance is not high risk but managed risk. Lenders and advisers undertake a rigorous due diligence process on each project with the benefit of independent advice on technical, environmental, market, legal and insurance aspects of a project. Lenders will be looking to assess and manage the all of the key project risks which will include:

- Will the project be built on time, to budget and to the required specification?
- Is there a sufficient supply of competitively priced feedstock?
- What is the market for the product and will the project be a low cost producer and therefore able to compete with other suppliers?
- What is the Sponsors motivation for their involvement in the project, is it consistent with their corporate strategy, are they able to meet their financial obligations to the project, do they have the required skills to both develop the project and manage operation?

Project finance is a highly sustainable form of finance, and in fact in some cases the only possible source of finance.

Q In 2005, you were given the "EMEA Gas Deal of the Year" for the Egypt LNG 2. What is the progress of the project? What were some of the difficulties you faced in such a deal? What were some of the lessons learned through such a deal?

The Egyptian LNG Train1 and Train 2 projects are both very successful, construction on both projects was completed ahead of schedule and within budget and they are now proven competitors in the global LNG market. Both projects are very good examples of highly skilled and complementary Sponsors being brought together to deliver the first two worldscale Egyptian projects to secure project finance from the international bank market. The financing process for Train 2 benefited from the contractual structure and knowledge that both the Sponsors and lenders had developed from Train 1. Notwithstanding this insight, there were significant challenges regarding the assessment of the sufficiency of gas reserves to supply both projects over the life of the debt as well as understanding the LNG sales arrangements. Egyptian LNG Train 2 was the first LNG project for which lenders were being asked to take market price risk on supply to the US and Italian gas markets. Such challenges reinforce the fact that all projects must be considered and evaluated on their individual merits. The most important learning from these two projects was that there is considerable market liquidity in both the international and Egyptian project finance markets for good Egyptian projects. Egyptian LNG set many of the precedents that are still used in Egyptian project finance structures today and, having gained the experience of being involved in these first two projects, lenders are now more comfortable with many of the generic Egyptian legal and structuring issues associated with all projects.

Q We understand that you took part in the 4th annual GTL Summit. You briefly discussed risk assessment, creditworthiness, and guarantees. What were your final conclusions, and are they applicable to Egypt?

To date there has only been one Gas-to-Liquids project financed in the Europe Middle East and Africa region which is the Oryx GTL project in Qatar. Despite the fact that this was the first project finance transaction for a GTL project and therefore presented lenders with many challenges, including a new technology and market to understand, the project debt raising was highly successful. Since then all of the countries with significant gas reserves have evaluated GTL projects and in most examples still have the intention to develop at least one project. Since the conference you refer to and indeed the financing of Oryx GTL there have been a number of market changes that need to be taken into consideration:

- The GTL process produces a very "clean" product compared to those refined from crude oil and with ever increasing environmental legislation on fossil fuels demand for such products are increasing.
- The economics of a GTL project are very sensitive to oil prices, the Oryx GTL project was evaluated and economics deemed robust at an $18-20 crude oil price so should benefit significantly at today's prevailing prices.
- Against the positive effect of these two factors is the negative effect of the considerable increase in EPC costs.

GTL projects should certainly be fully evaluated in Egypt given the gas reserves and the strategy for development of appropriate and carefully considered projects which will use these gas reserves to produce value added products for export and domestic use.

Q Have you experienced any problems in your financial transactions with the Egyptian oil and gas sector?

As I mentioned above, project finance is highly complex and time consuming financing tool but one that offers significant benefits. The rigorous due diligence undertaken by both international and domestic lenders, including benchmarking against similar projects around the world, is designed to mitigate risk and ensure that, to the extent possible, transactions are successful and not only repay the debt but provide attractive returns to shareholders. So long as these standards are maintained we would expect the excellent result s we have seen to date to continue.

Mr. Helmy Ghazi – Head of Oil & Gas, HSBC Bank Egypt

Q How strategic is the Egyptian oil and gas industry for HSBC Bank Egypt and why? What potentials for the industry does it observe?

The Egyptian oil and gas industry was always very strategic for the bank. It is the backbone of the Egyptian economy with exports from the petroleum sector representing circa 55% of the country's total exports in the year 05-06. At HSBC Bank Egypt, we pride ourselves on having played a significant role in the hydrocarbon industry for more than a decade now. We have an unparalleled track record of delivering truly bespoke products and insightful advice. It is little surprise therefore that we are regarded as the leading provider of financial expertise to the local oil and gas sector. We work right across the industry's value chain from upstream through refining and transmission/distribution to Liquefied Natural Gas and petrochemicals. We also cover extensively the related service sector. Our clients range from very small upstream independents to large national oil companies and multinationals and of course the National Oil Companies. We have expert teams dedicated solely to serving the oil and gas sector at head office and also at branches level. Overall we observe a huge potential for the industry especially on the gas side.

Q What products and services do you usually offer to the petroleum companies?

Trade and guarantee services especially Letters of Credit and a full range of payments and cash management tools. HSBCnet which is HSBC's state of the art electronic banking solution is very popular amongst the Egyptian oil & gas community. It gives you instant access from your PC to bank accounts for enquiries and for execution of transactions from anywhere at anytime. Through our internet trade services module companies can issue and amend LCs as well as monitor their entire trade flow on a real time basis and in a fully secured environment. We recently launched the Cheque Outsourcing Service which provides customers with an efficient and cost saving way to send electronic instructions for bulk issuances of cheques by the bank. In that respect HSBC Bank Egypt is acting as a real innovative solutions provider for all players in this sector.

Q How many projects have you provided export finance to in Egypt? What is the progress of these projects?

HSBC Bank Egypt played a major role in financing landmark oil and gas projects in Egypt crucial to its national economy. We financed many export oriented projects such as Egyptian LNG Train 1 and 2, Egypt Basic Industries Corporation and Egyptian Fertilizers Co. The bank also financed the Fayum natural gas distribution network for industrial, commercial and domestic users. All projects were very successful and construction fully completed while EBIC is currently in the construction phase. It is also worth mentioning that HSBC acted as Financial Adviser to the Egyptian Methanex Methanol Company, a project company established to build a 1.3 million tonne per annum methanol facility in Damietta Port. The project is part of the first phase of Egypt's Petrochemical Master Plan.

Q How has the introduction of project and export finance changed the way business is done in the oil and gas sector in Egypt?

Though project finance may appear very complex and time-consuming, I think the Egyptian business community in general and the oil and gas sector in particular adapted itself and coped very well with this long term financing technique.

Q Do you provide other types of financing to the oil and gas sector?

Of course. In addition to the traditional bank financing and project finance, we were pioneers in introducing structured oil-backed financing such as Pre-Export Finance Facilities and Reserve Based Lending to some public and private sector companies. We also offer Islamic finance structures.

Q Have you provided Performance Bonds to successful principles in tenders yet? If yes, how would you rate the effectiveness of such a service? If no, why not?

Yes of course. It is an international practice when principals are successful in their tenders for contracts, they will usually be required to provide Performance Bonds, often based on a percentage of the value of the contracts.

Q HSBC took part in the 2005 BG Challenge. Is HSBC undergoing any other form of corporate social responsibility in Egypt? If not, are there plans for such an endeavor in the future?

In line with HSBC's belief in CSR, HSBC Bank Egypt has extended its contributions to a remarkable number of community projects including education projects such as supporting Students in Free Enterprise (SIFE), environmental conservation projects in coordination with Care Egypt, people enhancement projects through INJAZ programme, in addition to health care projects such as supporting several hospitals and other health related associations. HSBC Bank Egypt also supports street children, and children with special needs such as supporting the Egyptian society for Developing Skills of Special Needs Children "ADVANCE", in addition to cultural heritage projects.

Q One of the more controversial topics globally is climate change. How is HSBC addressing this issue through investments?

HSBC is a founder member of the Bank Working Group of The Climate Group, an international body whose mission is to speed up the reduction of greenhouse gas emissions. In 2004, HSBC made a commitment to become the world's first major bank to achieve carbon neutrality. The target was 2006. We in fact achieved this three months early. Our Carbon Management Plan consists of three phases. First, to manage and reduce our direct emissions. Second, to reduce the carbon intensity of the electricity we use by buying 'green electricity'. Finally, to offset the remaining emissions in order to achieve carbon neutrality.

Q What are the Equator Principles and when did HSBC adopt them?

In September 2003 HSBC adopted the Equator Principles, a set of nine voluntary principles developed to address the environmental and social issues that arise in financing projects. We do not see this as an "add-on" to our business, but a key part of a much wider approach to managing the sustainability of our lending. In brief, the Equator Principles help us to categorise the degree of environmental and social

impact of commercial proposals. Projects fall into one of three categories, A, B or C, with category A indicating the highest degree of environmental or social impact. Fifty-one financial institutions from nineteen countries have adopted the Equator Principles so they have become the project finance industry standard for addressing environmental and social issues in project financing globally. In adopting them, HSBC has undertaken to ensure that all applicable project finance proposals fall within the requirements of the Principles. We will not provide loans directly to projects where the borrower will not, or is not able to, comply with either the Equator Principles or our own internal environmental, reputational and social policies, whichever carries the higher standard.

Q How much of HSBC's profits are received from the Egyptian Subsidiary?

In 2006, HSBC Bank Egypt performance progressed significantly with total assets up 32.1% to EGP 17.7 billion at year end. Customer deposits increased by 33.6%. Net profits reached EGP 604m out of which EGP 420m were distributed to the shareholders. It is worth mentioning that Egypt belongs to the top 20 countries which contribute the most to HSBC global revenue. HSBC is present in 79 countries and Egypt is definitely a key country.

Investing in the young Egyptian generation

Weatherford has established a new program that promises to train and prepare petroleum engineering students, initially from three Egyptian universities, for the challenges they will face following their graduation. In an effort to contribute to addressing the challenges that face the Egyptian society, Weatherford Egypt has promised to provide more job opportunities and to hire as many of these selected students as possible. *Egypt Oil and Gas* spoke to Mohamed Hemeda, General Manager of Weatherford Egypt, about the company's new initiative

By Yomna Bassiouni

Q You are initiating a new program/project for petroleum engineering students; can you tell our readers more about it?

With the highly advanced technology used today in the oil and gas sector, as well as ongoing developments, Weatherford decided to adopt a new approach to meet its workforce needs which would also positively impact the Egyptian oil and gas business in general. We are aiming at selecting undergraduate engineering students and providing them viable on-the-job training opportunities during their summer vacation to better expose them to the requirements of the sector. Following their graduation, Weatherford will hire from among them to undergo a more intensive training program that combines practical learning experiences in various product lines with technical and academic courses. Weatherford is signing protocols with the faculties of engineering, with focus on the petroleum and mining departments, in a number of universities in Egypt to put this program in effect. We plan to train as many students as our budget can afford; as well as subsequently hire as many of them to meet our workforce needs in Egypt and for other country branches in the region. We will also probably communicate with our competitors to provide more job opportunities for those engineering graduates who exceed our workforce needs.


Mohamed Hemeda, General Manager of Weatherford Egypt

Q On what basis will Weatherford choose the students to join this program?

The basic qualifications and competencies we seek are being set by the HR Department in Weatherford Egypt and will be used to evaluate and select the students qualified for this program. This program will not be limited to one university only. We are now working closely with two universities; the Suez Canal University and Cairo University and will also extend the program to the American University in Cairo (AUC), and Ain Shams University. We have held a number of presentations and seminars at some of these universities and will continue to do so in order to introduce our program and at the same time, give the students the chance to obtain more information about Weatherford and the privileges of our program.

Q Why did you choose Egyptian students in particular?

Egypt is the first country to have a petroleum industry in the region and it is also where the oldest universities were founded. Egypt has thus played a key role in supplying the Arab World with large numbers of engineers, specialists and technicians in the oil & gas industry. Given the foregoing and the large number of students and graduates in Egypt, it was natural to choose Egypt as the target of the program. Egyptian students are the perfect candidates for our program.

Q Is this the first protocol of its kind to be set between Weatherford and Egyptian universities?

This is indeed the first time that we sign an "official protocol" with Egyptian universities. In addition, we are also concluding other agreements that do not target students, but that focus on upgrading the research and laboratory facilities of the faculties of engineering, petroleum and mining departments. This will be done by equipping universities with the needed tools, computer, software and other advanced technology. Weatherford wants to contribute to the improvement of educational institutions as well, not just to training & hiring students. We believe that such contributions will ameliorate the learning environment in those faculties, as well as contribute to improving the academic curriculum which will enhance the students' academic achievements.

Q Before this "official protocol", has Weatherford ever cooperated with Egyptian universities? For instance, offering students summer internships?

While we did not previously have any official or formal training and/or recruitment agreements with universities, we have been regularly offering summer training opportunities for university students as well as have been hiring fresh engineering graduates to undergo an intensive training program. But, these were based on individual efforts whereby we were responding to requests from students and graduates who presented themselves directly to Weatherford. Accordingly, we didn't have complete information on the engineering students and graduates in the various Egyptian universities and didn't either have statistics on the percentage of those trained and hired by Weatherford in comparison to the total number of students and graduates. But, with the signing of the protocols, we are expanding and regulating our program and at the same time ensuring that we reach the largest number of students and graduates. This will more effectively contribute to achieving our goal.

Q In an interview with a professor from Cairo University, he was complaining from the lack of cooperation from the private sector. Comment

With regards to Weatherford, we have taken the initiative to increase our cooperation with and to support Egyptian universities in order to contribute to the development and sustainability of academia. This initiative, as mentioned earlier, is targeting students, curricula, equipment, etc. Yet, it is important to stress that Weatherford cannot and should not be the sole contributor and partner. We are doing our best and have taken concrete steps. More companies should also be addressed to participate.

Q What are the some of the challenges Weatherford faces to make this project a reality?

The limited number of viable training opportunities for university students in Egypt, as well as the high rate of unemployment produces a large number of candidates which will make the evaluation and selection process for our program difficult. More importantly, since the opportunities in Weatherford alone cannot at the present time match up to the number of students and graduates, some negative effects are bound to occur for those unselected. We need to support and encourage the students to improve their academic learning experience, develop basic skills and competencies and elevate the spirit of healthy competition between them by emphasizing that selection will be for the distinguished students and graduates. The program focuses on selecting the top performers to contract with them, initially for a two-year period during which they take intensive courses as well as have practical experience in various product lines.

Q Did Weatherford conduct a similar project in any other countries especially that it is operating in more than 100 countries?

With regard to our regional operation in the Middle East and North Africa (MENA), this is considered the first program of its kind.

Q What is the budget allocated for this project? From which department is it generated?

During 2006, Weatherford has allocated 2.3% of its budget for research and development programs which are not limited to student programs only. Weatherford also has programs for teaching staff. For example; three assistant professors from Cairo University were given the chance to conduct post graduate studies and research outside Egypt and Weatherford is covering the costs. Our goal is to contribute to the development of the entire academic system, starting from students to teaching staff and including the educational tools, equipment, etc. of the faculties.

Q What is the difference between the Weatherford project and the scholarships granted by the Malaysian Petronas to petroleum engineering students?

Both are based on the same concept and have similar objectives. However, Weatherford is a service company, while Petronas is an operating company. Each has different activities and uses different technologies, which reflects on the nature of programs and opportunities offered by each. Petronas grants scholarships for twenty high-school students to study at the Department of Technology in Petronas University in Malaysia. They seek to train students to suit their work requirements and adapt to their technology. Also, the Malaysian company works closely with the Ministry of Petroleum (MOP). The ministry granted 10 scholarships and Petronas Co. granted the other 10. Weatherford's program, on the other hand, is carried out in association with the Egyptian universities, not the ministry. We first select senior petroleum engineering students to train them during the summer and then select the distinguished fresh graduates to undergo an intensive two-year training program, which includes practical learning experience and courses in our training centers. This program covers the various product lines and services we have in order to develop their skills and competencies to become fully-qualified and productive members of our work force. In addition, the number of students we select is not limited as is the case with Petronas; but we will take as many students and graduates as our budget and facilities can accommodate.

Q What are the benefits of such a program for Weatherford, besides having your own skilled and well-trained employees?

Increasing the number of well-qualified and skilled graduates is certainly valuable to Weatherford since it provides us with candidates who are familiar with our operations and systems. This reduces the learning curb and thus saves time and makes us more productive and competitive. In addition, this program will promote healthy competition among the students and graduates by emphasizing their need to prove themselves and to excel which leads to further development and growth for the company and to the development of society in general. Furthermore, the need for well-qualified and skilled employees in the sector is not limited to Egypt and this program will thus provide other countries in the region with a pool of distinguished candidates to hire from.

Q What are Weatherford's plans besides the implementation of this project?

With the planned expansion of our services, it is likely that the need will arise to establish factories in Egypt similar to those owned by Weatherford in Abu Dhabi, in order to optimally meet the demands for our operation in terms of production levels and delivery times. We might establish a factory in Egypt to cover our operation needs in North Africa, while the factories in Abu Dhabi cover the operation needs in the Middle East area. Weatherford already has a factory in Amereya in Alexandria and plans to expand it further. Moving toward the establishment of factories will increase business in the petroleum industry in Egypt in particular and in North Africa in general. It will also lead to further development of the economy as well as to creating more job opportunities.


The team responsible for the project's execution and success. From left: Said Zaki, Marketing Manager, Mohamed Hemeda, General Manager and Shahinaz Omar, HR and Admin Services Manager

No to Cartel

While natural gas exports hit new highs, major exporting countries are still reluctant to establish an OPEC-style organization

By Mohamed El-Sayed

NATURAL gas is the most popular form of energy as it is the world's cleanest-burning fossil fuel. Therefore, it produces fewer emissions and pollutants than both coal and oil. Since the early 1970s, worldwide reserves of natural gas have steadily increased at an annual rate of roughly 5%. With the increase in number of countries that have proven gas reserves from around 40 in 1960 to more than 85 today, the gas-producing countries began to ponder the idea of establishing an OPEC-style organization to set prices for and regulate gas exports.

In fact, there were media reports and speculations that the world's largest producers of natural gas, particularly Russia and Iran, plan to create a gas cartel equivalent to the OPEC which sets quotas and prices. The issue was expected to gain momentum during the 7th Gas Exporting Countries Forum (GECF) meeting in Doha in April. Contrary to expectations, the main leaders in the natural gas market stressed that there was still a long way to go before establishing such an organization. "Will we sign a cartel agreement to set a prices policy [for gas]? Certainly No," said the Russian Minister of Industry and Energy Victor Khristenko before the meeting in Doha. He added that the GECF meeting in Doha was aimed at enhancing cooperation amongst gas-producing countries as well as promoting dialogue with consumers and producers to achieve transparency in the global natural gas market.

But what about Egypt's position on the proposed new organization, given that it's ranked the 8th on the world list of gas exporting countries and the 6th on that of liquefied gas exporting countries?

Minister of Petroleum Sameh Fahmy was quite clear in declaring Egypt's stand on gas OPEC. "Egypt is opposed to the idea of establishing an OPEC-style cartel for gas exporting countries," he told the official *MENA* news agency. Fahmy made the announcement in a statement he gave before flying to Doha to attend the GCFE meeting.

Fahmy further elaborated Egypt's position towards the cartel, saying that "Egypt's rejection to the formation of such a cartel is due to its wish to maintain transparency in international gas markets. We also refuse the idea of building a body that controls one of the essential sources of global energy," he pointed out.

The GECF was widely believed to become the nucleus of the gas cartel as it is an organisation of the world's leading gas producers. Established in Tehran in 2001, the GECF doesn't have a fixed membership structure. However, Algeria, Bolivia, Brunei, Egypt, Equatorial Guinea, Indonesia, Iran, Libya, Malaysia, Nigeria, Oman, Qatar, Russia, Trinidad and Tobago, UAE and Venezuela, could be identified as current members. These countries control about 42% of world gas production. And they collectively have 73% of the world's natural gas reserves.

With the Russian minister's remarks, and the Egyptian minister's rejection of the idea, establishing such an organisation seems to be a far-fetched idea, at least in the near future. Observers and energy experts noted that the establishment of the organization is not viable since the natural gas market needs a lot of investments that are based on long-term contracts. Unlike the duration of oil contracts which do not exceed few months, gas contracts could extend for fifteen or twenty years.

In addition, distributing natural gas requires billions of dollars in investments in pipelines or special ships, let alone liquefying it which is extremely expensive, as it entails the building of liquefying factories and other stations to unliquefy it later when it reaches its final destination. Other energy experts, like Iranian ones, argue that organizing and setting certain prices for natural gas exports is difficult as each contract has its own terms.

Nevertheless, Christian Stofais, expert at the International Futuristic Studies and Information, sees that the market conditions in the meantime are in the interest of producers. "This powerful and dominating position might urge the producing countries to foster mutual understanding to determine prices and regulate the process of signing future contracts," he pointed out.

In addition, Stofais says, while the United States imports gas primarily from Canada and Mexico, which are in a way or another submissive to it, "we can see that Europe doesn't have such influence on its gas providers in Russia and the Middle East." And this, as a matter of fact, gives the upper hand to the exporting countries — especially Russia, Iran and Algeria which produce 30% of the global natural gas market — in setting the prices and amount of international production.

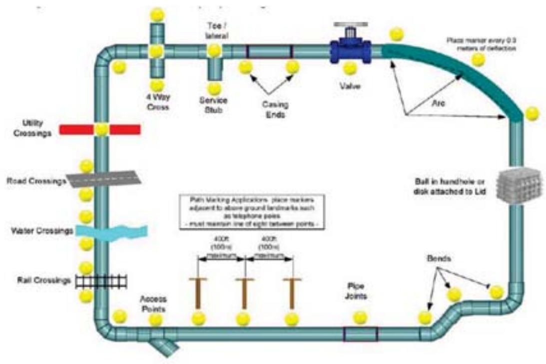
How underground location technology is helping utilities hit the right spot?

By 3M Trading Ltd.

While there may be records of where underground services – such as water, power, gas and so on – are located, but these may not always be entirely accurate. This means that when mistakes occur, or when extension work needs to be carried out, time and money can be wasted trying to find a specific cable, pipe or joint. However, developments in new underground location technology are bringing extremely accurate underground location information within the reach and budgets of today's utilities, contractors and construction companies

Why is accurate underground location such a problem? Most utility companies and other organisations that manage or own underground services, do keep underground records, but it is hard to ensure their accuracy, partly because many of these services were installed decades ago, when accurate records were not always kept. Today's utilities may have an approximate idea of a service's location, but not the precise spot.

Also, it is not hard for records to become out of date. Changes in the above ground layout – such as a housing estate or business park being built – can mean that the relation between the underground service and above-ground landmarks changes. Although above-ground markers may exist for these services, they may be moved or even removed during construction work. Digging holes in the wrong place is an expensive business. In addition, utilities and their contractors are under pressure to minimise the amount of time carrying out 'street works' and face penalties if they exceed the granted time limits. The problem is exacerbated by the fact that the ground beneath our feet is becoming increasingly congested, with many services crammed into the same space. This can make it extremely difficult for any contractor, engineer or surveyor working in that area, because there is the potential to inadvertently damage the pipes or cables of another organisation, costing money and delaying project completion. During the past few years, there have been calls within the industry for a more coordinated approach to utility management in the UK, with the formation of the HAUC (Have All Utilities Co-ordinated). While this is to be applauded, unfortunately initiatives such as HAUC have to fight against the fact that many utilities must focus on immediate priorities.



Why hasn't this been addressed before?

Since underground location is such a big issue, why has it not been higher on the agenda? The answer is that until recently, the location-finding technology available had limitations and relied on considerable effort and manual input on the part of site workers. As a result, many utilities and their contractors have made minimal investments in location-finding equipment.

If accurate underground location was easier to achieve, then it is likely it would move higher up the agenda. Techniques for recording and finding underground services have been around for years, but have all had their limitations. Starting at the least 'high tech' end of the range, there are the good old-fashioned above ground markers that we are all used to seeing: cheap and visible, but basic and easy to move.

Underground location techniques

Moving up a step, there are various radio frequency-based techniques that have been around for a while. They fall into two categories: passive and active radio detection. Passive mode is based on the knowledge that any metallic pipe or cable naturally picks up and re-radiates a signal, so it is easy to track an existing pipe along its course. The drawbacks are that it depends on metal content and a sufficiently strong signal, which is not always the case. Fibre optic and CATV services are notoriously difficult to find. In addition, this approach depends on knowing roughly where the cable or pipe is located and does not provide any means to record more detailed information once found.

Active radio detection involves applying a transmitter unit on to a pipe or cable, or holding it above the ground on the point where it is expected to be. Someone then walks along holding a receiver, which detects the signal and emits a beeping sound that increases in relation to the signal's strength, or proximity to the cable or pipe. This system is relatively straightforward, but is limited by the fact that it will detect any other pipes or cables in the immediate area, potentially creating confusion. Again, active radio detection depends on knowing the approximate whereabouts of the pipe or cable and does not provide a simple mechanism for recording location data.

Rather more sophisticated is the passive electronic location method. Instead of depending on the pipe or cable to emit a signal, small markers are attached to the pipe or cable during the installation process, whether at regular intervals or simply at key junctions. The markers are usually ball-shaped, but can take other forms and contain a fluid that ensures the marker is always horizontal and optimally positioned to respond to an electronic signal. This information is then stored on a handheld device, which is then used on future occasions to find the pipe or cable. Markers can be allocated different colours and radio frequencies, to distinguish between kinds of services.

The latest developments

All the techniques described so far focus on finding cables and pipes, rather than helping utilities to build up accurate, detailed records in the first place. However, there is a new kind of underground location technique emerging. Developed by 3M, this enables utilities to not only accurately locate installed services, but to create highly detailed records in the first place.

ID marker systems are an extension to the existing concept of passive electronic location, but have added 'intelligence'. Each marker ball contains an ASIC (application specific integrated circuit) and are used in conjunction with more advanced handheld locators. When the ball is placed into the trench, the locator's LCD interface is used to record the ball's unique 10 digit serial number, plus up to 256 bits of data. This might include: when the marker was installed, by whom, name of utility, depth and the nature of the junction or joint it is marking.

Also, the handheld locator can be connected to GPS (satellite) systems, so that the exact co-ordinates of each marker ball are correctly recorded. The GPS systems may, in turn, be connected to databases and CAD drawings held by the utility, so over time, a set of detailed records can be created. When future work needs to be carried out, the information is downloaded back to the handheld locator and, if information about a particular marker ball has changed, can be modified.

ID marker balls can be read to a depth of 1.5 metres, which is sufficient for most utilities, but not all, such as waste. In these instances, the hole needs to be backfilled until the ball is at the right level. There also needs to be 10cm between the ball and a metal pipe, but again, ways are being found around this.

What kind of investment are we talking about?

Investing in the equipment starts at less than 1500 Euros. Compared to the overall costs of most excavation projects, this represents a small investment and one that could provide a rapid pay-back. There is a small amount of additional effort required by the contractor or utility's on-site staff, but it will save time in the long-run. It can even be seen as a way for contractors to differentiate themselves in a highly competitive market.

Accurate underground location is achievable. Every time a hole is dug, the opportunity is there. Valid reasons for not having accurate underground locations are disappearing, while the benefits are clear.

100 years, 100 championships

The unexpected humiliating defeat at the hands of Barcelona melted the icing on the centenary celebrations cake

By Mohamed El-Sayed

Al-Ahli hosted the European Champions League title holders Barcelona to celebrate its centenary, which by coincidence marked the one hundredth championship the club won throughout its illustrious history. The match of the African and European titans was aimed at serving as the icing on the centenary cake. But to the red fan's chagrin, the icing melted on the cake, and the team didn't live up to its supporters' expectations, who flocked to the stadium in their tens of thousands to celebrate, and was dealt a humiliating defeat at the hands of the Catalonian team.

The unexpected defeat aside, Al-Ahli continued their run towards their favourite league title. By edging the Army 2-0 in a moderate game, Al-Ahli tightened its grip on the title for the third year in a row. The expected victory, which settled the competition four weeks before the league ends, was a compensation for the wounded pride of the millions of red fans across the country. It continued its winning streak by thrashing the Olympic team of Alexandria 3-0, bringing the total of the points it garnered to 73 points.

As *Egypt Oil and Gas* went to press, the team was scheduled to encounter their arch-rivals Zamalek in a game that's widely viewed by the fans of the two powerhouses as a championship unto itself. Without the expertise of its Angolan import Flavio and the recent returnee Mohamed Barakat, the Red Devils had to meet Zamalek who is lurking to make up for all the failures and misfortunes they went through this season — after being knocked out of the African and Arab championships.

Adding injury to insult, the team would meet their challengers without their Portuguese head coach Manuel Jose, who asked for a leave till the end of the league matches. Jose, who renewed his contract with the club for one year with a 10% increase in his salary, will spend the vacation in his home country, leaving his assistant Hossam El-Badry to lead the team during the remaining three matches against Olymic of Alexandria, Zamalek, and Ismaili.

The team would also meet their second challenger, third-placed Ismaili, in the coastal city of Ismailia in the final stage of the league. Having been dealt a sudden, humiliating 3-0 defeat at their hands in Cairo in the first half of the league, Al-Ahli will be in an awkward situation when it plays with their second string amidst the fervent fans of the coastal city club.

Zamalek, on the other hand, is embroiled in a hard-fought competition with third-placed Ismaili for the second place, which will qualify its holder for next year's African Champions League. With only one point ahead of its rival, Zamalek (62 points) achieved two convincing victories over the Coastal Guards (3-0) and Ittihad of Alexandria (1-0) that catapulted it to second place. The second place on the league table and a victorious run towards the final of Egypt Cup — in which they reached the last-eight phase — will be the only solace for the afflicted supporters of the club.

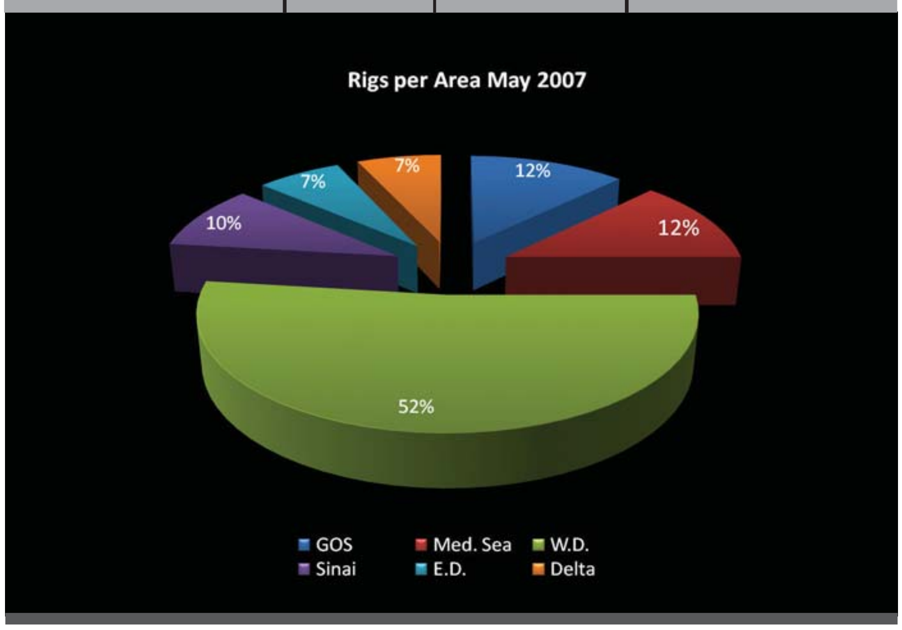
Zamalek's moderate ambitions, however, will clash with the sky-high aspirations of Ismaili. The coastal team, as its French head coach Patrice Neuveu revealed, "aims at finishing in the second place on the league table, winning the Confederation Cup, and lifting Egypt Cup for the third time in the club's history." The team managed to pass to the last-eight phase of the African Confederation Cup after beating Al-Widad of Morocco 3-0 on aggregate.

In the last-eight stage of the Egypt Cup, Zamalek is scheduled to meet second-division Mansoura, Al-Ahli will clash with the Army, and Ismaili will encounter its Suez Canal rival Misri of Port Said. In case the three powerhouses cruised past the three relatively weak opponents, the last-four stage will witness a clash of titans. Lifting the Egypt Cup will be a face-saver for both Ismaili and Zamalek, and a finishing touch for defending champions Al-Ahli.

As for the oil club teams, it has become crystal clear that Assiout Petroleum bid farewell to the premiership league, having collected only 21 points out of 28 games. Meanwhile, Enppi and Petrojet stuck to their seventh and eighth positions.

Table 1 Egypt Rig Count per Area May 2007

Area	RIG COUNT	Total	Percentage of Total Area
Gulf of Suez		13	12%
Offshore	13		
Land	0		
Mediterranean Sea		13	12%
Offshore	13		
Land	0		
Western Desert		54	52%
Offshore	0		
Land	54		
Sinai		10	10%
Offshore	0		
Land	10		
Eastern Desert		7	7%
Offshore	0		
Land	7		
Delta		7	7%
Offshore	0		
Land	7		
Total		**104**	**100%**



Source : Egypt Oil & Gas

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

	Equatorial Guinea	Gabon	India	Indonesia	Iran	Iraq	Kazakhstan	Kuwait	Libya	Malaysia	Mexico	Nigeria
June	***335***	240	704	1,027	4,030	2,153	1,170	2,550	1,700	695	3,287	2,465
July	***335***	227	691	1,020	4,035	2,203	1,120	2,550	1,700	690	3,232	2,380
August	***335***	237	650	1,015	4,035	2,203	1,080	2,550	1,700	685	3,252	2,430
September	***335***	241	701	1,005	4,035	2,153	1,125	2,550	1,700	685	3,258	2,430
October	***335***	230	706	985	4,060	2,103	1,120	2,550	1,700	635	3,173	2,530
November	***335***	223	701	985	4,020	2,003	1,105	2,500	1,650	614	3,163	2,480
December	***335***	220	705	985	4,020	2,003	1,150	2,450	1,650	610	2,978	2,480
2006 Average	***336***	237	689	1,019	4,028	1,996	1,100	2,535	1,681	684	3,256	2,440
2007 January	***344***	240	699	988	4,040	1,753	1,060	2,450	1,680	627	3,143	2,480
February	349	240	712	984	3,900	2,003	1,080	2,420	1,680	609	3,148	2,480
2007 2 - Monthly	346	240	705	986	3,974	1,872	1,069	2,436	1,680	618	3,145	2,480

[1] Except for the period from August 1990 through May 1991, includes about one-half of the production in the Kuwait-Saudi Arabia Neutral Zone.
Kuwaiti Neutral Zone output was discontinued following Iraq's invasion of Kuwait on August 2, 1990, but was resumed in June 1991.
From August 1990 through May 1991 all production in the Neutral Zone was included in the data for Saudi Arabia. In February 2007, Neutral Zone production by both Kuwait and Saudi Arabia totaled about 510 thousand barrels per day.
Revised data are in ***bold italic font.***

Source : EIA

Table 2 World Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Algeria	Angola	Argentina	Australia	Azerbaijan	Brazil	Canada	China	Colombia	Denmark	Ecuador	Egypt
June	1,795	1,293	717	370	600	1,630	2,336	3,700	538	335	536	607
July	1,805	1,468	709	490	660	1,725	2,512	3,716	536	344	543	620
August	1,805	1,468	701	470	710	1,703	2,543	3,670	534	348	544	630
September	1,835	1,446	717	500	680	1,733	2,601	3,659	527	260	533	640
October	1,835	1,384	715	***510***	690	1,762	2,602	3,658	528	353	519	660
November	1,805	1,460	660	***470***	780	1,766	2,658	3,682	528	350	511	615
December	1,805	1,490	694	***473***	700	1,787	2,669	3,710	518	327	515	619
2006 Average	1,814	1,420	697	***429***	640	1,723	2,525	3,686	531	342	536	639
2007 January	1,838	1,590	684	***465***	815	1,736	2,577	3,658	522	318	514	616
February	1,833	1,605	714	500	822	1,758	2,693	3,739	542	306	507	614
2007 2 - Monthly	1,836	1,597	698	482	818	1,747	2,632	3,696	532	312	511	615

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

Source : EIA

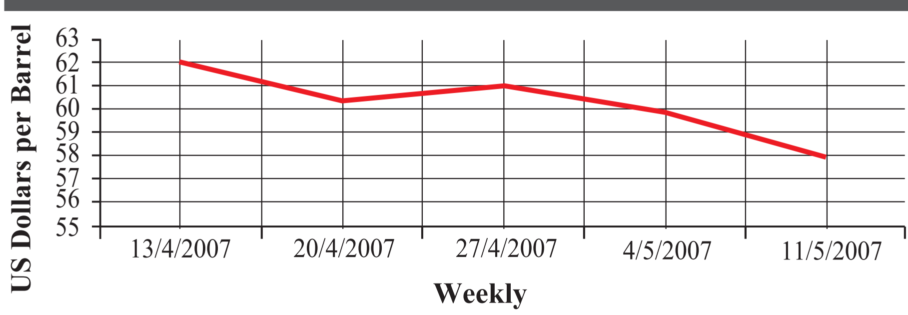
Table 4 World Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Norway	Oman	Qatar	Russia	Former U.S.S.R.	Saudi Arabia[1]	Sudan	Syria	United Arab Emirates	United Kingdom		United States[2]
June	2,365	739	835	9,260	---	9,100	350	416	2,602	1,392	E	5,219
July	2,571	726	855	9,240	---	9,300	370	412	2,702	1,453	E	5,171
August	2,430	727	885	9,330	---	9,300	***380***	400	2,702	1,202	E	5,155
September	2,338	720	885	9,350	---	9,000	***400***	400	2,702	1,354	E	5,188
October	2,380	730	885	9,450	---	8,800	***470***	400	2,702	1,482	E	5,195
November	2,466	724	845	9,320	---	8,800	***400***	395	2,602	1,504	E	5,149
December	2,508	721	835	9,420	---	8,750	***380***	395	2,602	1,472	E	5,275
2006 Average	2,491	738	850	9,247	---	9,152	***378***	406	2,636	1,490	E	5,136
2007 January	2,431	716	835	9,420	---	8,750	***399***	395	2,613	1,509	E	***5,196***
February	2,454	718	825	9,460	---	8,600	406	394	2,573	1,658	PE	5,298
2007 2 - monthly	2,442	717	830	9,439	---	8,679	402	395	2,594	1,580		5,244

[1] Except for the period from August 1990 through May 1991, includes about one-half of the production in the Kuwait-Saudi Arabia Neutral Zone.
Kuwaiti Neutral Zone output was discontinued following Iraq's invasion of Kuwait on August 2, 1990, but was resumed in June 1991.
From August 1990 through May 1991 all production in the Neutral Zone was included in the data for Saudi Arabia. In February 2007, Neutral Zone production by both Kuwait and Saudi Arabia totaled about 510 thousand barrels per day. Data for Saudi Arabia include approximately 150 thousand barrels per day from the Abu Safah field produced on behalf of Bahrain.
[2] U.S. geographic coverage is the 50 states and the District of Columbia.
--- = Not applicable. E=Estimated data. PE=Preliminary estimated data.
Revised data are in ***bold italic font.***

Source : EIA

Fig 1 Weekly Egyptian Suez Price



Source : Egypt Oil& Gas

Average Currency Exchange Rate against the Egyptian Pound (April / May)

US Dollar	Euro	Sterling	Yen
5.67	7.70	11.31	4.75

Stock Market Prices (April / May)

Company	High	Low
Alexandria Mineral Oils (AMOC.CA)	79.01	75.65
Sidi Kerir Petrochemicals (SKPC.CA)	21.41	18.54

Table 5 World Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Venezuela	Vietnam	Yemen	Other[1]	World	OPEC-12[2]	OPEC-11[2]	Persian Gulf[3]	North Sea[4]
June	2,540	345	370	2,701	***73,072***	32,090	30,797	21,305	4,111
July	2,440	337	355	***2,666***	73,943	32,458	30,990	21,680	4,383
August	2,490	342	370	***2,644***	***73,736***	32,583	31,115	21,710	3,994
September	2,490	362	364	***2,624***	***73,659***	32,231	30,785	21,360	3,964
October	2,490	***342***	351	***2,570***	***73,659***	32,024	30,640	21,135	4,225
November	2,490	***342***	389	***2,597***	***73,302***	31,640	30,180	20,805	4,347
December	2,490	***332***	407	***2,605***	***73,363***	31,560	30,070	20,695	4,344
2006 Average	2,511	***344***	375	***2,651***	***73,467***	32,082	30,662	21,232	4,343
2007 January	2,380	***332***	418	***2,603***	73,184	31,398	29,808	20,471	4,286
February	2,383	336	358	2,645	73,184	31,287	29,681	20,351	4,451
2007 2 -Monthly	2,381	334	389	2,623	73,184	31,345	29,748	20,414	4,364

[1] Other is a calculated total derived from the difference between "World" and the sum of production in all countries listed in Tables 3, 2, 3, and 4).
[2] OPEC-12: Organization of the Petroleum Exporting Countries: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC-11 does not include Angola.
[3] The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.
[4] North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
Revised data are in ***bold italic font.***

Source : EIA

Table 6 World Oil Supply[1] (Thousand Barrels per Day)

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC-12[5]	OPEC-11[5]	World
June	E	8,463	23,713	***24,661***	***35,000***	***34,007***	***84,081***
July	E	8,456	24,098	***25,078***	***35,697***	***34,230***	***85,427***
August	E	8,486	24,128	***25,106***	***35,823***	***34,355***	***85,186***
September	E	8,499	23,778	***24,801***	***35,446***	***34,000***	***84,720***
October	E	8,455	23,573	***24,601***	***35,269***	***33,885***	***84,934***
November	E	8,378	23,243	***24,193***	***34,894***	***33,435***	***84,366***
December	E	8,556	23,133	***24,103***	***34,813***	***33,323***	***84,200***
2006 Average	E	8,370	23,644	***24,626***	***35,293***	***33,873***	***84,511***
2007 January	E	***8,462***	22,945	***23,981***	***34,659***	***33,069***	***83,844***
February	PE	8,727	22,837	24,000	34,553	32,948	84,675
2007 2-Monthly	PE	8,588	22,894	23,990	34,609	33,012	84,239

[1] "Oil Supply" is defined as the production of crude oil (including lease condensate), natural gas plant liquids, and other liquids, and refinery processing gain (loss).
[2] U.S. geographic coverage is the 50 States and the District of Columbia. Beginning in 1993, includes fuel ethanol blended into finished motor gasoline and oxygenate production from merchant MTBE plants.
[3] The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.
[4] OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
[5] OPEC-12: Organization of the Petroleum Exporting Countries: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC-11 does not include Angola.
E=Estimated data. RE=Revised estimated data. PE=Preliminary estimated data.
Revised data are in ***bold italic font.***

Source : EIA

Table 7 OECD[1] Countries and World Petroleum (Oil) Demand (Thousand Barrels per Day)

	France	Germany	Italy	United Kingdom	OECD Europe[2]	Canada	Japan	South Korea	United States[3]	Other OECD[4]	OECD[1]	World
June	1,948	2,581	1,667	1,848	***15,573***	2,240	4,778	2,060	20,875	3,500	***49,027***	NA
July	1,958	2,560	1,689	1,743	***15,258***	2,247	5,002	1,891	20,582	3,366	***48,345***	NA
August	1,875	2,692	1,556	1,756	***15,268***	2,337	4,850	2,086	21,322	3,506	***49,372***	NA
September	2,005	2,881	1,727	1,790	***15,884***	2,216	4,562	2,093	20,472	3,363	***48,590***	NA
October	2,055	2,803	1,667	1,759	***15,850***	2,176	4,799	2,044	20,757	3,388	***49,013***	NA
November	1,924	2,751	1,743	1,842	15,782	***2,350***	5,277	2,346	20,544	3,521	***49,820***	NA
December	1,901	2,533	1,663	***1,797***	***15,066***	***2,333***	5,976	2,521	20,697	***3,567***	***50,160***	NA
2006 Average	1,972	2,630	1,709	***1,816***	***15,464***	***2,218***	5,222	2,157	20,588	***3,467***	***49,116***	***84,538***
2007 January	2,044	2,328	1,592	1,813	14,974	2,269	5,274	2,375	20,559	3,483	48,934	NA

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

Source : EIA

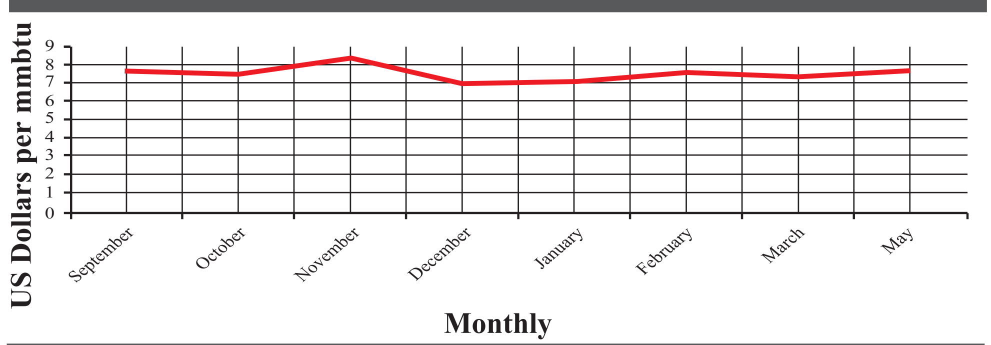
Table 8 World Natural Gas Liquids Production (Thousand Barrels per Day)

	Algeria	Canada	Mexico	Saudi Arabia	Russia	Former U.S.S.R		United States[1]	Persian Gulf[2]	OAPEC[3]	OPEC-12[4]	OPEC-11[4]	World
June	315	644	436	1,480	410	---		1,753	2,310	***2,702***	***3,013***	***3,013***	***7,752***
July	315	659	449	1,490	420	---		1,755	2,320	***2,730***	***3,043***	***3,043***	***8,045***
August	315	691	445	1,490	420	---		1,726	2,320	***2,730***	***3,043***	***3,043***	***7,986***
September	320	706	427	1,490	390	---		1,781	2,320	***2,735***	***3,048***	***3,048***	***7,816***
October	320	673	405	1,510	410	---		1,773	2,340	***2,765***	***3,078***	***3,078***	***8,048***
November	330	683	383	1,510	***391***	---		1,769	2,340	***2,775***	***3,088***	***3,088***	***8,105***
December	328	668	396	1,510	***396***	---		1,734	2,340	***2,778***	***3,086***	***3,086***	***8,108***
2006 Average	310	685	427	1,485	***408***	---		1,735	2,314	***2,714***	***3,025***	***3,025***	***7,948***
2007 January	341	662	411	1,510	***396***	---	E	***1,670***	2,376	***2,834***	***3,135***	***3,135***	***8,051***
February	340	703	405	1,510	397	---	PE	1,763	2,387	***2,842***	3,140	3,140	8,242
2007 2-monthly	340	681	408	1,510	396	---	PE	1,714	2,381	***2,838***	3,137	3,137	8,142

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

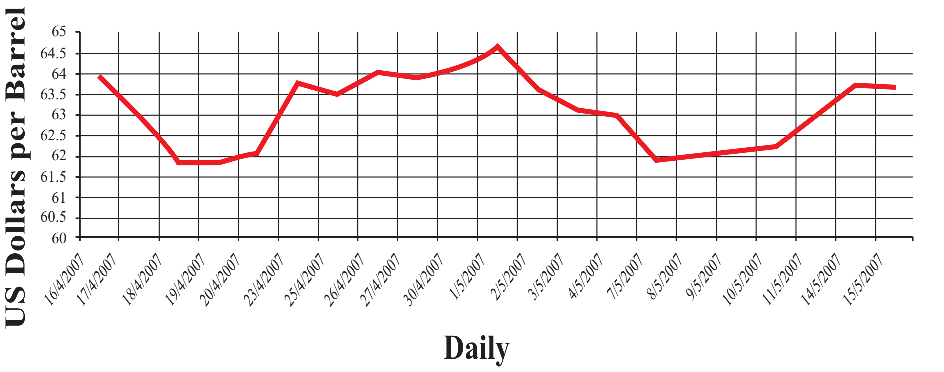
Source : EIA

Fig 2 Monthly Natural Gas Price



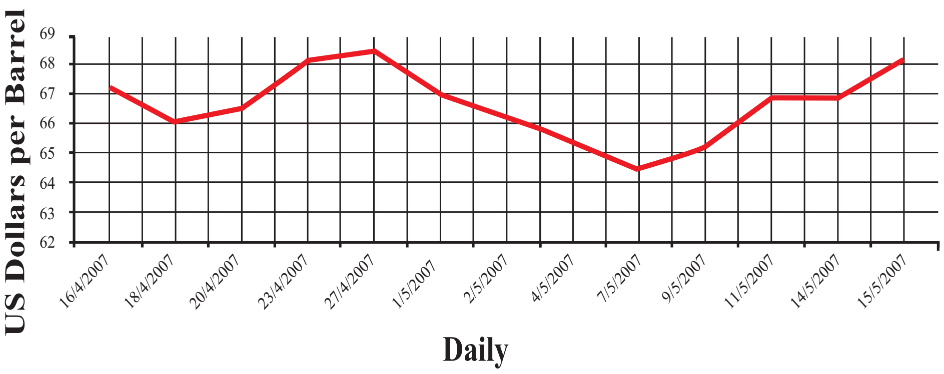
Source : Egypt Oil & Gas

Fig 3 OPEC Basket Price May/June



Source : Egypt Oil & Gas

Fig 4 Daily IPE Brent Price May/June



Source : Egypt Oil & Gas

Table 9 International Stock Prices Mid-May-Mid-June

International Stock	High	Low
Schlumberger (SLB) NYSE (US Dollars)	77.57	73.83
Halliburton (HAL) NYSE (US Dollars)	34.07	31.39
Exxon Mobil (XOM) NYSE (US Dollars)	81.25	77.41
Atwood Oceanics (ATW) NYSE (US Dollars)	67.29	59.49
Weatherford (WFT) NYSE (US Dollars)	54.95	48.25
Shell (RDS.A)NYSE (US Dollars)	72.22	69.12
Apache (APA) NYSE (US Dollars)	75.12	73.29
Baker Hughes (BHI) NYSE (US Dollars)	82.27	70.36
BJ (BJS) NYSE (US Dollars)	30.64	29.09
Lufkin (LUFK) NYSE (US Dollars)	64.90	57.35
Transocean (RIG) NYSE (US Dollars)	90.31	81.47
Transglobe (TGA) NYSE (US Dollars)	4.43	3.92
GlobalSantafe (GSF) NYSE (US Dollars)	66.93	61.74
BP (BP.) LSE Pence Sterling	581.00	557.50
BG (BG.) LSE Pence Sterling	761.00	724.00
Dana Gas (DANA) ADSM US Dollars	1.44	1.34
Caltex (CTX) ASX Australian Dollars	25.90	23.75
RWE DWA (RWE AG ST) Deutsche-Borse Euros	83.81	76.89
Lukoil (LKOH) RTS (US Dollars)	85.60	72.60

Source : Egypt Oil & Gas

Fahmy inaugurates INTERGAS 2007 Conference

Eng. Sameh Fahmy, Egyptian Minister of Petroleum, inaugurated the 4th International Conference and Exhibition for Oil and Gas (Intergas IV), which was attended by Mohamed Bin Dhaen El-Hameli, UAE's Energy Minister and President of OPEC, Sheikh Ali El Sabbah, Kuwaiti Oil Minister, and delegations from 49 states participating in the conference and the accompanying exhibition.

Fahmy stressed in his opening address on the importance of a unified Arab strategy in the domain of energy during the coming phase to cope with the international changes witnessed by energy markets.

He also confirmed the significance of the Middle East region in the oil industry in light of the existing reserves which represent about 75% of the world reserves of oil and gas. The minister noted that one of the successful models of the Arab cooperation is SUMED project to transfer oil, which involves Egypt, Saudi Arabia, Qatar, Kuwait, and UAE.

On his part, El-Hameli declared that petroleum supplies in the market are sufficient and OPEC is prepared to secure global demand needs with Non-OPEC countries. He also appreciated the special relations with Egypt, and asserted the existence of attracting and promising opportunities for the UAE's companies to invest in the petroleum industry in Egypt.

Commenting on oil production, El-Sabah stated that the petroleum market has witnessed proportional balance for over 4 months and that petroleum producing countries are keen to fulfill international demand needs, praising cooperation with Egypt in oil and gas fields and there are Kuwaiti companies which achieved success through their participation in several oil and gas projects.

Fahmy has also pointed out the new initiative of the petroleum sector to establish three major complexes to gather, receive, and transfer oil and natural gas in the Gulf of Suez, the Western Desert, and the Mediterranean regions in order to achieve three major objectives to speed up production and availing the suitable period for that, in addition to savings in capital costs and expenses recovered for the foreign partner, clarifying that the advantages of this project will benefit Egypt in terms of attracting international investments and signing more petroleum agreements contributing to bolstering oil and gas reserves and production.

After the opening session, the ministers inaugurated the accompanying exhibition which included 316 companies from

49 countries, and displayed the recent state-of-the art technologies applied in the oil and gas industry.

Weatherford "All Around you"

WEATHERFORD'S presentation at the Department of Petroleum & Mining, Faculty of Engineering, Cairo University was the start of an initiative that aims at offering opportunities for summer training and possible job offers for engineering students/graduates in the petroleum and mining field. The presentation was given by Said Zaki, Marketing Manager in Weatherford Egypt, who was accompanied by Isra Makki, Regional Recruitment Specialist, and Shahnaz Omar, HR and Administrative Services Manager in Weatherford Egypt. At the end of the presentation, all three have responded to questions from the students and some faculty members. Weatherford has also conducted the same presentation with a questions/answers session at the Universities of the Suez Canal and Ain Shams.

The presentation was packed with graduating engineers who listened and watched eagerly as a video on Weatherford's new initiatives and cutting edge technologies were presented. Zaki discussed the challenges facing the oil industry, pointing out the difference between the need for oil and the amount of oil available, as well as highlighting how Weatherford technology can help recycle and preserve the oil reserves that are rapidly depleting. He also discussed the growing gap between the number of engineers working in the oil field and the numbers needed to meet the industry requirements. He has noted that there are at present only 1,300 graduates in the petroleum and mining field per year, while the oil industry will have 30,000 job opportunities in the region until 2009. The students were certainly impressed with the statistics and one girl commented that it gave her hope of finding a job in her specialization, adding that, as one of the few women in the field, she was also impressed by the fact that Weatherford's representatives included two women.

As one of the leading oil field companies, Weatherford has the biggest server and is at the forefront of drilling technology and production cycles of oil and gas. The company also holds claim to some of the most cutting edge technology. It is first company to develop and install whip stock technology, as well as the first to apply managed pressure drilling in the Gulf of Mexico. Weatherford was the first company to develop mechanized rig

Said Zaki, Marketing Manager, during a presentation held at Cairo University

technology and the first to develop a permanent in-well seismic optical sensing system. It is also the only company that has run over 400 expandable sand screens around the world, and the only one that can offer all six forms of artificial lift. Weatherford is the only company that has monitored more than 70,000 wells real-time with optimization technology, and the only company that handles more than half of the world's tubular running programs in deepwater applications.

Weatherford boasts one of the largest international bases in the industry with 33,000 employees in more than 710 locations across more than 100 countries, with 85 manufacturing plants and 16 training and R&D facilities.

With seven locations in Egypt and many more branches worldwide, Zaki spoke of the opportunity a company like Weatherford could offer to engineering graduates. Zaki added that Weatherford appreciated the importance of upgrading equipment, but of even more importance was investing in employees who were the future of the oil industry. He emphasized Weatherford's desire for new blood and fresh talent, stressing that the company would not only allow the students to conduct training with the safest and most advanced technology, but that the company also had a program that recruited the most talented engineers. The job opportunities available in Weatherford in the region cover majors in petroleum, electrical, mechanical and chemical engineering. After the presentation ended, there was a buzz of excitement.

The students asked questions about their specific fields and seemed more than encouraged by what several students referred to as exciting opportunities.

Exercise Ra Atum VI – June 2007 – Port Said, Egypt -Mediterranean Sea

Ra-Atum Exercise

Pictures taken from 'Ra-Atum V' which took place in June 2005 at Sharm El-Sheikh

A key challenge for the protection of the Egyptian Marine Environment from oil spills is the provision and sustainability of a "credible oil spill response system".

To meet this challenge PESCo, in association with the industry, the Egyptian General Petroleum Cooperation (EGPC), the Egyptian Environmental Affairs Agency (EEAA) shall conduct a real-time "Major oil spill response exercise" in the vicinity of Port Said. This exercise shall reflect a realistic response to a major oil pollution incident. To oversee the development of the exercise a steering committee has been formed comprising of Industry personnel from a variety of Petroleum and maritime companies including decision makers from government agencies and port authorities.

This committee shall convene over several weeks. The concerned attendees take their environmental responsibilities seriously and through continued exercise programs will continue to strengthen the capabilities in Egypt. EGPC and EEAA have exerted great efforts in developing systems to deal with pollution incidents that may threaten vital coastlines in Egypt each having developed incident management systems. This exercise shall test these systems and move to enhancing a unified command structure. International organizations such as the International Maritime Organization (IMO), IPIECA, ITOPF, OCIMF, REMPEC, PERSGA, MOIG and others are being kept constantly updated on the Egyptian improvement to preparedness and response for oil pollution incidents.

Ra-Atum IV Oil Spill Response Exercise is the latest in the series of national oil spill response exercises organized by PESCo. The previous exercise 'Ra-Atum V' which took place in Sharm El-Sheikh during June, 2005 was a major success and highlighted to the international community Egypt's capabilities in oil spill response and environmental protection.

Through the dedication of government and industry cooperating together on initiatives such as these exercises the Egyptian environment is better protected.